



TOURISM MANAGEMENT, MARKETING, AND DEVELOPMENT

*PERFORMANCE, STRATEGIES,
AND SUSTAINABILITY*

Edited by
Marcello M. Mariani, Wojciech Czakon,
Dimitrios Buhalis, and Ourania Vitouladiti



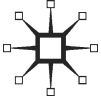
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Introduction

*Marcello M. Mariani, Wojciech Czakon,
Dimitrios Buhalis, and Ourania Vitouladiti*

The Tourism Industry Today

Tourism has experienced continued expansion and diversification over the last six decades, becoming one of the largest and fastest-growing sectors in the global economy, according to the United Nations World Tourism Organization (UNWTO, 2012). In spite of sporadic shocks, international tourist arrivals have recorded a virtually uninterrupted increase: from 277 million in 1980 to 1,138 million in 2014. The UNWTO estimates that international arrivals worldwide are expected to reach nearly 1.8 billion by the year 2030 (Tourism Towards 2030), resulting from an increase of 3.3 percent a year on average from 2010 to 2030. This shows how crucial the potential impact of tourism on individual destinations and companies is expected to be in the forthcoming years.

Many factors, such as (1) development of mass transportation and motorization; (2) introduction and implementation of information and communication technologies (ICTs) applications in the tourism sector; (3) world's gross domestic product (GDP) increase coupled with the growth of disposable income to be allocated to travel; (4) improvement of security and rights for tourists; and (5) the process of globalization, have significantly contributed to expand the market for tourism activities (Mariani and Baggio, 2012; Mariani et al., 2014a, 2014b).

The abovementioned and other factors vastly contribute to shaping a different institutional landscape and economic environment for a number of commercial players, such as hotels, airlines, destination management companies (DMCs), and travel intermediaries, such as travel agents and tour operators, conference venues, congress, convention and exhibition centers, convention bureaus, professional conference organizers (PCOs), and event planners. Moreover, firms in the tourism sector are confronted with increasing managerial challenges and have to deal with a competitive, turbulent, and fast-changing environment (Baggio et al., 2013; Mariani et al., 2013; Mariani et al., 2014b), wherein the adoption of new ICTs has contributed to modify the value chains of the supply side and generated a paradigm shift on the demand side (Buhalis and Law, 2008; Mariani et al., 2014b).

Purpose of This Book

The growing importance of tourism as a socioeconomic phenomenon, together with the understanding that even apparently profitable tourism firms and destinations endowed originally with the best natural and cultural assets cannot survive the escalating international competition without good managerial practices (Crouch, 2011), has provided a significant momentum for the development of tourism management as a discipline over the last thirty-five years.

In order to enrich the ongoing debate, the European Institute of Advanced Studies in Management (EIASM) organized the EIASM International Conference in Tourism Management and Tourism Related Issues. The first four editions of the conference proved very successful, with more than 250 papers submitted. After an accurate double-blind reviewing process, a very limited number of articles were accepted for presentation at the conference.

This book provides an overview of state-of-the-art research in tourism management, by including 12 chapters from a diverse group of international academics, namely some of the best papers that have been presented at the aforementioned conference (in particular the second and third editions). More specifically, the volume displays three key distinctive features.

First, it recognizes the relevance of tourism as a major economic driver, especially during periods of economic crisis.

Second, it contributes to the advancement of managerial knowledge and practice in the fast-growing tourism sector, by addressing a wide range of research questions with a specific focus on the role of performance and strategies at the destination and company level, and sustainability.

Third and last, the volume is the outcome of the collective intellectual efforts of a number of international scholars, with dissimilar geographical roots and backgrounds. They cultivate original research on tourism management from a variety of theoretical perspectives, by adopting different epistemological paradigms and research methodologies or techniques, and multiple methods (theory building, experimental, and inductive case-based inquiries).

The Book's Audience

This book provides a number of relevant perspectives within the tourism management field and brings about fresh empirical evidence of such fast-changing business dynamics as those pertaining to tourism activities. While the scientific body of literature mostly available in the form of journal articles on performance, strategies and sustainability is growing substantially, the books related to tourism have generally dealt with the aforementioned topics by relegating them to a few chapters in standard textbooks. This book instead is a collection of chapters, built upon robust research. As a consequence, it targets a wide range of readers: tourism scholars and

academics, practitioners and managers willing to explore new issues and topics in the tourism sector, and students at the undergraduate and graduate level in tourism programs. Courses on tourism management are likely to use most of the materials contained in this book as supplementary readings and to provide real examples from tourism around the globe. It is important to notice that the contributions discuss issues for a wide number of countries; so there are no special “geographic” limitations.

The Research Object: Performance, Strategies, and Sustainability

State-of-the-art research recognizes the importance of performance, strategies, and sustainability in tourism management at both the individual company and destination levels.

The importance of the aforementioned themes can be easily assessed by a simple Google search. For instance, a quick run using circumlocutions such as “tourism strategy” yields some 135 million results, and a search using terms such as “sustainable tourism” generates some 16 million results.

While the use of terms such as “strategy” and “performance” physiologically generates more results, as these words have a long and established use in the tourism sector at both the policymaking and individual business levels (very much like in many other sectors), the “sustainability” aspect has been gaining momentum only in the past two decades.

For many years, the prevailing paradigm in management studies has been focused on one aspect: any business in any industry should achieve a sustained competitive advantage, outperforming rivals (Porter, 1985) with the aim of maximizing its profits. Kim and Mauborgne (2005) more recently have argued that companies can succeed not by battling competitors, but rather by creating “blue oceans” of uncontested market space through innovation strategies. Unlike competition-based strategies assuming an industry’s structural conditions to be a given, and that firms are forced to compete within them like sharks in a “red ocean” (what strategy scholars term as the structuralist or environmental determinism view), they maintain that innovation strategies can create a leap in value for the company, its buyers, and its employees, while unlocking new demand and making the competition irrelevant.

Globalization processes intensify international competition between destinations and companies. At the destination level, competition is becoming more relevant (Karlsson et al., 2010) as new emerging destinations are undermining the market share of more established destinations (UNWTO, 2015) The same applies to tourism companies, which are confronted with an increasing number of rivals and a profound change in the intrinsic structure of the supply and demand side due to the massive incorporation of ICTs (Buhalis and Law, 2008; Mariani et al., 2014b).

More and more firms also realize that globalization generates new opportunities for collaboration among enterprises willing to compete internationally (Mariani and Kylanen, 2014; Mariani et al., 2014a). This is the reason why networks and inter-organizational relationships are becoming more relevant for small and medium co-located companies (Baggio et al., 2010). Additionally, tourism firms remain in acute interdependence and complementarity of offerings (Wang and Fesenmeier, 2007), which opens ways for collaborative value creation (Selin and Chavez, 1995). A tension between collaborative and competitive behaviors emerges, making strategies of tourism firms much more complex than those in broad management literature (Kylanen and Mariani, 2012; Wang, 2008). This tendency is particularly relevant in tourism destinations wherein competing tourism businesses have also to cooperate with the aim of marketing a tourism destination and strengthening its brand image in order to attract more customers in the area (Kylanen and Mariani, 2012; Kylanen and Rusko, 2011; Mariani and Kylanen, 2014; Wang and Fesenmeier, 2007). In this context the role played by Destination Management Organizations (DMOs) such as Convention and Visitors Bureaux (CVBs) is irreplaceable for a destination to increase its competitiveness (Pike and Page, 2014; Mariani et al., 2014a, 2014b).

Furthermore, in the second half of the 1980s the concept of sustainable development was introduced in *Our Common Future*, also known as the Brundtland Report, conducted by the World Commission on Environment and Development (1987: 41). The report defined sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:

- the concept of needs, particularly essential needs of the world’s poor, to which overriding priority should be given, and
- the idea of limitations imposed by the state of technology and social organization on the environment’s ability to meet present and future needs”.

Since the Brundtland Report, a significant number of studies in social sciences have tackled the importance of environmental and ecological issues in different industries. It is however starting from the first half of the 1990s only that tourism studies have been conducted on the theme of sustainability (Bramwell and Lane, 1993), with the creation in 1993 of a scholarly outlet specifically dedicated to the subject: the *Journal of Sustainable Tourism*.

Later and starting from the second half of the 1990s, tourism management literature has recognized that economic actors (be they individuals or organizations) should be concerned not just with financial performance but also with social and environmental/ecological performance. This is the intrinsic meaning of the triple bottom line (TBL) framework introduced by John Elkington (1997). While the TBL perspective has not necessarily been referred to explicitly in the tourism management literature until 2000, the importance of striking a balance between financial, social, and environmental aspects has been always paramount in tourism studies (see Butler, 1999; Hunter, 1997; Lawton, 2009; Molina-Azorin et al. 2009).

Interestingly, more and more destinations and companies in the tourism sector are looking for a “green way” to manage their activities as they are becoming

increasingly aware of the fact that environmental performance is crucial, and it can be used also to gain a better reputation. Accordingly, environmental management systems (EMS) have been developed over time in many sectors (Alberti et al., 2000; Bansal and Hunter, 2003; Buysse and Verbeke, 2003; Gadenne et al., 2009; Henriques and Sadorsky, 1999; Wagner, 2007) and have been analyzed, also in an emerging stream of sustainable tourism literature (Blanco et al., 2009; Chan and Hawkins, 2010, 2012; Williams and Ponsford, 2009). Building on influential, early theoretical contributions on sustainable tourism (Butler, 1997; Hunter, 1997), scholars have been developing normative frameworks in order to help managers implement an approach balancing long-term performance with sustainability (Castellani, 2010; Farrell and Twining-Ward, 2005). Furthermore, detailed empirical evidence has been provided on the hypothesized tension between sustainability efforts and tourism firms' performance (Buckley, 2012; Pulido-Fernandez et al. 2015).

Structure of This Book

As the result of a joint effort of a group of international scholars, this book's chapters include original research on tourism management from a variety of theoretical perspectives and display different epistemological paradigms and mixed research methodologies and techniques.

The volume blends strategies, performance, and sustainability issues as intertwined aspects in a number of the cases analyzed. For instance, strategies at the tourism destination level can affect the strategies and performance of individual companies operating within the destination. Equally, the presence of a profitable hospitality and tourism industry can improve the competitiveness of the tourism destination. Moreover, ecological sustainability can be adopted by tourism companies and destinations as a strategy to differentiate their offer. A competitive advantage can thus be achieved because tourist markets interested in sustainable tourism products/services/destinations might be willing to opt for sustainable products/services/destinations and pay a premium price for them. This demonstrates how interlinked all these concepts are and how they influence each other.

The first eight chapters analyze strategies and performance (and their multiple and complex relationships) without necessarily explicitly addressing the environmental dimension of sustainability but focusing on sustained competitiveness. The last four chapters embrace a wider definition of sustainability by explicitly illustrating and assessing the environmental dimension and its impact on sustained competitiveness.

We briefly describe the contents of the chapters as follows.

Chapter 1, "The Separation of the Naïve from the Reevaluated Destination Image by Using Benefit Segmentation and the Analysis of the Resulting Perceptions," by Ourania Vitouladiti, contributes to the increasing body of research on the tourism destination image (TDI), by separating and comparing the naive image, that is, the destination image held by tourists before the trip, with the reevaluated image, that is, the destination image held by tourists upon completion of the trip. The

chapter suggests that the visit affects image perception among and within the tourist segments, which are structured according to the benefits the tourists sought. The cognitive characteristics appear to be affected in a negative way and this generates guidelines for the strategy and performance of the destination, especially in terms of destination marketing and investment priorities.

The objective of chapter 2, "Forecasting Tourism Flows from the Russian Federation into Mediterranean Countries," by Kirill Furmanov, Olga Balaeva, and Marina Predvoditeleva, is to investigate the trends in outbound tourism from the Russian Federation to the countries of the Mediterranean region. After discussing a number of forecasting quantitative analysis techniques, the authors provide short-term forecasts of Russian travelers' tourism flows to Mediterranean countries, namely Cyprus, Egypt, France, Greece, Israel, Italy, Spain, Tunisia, and Turkey. The authors suggest that the idea of jointly modeling tourism flows to different destinations might have a wide range of implications and should be tested on data from other destinations and countries of origin. The results may be used not only for forecasting purposes but also to provide insights into the processes that drive tourism demand, for example, studying the substitution effects between destinations. This aspect has potential in order for individual destinations to craft better destination marketing strategies and increase their performance in terms of tourist arrivals and tourism expenditure.

Chapter 3, "Entrepreneurship and the Discovery and Exploitation of Business Opportunities: Empirical Evidence from the Malawian Tourism Sector," by Aravind Krishnan, investigates how entrepreneurs from the Malawian tourism sector discover and exploit business opportunities. After recognizing that Malawi, like other sub-Saharan African countries, displays a difficult business environment and poor promotional and marketing efforts, the chapter examines the role and importance of prior experience and business networks in the opportunity development process. Interestingly, it seems that the entrepreneurial team might have a negative impact on a new venture's prospects and performance by leaving entrepreneurs to navigate the troubled waters of the external environment alone: indeed after helping set up firms, several members of the entrepreneurial team left to create their own firms or pursue personal interests.

Chapter 4, "Saint Petersburg as a Tourist Destination: Searching for the Gastronomic Brand," by Valery Gordin and Julia Trabskaya, analyzes gastronomy as one of the components of destination brands. The authors examine the possibility for a territory that lacks its own strongly defined cuisine to create a gastronomic brand in order to increase its appeal as well as performance in terms of inbound tourism flows. The research was conducted in St. Petersburg, Russia, and illustrates how this location can serve as a test case for creating a gastronomic brand in a city that lacks its own pronounced cuisine or typical local food products. The results of the research show that a possible method of building a gastronomic brand for such a destination is to build on its cultural and historical heritage and assets.

Chapter 5, "Internal Features and Agglomeration Externalities for the Hotels' Competitiveness in Emilia Romagna," by Cristina Bernini and Andrea Guizzardi, investigates to what extent hotels' productivity and efficiency are affected by internal firm characteristics and agglomeration externalities related to the municipality

in which the hotel operates. The authors estimate a stochastic frontier model in which localization and urbanization indicators are introduced in both the production frontier and the inefficiency model. As a case study, a large sample of hotels operating in Emilia Romagna, Italy, is considered. The results provide support for positive agglomeration externalities on both the production frontier and on technical inefficiency. In particular, inefficiency is determined to be related primarily to the tourism product offered by the destination, the presence of large enterprises, and the concentration of accommodation activities, whereas no urbanization diseconomies have been detected.

Chapter 6, “Tourism Destination Competitiveness and Firm Performance through a Financial Crisis: An Empirical Analysis of the Italian Hotel Industry,” by Lorenzo Dal Maso, Giovanni Liberatore, and Marco Fazzini, aims to investigate whether Italian regional tourism destination competitiveness affects the performance, that is return on assets (ROA), return on sales (ROS), and earnings before interest, taxes, depreciation, and amortization (EBITDA) margin of firms operating in the Italian hospitality industry. In this study, the relationship between a tourism competitiveness index composed of 18 pillars and corporate performance indicators, before and after the outbreak of the financial crisis of the year 2007 is investigated. The findings reveal that there is a relation between hotels’ profitability ratios and regional competitiveness; this is also true during an economic downturn. However, the negative coefficient reported by the return on assets reveals that managers are not able to use company assets efficiently to generate profit during crisis periods. This is mainly due to hotel managers’ price discount policies. In fact, the higher the competitiveness of a destination, the higher the competition resulting in price wars and lower level of profitability for hotels regardless of the change in local destination competitiveness. Nevertheless, the results support the need for local authorities to increase local competitiveness to generate long-term destination attractiveness.

Chapter 7, “The Role of Institutions in Interorganizational Collaboration within Tourism Regions: The Case of Poland,” by Katarzyna Czernek and Wojciech Czakon, identifies those tourism collaboration barriers that resulted from maladjustment of formal and informal institutions in Poland together with its transition from a communist to a market economy in the early 1990s. By leveraging the new institutional economics’ framework, the chapter further explains development problems in post-Communist transition countries where informal institutions lag behind the formal ones. The empirical study focuses on collaboration strategies in a tourist region comprising five municipalities located in the south of Poland: Szczyrk, Wisła, Ustroń, Brenna, and Istebna.

Chapter 8, “The Role of Partnerships in Staging Tourist Experiences: Evidence from a Festival,” by Marcello M. Mariani, elaborates on the concept of experience economy by providing insights on the relevance of partnerships between DMOs in order to stage memorable tourism experiences. More specifically, it describes how a cooperative venture including spatially co-located Italian DMOs has led to the development of a brand-new tourism product able to unify and corroborate the image of a wider destination. The case analysis focuses on the Pink Night festival, a thematic event conjointly organized and promoted by municipal DMOs located in

one of the most popular Italian coastal destinations: the Riviera di Romagna. The chapter enriches traditional tourism experience frameworks by suggesting that the partnerships and collaborating strategies between DMOs can empower the absorptive capability of the tourist experience, thus contributing to reinforce the entertainment and educational aspects of the tourist experience itself. Last but not least, the chapter links the experience staged by a set of destinations to their comprehensive image.

Chapter 9, “Toward a Sustainable Tourism,” by Malgorzata Ogonowska and Dominique Torre, reviews in a novel way the work on sustainable tourism and illustrates empirical examples in a brand new research framework. Building on the observation that tourism sustainability can be adopted by tourism companies and destinations as a strategy to vertically differentiate their offer, the chapter suggests that the sustainable tourism literature might probably split in future years into two different streams. The first could consider the dynamics of the development of sustainability in the supply of tourism services. These dynamics involve two segments—one offering traditional services, and the other offering sustainable services—and two types of clients. With the increase in size of the second segment, the dynamics will change into one pooling offer of services able to fulfill sustainability requirements and maintain the quality of traditional offers. The second direction will develop around the redefinition of the actors involved in the tourism industry.

In chapter 10, “Sustainable Tourism Development through Knowledge Transfer,” by Lucie Petrickova and Jana Kalabisova, attention is devoted to innovation vouchers. Innovation vouchers are aimed at small and medium enterprises (SMEs) looking to buy output from knowledge providers. It enables them to focus on their own entrepreneurial activities while research organizations supply the necessary knowledge for business innovation. Cooperation strategies based on such an approach subsequently strengthen their competitiveness. In addition, this tool has a variety of other benefits, such as the elimination of barriers between academic and business spheres. This type of cooperation is supported by the public sector at the regional level in the Czech Republic. The chapter presents the results of such a project, supported by the Business Development Agency of the Karlovy Vary Region. The aim of the project was to carry out an internal and external analysis of an examined provider of accommodation services and to propose a suitable strategy based on innovation of product, process, and services with respect to the long-term goal of the provider—increasing number of guests during the low season. The chapter gives a detailed description of the knowledge transfer from the Institute of Hospitality Management in Prague, acting as a knowledge provider, to a provider of accommodation services representing the business sector. A proposal for the innovation process is devised as a result of the knowledge transfer.

Chapter 11, “Entrepreneur’s Experiences, Motivations, and Sustainability of Tourism,” by Ornella Papaluca and Mario Tani, analyzes seven tour operators, three socially oriented and four traditional ones, selected from the members of the Italian Association of Responsible Tourism. The aim is to look at the influences that different motivations and different past experiences can have on the factors considered by these operators in creating their travel packages. The findings show that when a player has a stronger social orientation as the main driver of starting his enterprise, he will try as well to create stable relationships with local area

stakeholders. Cooperating year after year can support a sustainable development process in the local area, taking into account not only individual goals but those of all stakeholders. However, even the entrepreneurs with a motivation tightly linked to sustainable development are usually unable to effectively engage a broad set of stakeholders in their product design phase. The analyzed cases show that those players who have started up their enterprises after some experience in social activities or in the third sectors do try to understand the consequences of their actions. However, they do not actively monitor sustainability while designing the bundle of services while the others try to include sustainability among the things they are factoring in the design phase. Focusing on these operators without these previous experience, we find that an approach to sustainability does not manifest in the control phase but is present in the design phase.

Chapter 12, “The Adoption of Environmental Management Systems by Shelters” by Sophie Gorgemans and Josefina Murillo-Luna, focuses on high-mountain shelters and set out two objectives. First, it explores the determinants of environmental management systems (EMS) implementation and certification and the environmental impact of shelter activity. Second, and after illustrating some experiences undertaken in Europe in this regard, the authors focus on the Spanish case to empirically investigate two aspects with opposite effects on this decision: the motivations that could serve as a stimulus for implementing environmental practices in shelters and the barriers or obstacles that could hinder these efforts. The findings show that although the implementation and certification of EMSs is a new subject for Spanish shelters the pioneer Aragonese shelters show an active commitment to environmental management, as is evident from the practices that they have already adopted to protect the natural environment. They show a proactive approach trying to meet the demands and requirements of a broader group of stakeholders, instead of a reactive approach that merely seeks compliance with environmental legislation and avoidance of penalties. As far as barriers are concerned, the first notable result is that some of the barriers that theoretical literature recognizes do not seem to represent an obstacle for the adoption of environmental practices by shelters, especially the internal barriers related to human resources and the external barriers arising due to the lack of guidance and certifiers or verifiers. It could explain the willingness of shelter guards to implement EMSs. Among the internal barriers, the high cost of investment associated with the implementation of EMSs in terms of financial resources is remarkable. It confers a high opportunity cost to EMS investment decisions, and in the opinion of the shelter guards there are other activities that require more immediate attention. With regard to external barriers, the shelter guards agree on the excessive bureaucracy and high cost associated with the implementation and certification process, in addition to the excessive time required.

Conclusion or Further Research Agenda?

Through the study of a variety of cases, situations, and contexts described and discussed in the book, several common themes emerge. The first one is the importance

for any tourism destination (be it a country, a region, or a municipality) and any tourism company to leverage managerial and marketing strategies and tools that might enable them to cultivate and maintain a sustained competitive advantage in the current economic environment. This has been termed by the strategy management scholar Richard D'Aveni as "hypercompetitive," (that is an environment where a competitive advantage is threatened constantly over time (D'Aveni, 1994).

Second, performance, which is a multifaceted construct, cannot be confined just to the economic dimension but should also incorporate the environmental dimension. In a world where natural and environmental resources are subject to progressive and sometimes irreversible consumption and deterioration, any industry, and tourism in particular, cannot overlook ecological issues. The recognition that it is not possible to push for growth at all costs anymore is paramount, especially in the tourism sector, and it is driving companies to embrace sustainability, go green, and adopt EMSs.

Last, the effectiveness of management, marketing, and development strategies and tactics at both the tourism destination and individual company level should rely on sound cooperation between the public and private stakeholders within a destination and across destinations. Public sector and industry stakeholders as well as the education sector must pool minds, efforts, and financial and non financial resources and recognize the relevance of industry leaders in order for tourism destinations and companies to achieve higher competitiveness and improve the financial, social, and environmental performance of the destination.

Many of the aforementioned themes need more investigation, and this book provides a first crucial step in contributing to lay down a challenging research agenda for tourism management studies.

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Chapter 1

The Separation of the Naïve from the Reevaluated Destination Image by Using Benefit Segmentation and the Analysis of the Resulting Perceptions

Ourania Vitouladiti

1. Introduction

There is a consensus among authors and researchers regarding the importance of the tourism destination image (TDI), since it affects an individual's subjective perception and behavior as well as destination choice (Ashworth and Goodall, 1990; Bigne et al., 2001; Chon, 1991, 1992; Echtner and Ritchie, 1993; Mansfeld, 1992; Stabler, 1988; Telisman-Kosuta, 1989). Destination image has become a very important issue in tourism marketing research, since many countries use promotion and global marketing to support their image and to compete with other destinations (Kamenidou et al., 2009).

This chapter, considering the importance of TDI and the significance of separating the two aspects of the image, is organized as follows. Section 2 incorporates the theoretical background, analyzes the notion of image and its two main typologies, and underlines the significance of their possible separation for marketing research. It expands on identified market segments based on benefit segmentation criteria, characterized by a mixture of motivations and desires. These elements allow for the formation of this chapter's hypotheses. The market segments are used as the sample for the empirical analysis, whose methodology (including the description of the questionnaire) is presented in section 3. Section 4 portrays the research findings based on descriptive statistics and ANOVA analysis. Section 5 contains the concluding remarks and implications of the study. The final section, 6, elucidates the limitations of the study and sets an agenda for future research.

2. Theoretical Background

The majority of researchers have focused on the effects of TDI on consumer buying behavior (Alhemoud and Armstrong, 1996; Chen and Hsu, 2000; Crompton, 1979; Dadgostar and Isotalo, 1992, 1995; Dann, 1996; Gartner, 1993; Goodrich, 1978; MacKay and Fesenmaier, 1997, 2000; Mayo and Jarvis, 1981; Tapachai and Waryszak, 2000). Fewer scholars have underlined its impact on positioning and promotion (Baloglu and Brinberg, 1997; Baloglu and McCleary, 1999; Calantone et al., 1989; Chen and Kerstetter, 1999; Govers and Kumar, 2007; Walmsley and Young, 1998).

Taking into account all the above approaches, it is evident that image is considered a vital marketing concept in the tourism industry and is inextricably linked to the success of a tourism destination. Several researchers and scholars, in an attempt to define image, started considering the concept of image mostly as a visual or mental impression of a place (favorable or unfavorable), or as the sum of beliefs and ideas held individually or collectively (Dichter, 1985; Embacher and Buttle, 1989; Hunt, 1975; Kotler et al., 1996; Milman and Pizam, 1995; Parenteau, 1995).

Two main typologies concerning TDI can be identified. The first typology, which analyzes the image perceived before experiencing the destination, is called naïve image or the secondary (Phelps, 1986). It is considered the static element of the image, because it is formed on the basis of several secondary information sources. The second typology, the reevaluated or primary image, is formed after visiting the destination. It is believed that the actual visit creates a more realistic image than that existing prior to visit (Tasci and Gartner, 2007). This type of image is considered as dynamic, because it incorporates the experience itself.

Selby and Morgan (1996) have noted that the possibility of separating naïve from reevaluated images will indicate the priorities for action in terms of marketing and investment priorities. Especially, they suggest that when this procedure includes also the study of possible alterations between types of images, it could offer implications for destination marketing.

According to Vitouladiti (2014), there is an inextricable link between image typologies and tourism marketing. She underlines that the reevaluated image can be considered as the basis for an effective implementation of tourism marketing strategies and as a variable that interacts with all the marketing components.

There are no empirical findings that define a reevaluated image's characteristics and indicate possible differences from the naïve. The findings in the literature are, basically, theoretical and relate to opinions and thoughts (Baloglu and McCleary, 1999; Echtner and Ritchie, 2003; Fakeye and Crompton 1991; Gartner and Hunt 1987; Pearce 1982; Phelps 1986). Beerli and Martin (2004) supported the idea that experience is attracting a growing research interest, since it is considered a very good index of tourist needs, motivation, satisfaction, and tourism market segmentation.

Separating these two images and recording their differences is the only way to test the impact of the experience, to show the benefits for the field and to offer

implications for tourism marketing management. However, this effort could be more effective if this separation is achieved by recording the opinions of the target markets, which combine a set of characteristics and are considered as vital for the destination.

2.1 Tourism Market Segmentation, Benefit Segmentation, and Destination Image

Regional tourism development and the delivery of various tourism products and services, in accordance with the principles of tourism marketing, should take into account that: (a) the tourism market consists of different tourist groups and (b) every tourist or each segment of the tourist market is a different entity, characterized by a mixture of subjective experiences, motivations, and desires.

Segmentation provides knowledge that can help develop strategy. Cooper et al. (1993) argue that in the minds of those who belong to the same market segment (e.g., same social group, education, and lifestyle) are likely to exist similar images of a certain travel experience. A careful study of the existing clientele can indicate the variables of a destination that mostly appeal to it and might guide marketers to offer a more desirable product. In addition, travelers shaping the markets are those who compare the advantages and disadvantages of competing destinations. Therefore, they are the best source of information not only about the image of tourism products and services but also to characterize the competitors' image.

Moreover, the target markets are image makers because they contribute to the formation of the naïve image. Specifically, after the visit, the reevaluated image could serve as a secondary information source for the future travelers. The market segmentation can be based on socioeconomic criteria such as age, income, education level, among others, but also psychographic criteria such as needs, motivations, desires, and so on. In practice the selection of target markets is a complex study and requires critical analysis of all the above (Mohsin, 2004).

There are a lot of techniques of segmenting markets. Nevertheless, as marketing faces increased competition, the segmentation techniques have to increase their effectiveness and efficiency. The segments that combine several characteristics are of great importance, because they reflect a real representation of the market. The image formation process, as perceived by such market segments, reveals aspects that can be used as a basis for management and marketing strategies.

In this context, a segmentation technique that has attracted an increasing interest throughout the years is that of benefit segmentation. Benefit segmentation has long been considered an effective means of grouping tourists based on their attitudes toward services and products. In benefit segmentation, tourists are characterized according to the benefits they seek from their purchases. It is a market-oriented approach consistent with the modern marketing concepts (Lewis, 1995). Benefit segmentation can combine benefits sought, attitudes, motives, needs, desires, and the demographic characteristics.

It is considered that individuals perceive products and services in terms of bundles of benefits or attributes (Kotler et al., 1996; Morgan, 1995). They buy a bundle

of benefits (Mill and Morrisson, 1985) and the relative importance of each benefit or attribute varies (Mayo and Jarvis, 1981).

The likelihood of buying a product is determined by the extent to which the individuals perceive the product to contain sufficient benefits to satisfy their needs and also to the extent that the satisfaction of those needs is important to them (Mill and Morrisson, 1985). As Kotler (2000) suggests, knowledge of the benefits sought by tourists let us know what to offer and promote in order to attract specific target markets.

Identifying homogenous subsets of customers for particular geographic markets and linking particular product benefits for specific groups allows managers to develop more strategically targeted products and campaigns. Target markets must be measurable, accessible, substantial, actionable, and differentiable (Kotler et al., 2002).

2.2 Identified Market Segments

According to Dolnicar (2008: 147), “a wide variety of alternative techniques can be used to identify or construct segments. Approaches range from simple common-sense segmentations to multidimensional data driven approaches where a set of tourist characteristics is set as a basis for grouping.” A study conducted by Vitouladiti (2012a) combined one of the simple approaches (demographic characteristics) with a data-driven approach (important benefits sought by the visitors) in order to create market segments and achieve a deeper understanding of the various segments which characterize the evolving tourism environment.

In this previous research study (Vitouladiti, 2012a), based on benefit segmentation techniques, five distinct tourist segments were identified according to their ranking of importance choice criteria and benefits sought from their vacations. That study was based on the population sample and sampling method, which is also used in this chapter and will be presented in the following sections.

The study implemented hierarchical cluster analysis in order to transform the importance choice criteria and benefits sought into bundles and K-means clustering algorithm was used in order to identify the market segments according to their criteria and benefits. The identified segments were five in total, their naming and descriptions are listed below (Vitouladiti, 2012a). It must be noted that the naming of the segments embodies a certain level of subjectivity.

Profile of Segments, Comments, and Discussion

Segment 1: Service Oriented at a Value

The more sizable group, with 27 percent of respondents, includes mostly middle aged, middle class, and average- to low-income vacationers, with secondary level of education or higher technical education. They are very interested in service, relaxation, and value for money.

Segment 2: Exploration, Service, and Tranquility Oriented

A group that represents 18 percent of respondents consists mainly of older vacationers, 55+, and together with segment 5 displays the higher percentages of university level and higher technical education. They usually have middle to high incomes. They are the most exploration oriented, and want to know and explore their vacation destination. Fun, action, and status are low importance criteria for them. They are quiet, have little interest in sunbathing, seek tranquility, and are interested in services.

Segment 3: Service, tranquility, and nature oriented

A segment that represents 17 percent of respondents consists mostly of middle age to older ages, 45–54 and 55+, displays high percentages of university level and higher technical education. Together with segment 2 represent the more affluent segments of visitors. They seek tranquility more than the others, are the most service oriented, they rate the unspoiled physical environment and clean sea among the most important criteria. Together with segment 2 they are interested in exploring the destination.

Segment 4: Fun and Relaxation Oriented at a Budget

This segment represents 21 percent of respondents. They consist mostly of younger vacationers, mostly under 34, and almost half of them, 47 percent, has lower/secondary education. They are considered working class youths, low income, budget bound, special offers seekers, probably the least loyal clientele. Their main goal is fun and relaxation with little interest in exploration and sport activities. However, the bundle of service is important for this segment as well.

Segment 5: Relaxation, Sunbathing, and Activity Oriented at a Budget

This segment represents 18 percent of respondents, they consist mostly of younger vacationers, mostly under 34, and almost half of them, 41.8 percent, have university education. They are considered middle-class youths, with a high percentage of university and college students, budget bound, and special offers seekers but with a weak interest to explore.

From the above analysis specific conclusions emerged (Vitouladiti, 2012a). Initially, the findings of the previous research paper identified the existence of the established markets, as it would be expected. Specifically segments 1, 4, and 5 that are considered the classical clientele for Mediterranean destinations. This observation validated the reliability of the implemented methodological approach.

The description of these segments also revealed that these “classic” market segments have evolved in their demands and priority criteria (especially service). However, it seems that the prevalent perception of these segments has not evolved accordingly over the decades, remaining simplistic and stuck on the sea, sun, and sand model.

Additionally, the study revealed two new and distinct segments, namely 2 and 3, that represent a significant percentage of visitors (35%), who are the more affluent, well-educated, and clearly service oriented. Specifically, they rate as important benefits the exploration of their vacation destination, the nature, and tranquility. The benefits of the typical Mediterranean model of the 3S (sea, sun, sand) seem to be of less importance.

These segments can be considered “unknown” and never targeted through specific marketing efforts. In a similar fashion, the evolved and differentiated characteristics of the classical markets remain unnoticed and therefore have not been addressed by marketing mix variables (Vitouladiti, 2012b).

Together with the increasing competition among tourist destinations, another trend is identified: the modification of the target markets for established tourism destinations. Classical target markets are changing and at the same time new target markets are emerging. Their perception of the destination’s image variables, in relation to the importance they attach to them, is vital for the marketing and management strategies of destination management organizations (DMOs) (Mariani et al, 2014). The novelty of the current study is that it uses the perceptions of these target markets (the classical and the new ones) in order to separate the naïve from the reevaluated destination image and provides further empirical evidence on the assumption that experience is vital to the formation of the image.

Objectives And Hypotheses of the Study

Based on the literature review illustrated in the previous section, we have set the objectives and formulated our hypotheses. Specifically, the objectives are the following:

1. To deploy the identified segments of tourists, based on the importance of benefits sought in their holidays, in order to record the naïve and reevaluated image.
2. To use the identified segments of tourists, based on the importance of benefits sought in their holidays, in order to separate the naïve from the reevaluated image.
3. To record the differences in perception within and among the identified segments.

To separate or distinguish the two images, we have to check the existence of differences between them, according to the target segments’ opinions on two levels: within every segment and among all the segments.

In order to achieve the objectives of the study the following hypotheses are developed and tested. Specifically:

A. The general statement of the hypotheses is:

H0: The reevaluated image does not differ significantly from the naïve within every identified segment

vs.

H1: The reevaluated image differs significantly from the naïve within every identified segment.

B. The general statement of the hypotheses is

H0: There are no significant differences among the identified segments, concerning the means (reevaluated—naïve) of the image variables.

vs.

H1: There are significant differences among the identified segments concerning the means (reevaluated—naïve) of the image variables.

3. Empirical Setting and Methodology

Empirical Setting and Research Design

The research subject demanded accuracy and a quantitative approach. The quantitative data collection took place in the tourism destination of Corfu island. The main markets for the island are the Britain and Germany. These target markets are the same as the national ones, allowing for the island to serve as a miniature of the Greek tourism destination. The traditional target market is historically the British, so the nationality of the sampling population was decided to be British.

Sampling and Data Collection

The sample was stratified (probability sample). The island was divided into three areas: north, central, and south. Each area is represented by hotels from all categories by random sampling. Since the boundaries of the areas were known, they were defined as strata. The members of the sample were also chosen by random sampling in all the selected areas, hotels, and accommodation types and were first-time tourists (a feature that was considered necessary for the fulfillment of the study objectives).

Each member of the sample was administered a first questionnaire (Questionnaire A) upon arrival in order to be completed upon the arrival day, and a second questionnaire (Questionnaire B) the last day of their vacations. The goal was, through the first questionnaire, to record the naïve image, while with the second questionnaire to record the reevaluated image.

Sample Size

The final sample size was 376 British first-time tourists. This sample size ($n=376$) gives a statistical error ($e\approx 5\%$) (level of significance $\alpha=0,05$, level of confidence 95%).

Profile and Description of the Sample

The sample was balanced with sufficient representation of all demographic groups. Female respondents represented 57 percent (216 people), male respondents represented 43 percent (160 people) out of a total of 376. Regarding age categories, 44 percent of the sample is between the ages of 35 and 54 years. The other age categories are represented with percentages of 27 percent for the under 34 age group and 29 percent for the 55+ group. The income brackets “>£20,000” and “£20,000–£40,000” are represented with 36 and 41 percent, respectively. Their percentages are increased compared to the income bracket of “£40,000+” (23%).

Statistical Analysis

Questionnaire Design: Analysis

The questionnaire was structured after studying the theory of image formation based on “push” and “pull” factors associated with the destination (Stylidis et al., 2008). Push motives can be seen as the desire for escape, relaxation, prestige, adventure, social interaction, and fun. Pull motives are those based on the attractiveness of a destination, such as beaches, recreational facilities, cultural attractions, entertainment, landscape, and so on (Crompton, 1979; Dann, 1996; Uysal and Jurowski, 1994; Yoon and Uysal, 2005). All these variables, analyzed and adapted to the specific destination, were the basis for the analytical formation of the hypotheses as well as the construction of the questionnaire.

The introductory part of the questionnaire A includes a filter question, which checks if the respondent is a first-time tourist. This part has also questions about the importance of various benefits—variables that tourists seek on a vacation. Specifically, the respondents were asked to rate the 19 variables presented in table 1.1 according to the importance they attributed to them when choosing an international tourism destination. The following five-point scale was used: very important, quite important, neither important nor unimportant, quite unimportant, very unimportant. For the statistical analysis and the interpretation of the results the five-point scale of the questions was coded from 5 to 1, considering 5 the most important criterion and 1 the less important one, meaning the higher the score the more important the variable.

The next part of the questionnaire A incorporates the same nineteen (19) variables, which were used in order to assess the perceived image of the destination and examine to what degree the destination was possessing these attributes. Specifically, the respondents were asked to rate the variables presented in table 1.1 according to how good they expected the variables would be. The following five-point scale was used: very good, good, neither good nor bad, poor, very poor. For the statistical analysis and the interpretation of the results the 5-point scale of the questions was coded from 5 to 1, considering 5 the “very good” judgment and 1 the “very poor” judgment. The final part was designed to obtain demographic data from the respondents in order to be used in the interpretation of the results.

The questionnaire B incorporates only the questions about the reevaluated image variables (the same with those used to record the naïve, meaning the 19 variables in table 1.1) in order to be applied for the separation of the two images and the recording of the differences within and among the segments. Specifically, the respondents were asked to rate the variables presented in table 1.1 according to their assessment of how good they actually were. The following five-point scale was used: very good, good, neither good nor bad, poor, very poor. For the statistical analysis and the interpretation of the results the 5-point scale of the questions was coded from 5 to 1, considering 5 the “very good” assessment and 1 the “very poor” assessment.

Descriptive statistics and ANOVA were implemented in order to test the hypotheses concerning the means of naïve and reevaluated image and the differences within and among the identified market segments ($\alpha=0,05$, p -value, CI=95%).

4. Research Findings

Table 1.1 shows the image variables used for both images and their shortened versions used in the subsequent analysis.

Separation of the Two Images (Naïve and Reevaluated)

According to the research objectives of the study, the naïve and reevaluated image are recorded as perceived by the five identified segments and are presented in detail in tables 1.2 and 1.3.

Table 1.1 Image Variables for Naïve and Reevaluated and Importance-Choice Criteria-Variables

1	Availability of suitable accommodation	Accommodation
2	Giving a feeling of prestige	Prestige
3	Local cuisine	Cuisine
4	Developing friendships with others	Friendships
5	Quality of service personnel	Personnel
6	Cleanliness of sea and beaches	Clean sea
7	Discovering new places/different cultures	New/different
8	Availability of facilities for sports and activities	Sports facilities
9	Availability of entertainment	Entertainment
10	Safety	Safety
11	Unspoiled physical environment	Unspoiled environment
12	Having fun, being entertained	Fun
13	Historical and cultural attractions	Historical attractions
14	Scenic beauty/natural attractions	Natural beauty
15	Relaxing physically and mentally	Relaxing
16	Affordable/reasonable prices overall	Prices
17	Being adventurous/being active	Adventure
18	Escaping from daily routine	Escape routine
19	Sunbathing in the beach and doing nothing	Sunbathing

Table 1.2 Naïve Image as Perceived by the Five Identified Segments

	Centered Values					Values (5-1)						
	Total	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Total	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5
1 Accommodation	0.20	0.25	0.21	0.28	0.21	0.04	4.27	4.39	4.23	4.31	4.26	4.12
2 Prestige	-0.43	-0.16	-0.77	-0.52	-0.40	-0.46	3.64	3.98	3.24	3.52	3.65	3.63
3 Cuisine	0.14	0.13	0.23	0.25	0.14	-0.01	4.22	4.27	4.24	4.28	4.19	4.07
4 Friendships	-0.59	-0.27	-0.61	-0.85	-0.75	-0.62	3.48	3.87	3.41	3.19	3.30	3.46
5 Personnel	0.23	0.18	0.36	0.25	0.29	0.11	4.30	4.32	4.38	4.28	4.34	4.19
6 Clean sea	0.27	0.13	0.27	0.42	0.39	0.20	4.34	4.27	4.29	4.45	4.44	4.28
7 New/different	0.06	0.02	0.38	0.14	-0.34	0.19	4.13	4.16	4.39	4.17	3.71	4.29
8 Sports facilities	-0.37	-0.35	-0.30	-0.42	-0.53	-0.23	3.70	3.79	3.71	3.61	3.52	3.85
9 Entertainment	-0.14	-0.02	-0.36	-0.27	0.00	-0.16	3.93	4.12	3.65	3.77	4.05	3.93
10 Safety	0.14	0.15	0.03	0.08	0.27	0.15	4.21	4.29	4.05	4.11	4.32	4.24
11 Unspoiled environment	-0.01	0.03	0.00	0.06	-0.06	-0.08	4.06	4.17	4.02	4.09	3.99	4.00
12 Fun	-0.25	-0.17	-0.53	-0.61	0.08	-0.10	3.83	3.97	3.48	3.42	4.13	3.99
13 Historical attractions	-0.15	-0.16	0.20	-0.11	-0.45	-0.16	3.92	3.98	4.21	3.92	3.60	3.93
14 Natural beauty	0.19	0.11	0.42	0.34	-0.01	0.17	4.26	4.25	4.44	4.38	4.04	4.25
15 Relaxing	0.42	0.33	0.36	0.47	0.57	0.38	4.49	4.47	4.38	4.50	4.62	4.46
16 Prices	0.17	0.09	0.20	0.14	0.25	0.21	4.24	4.23	4.21	4.17	4.30	4.30
17 Adventure	-0.46	-0.39	-0.32	-0.61	-0.71	-0.28	3.61	3.75	3.70	3.42	3.34	3.81
18 Escape routine	0.43	0.25	0.42	0.56	0.56	0.42	4.50	4.39	4.44	4.59	4.61	4.51
19 Sunbathing	0.15	-0.12	-0.20	0.42	0.51	0.23	4.22	4.02	3.82	4.45	4.56	4.31

Table 1.3 Reevaluated Image As Perceived by the Five Identified Segments

	Centered Values					Values (5-1)						
	Total	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	Total	Segment 1	Segment 2	Segment 3	Segment 4	Segment 5
1 Accommodation	0.21	0.14	0.25	0.17	0.24	0.25	4.22	4.22	4.23	4.06	4.30	4.30
2 Prestige	-0.36	-0.23	-0.54	-0.45	-0.26	-0.40	3.66	3.85	3.44	3.44	3.79	3.66
3 Cuisine	0.20	0.23	0.27	0.20	0.10	0.22	4.22	4.31	4.24	4.09	4.16	4.27
4 Friendships	-0.25	-0.10	-0.35	-0.47	-0.25	-0.19	3.77	3.98	3.62	3.42	3.81	3.87
5 Personnel	0.29	0.19	0.34	0.39	0.31	0.26	4.31	4.27	4.32	4.28	4.36	4.31
6 Clean sea	-0.01	-0.08	0.07	0.11	-0.04	-0.04	4.01	4.00	4.05	4.00	4.01	4.01
7 New/different	0.02	0.04	0.13	0.06	-0.12	0.02	4.04	4.12	4.11	3.95	3.94	4.07
8 Sports facilities	-0.24	-0.21	-0.34	-0.33	-0.15	-0.20	3.78	3.87	3.63	3.56	3.91	3.85
9 Entertainment	-0.20	-0.13	-0.40	-0.30	-0.11	-0.11	3.82	3.95	3.58	3.59	3.95	3.94
10 Safety	-0.22	-0.11	-0.35	-0.41	-0.13	-0.19	3.80	3.97	3.62	3.48	3.92	3.87
11 Unspoiled environment	-0.14	-0.09	-0.02	-0.17	-0.16	-0.29	3.88	3.99	3.95	3.72	3.90	3.76
12 Fun	-0.29	-0.25	-0.50	-0.41	-0.17	-0.16	3.73	3.83	3.47	3.48	3.88	3.90
13 Historical attractions	-0.20	-0.14	0.00	-0.24	-0.37	-0.25	3.82	3.94	3.97	3.66	3.69	3.81
14 Natural beauty	0.26	0.22	0.53	0.39	0.06	0.16	4.28	4.30	4.50	4.28	4.12	4.21
15 Relaxing	0.48	0.37	0.53	0.64	0.55	0.37	4.50	4.45	4.50	4.53	4.61	4.42
16 Prices	0.00	-0.10	0.13	0.14	0.02	-0.13	4.02	3.98	4.11	4.03	4.08	3.93
17 Adventure	-0.39	-0.29	-0.34	-0.60	-0.54	-0.23	3.63	3.78	3.64	3.30	3.52	3.82
18 Escape routine	0.50	0.35	0.56	0.62	0.50	0.55	4.52	4.43	4.53	4.52	4.56	4.60
19 Sunbathing	0.33	0.16	0.04	0.65	0.52	0.35	4.35	4.24	4.02	4.55	4.57	4.40

In table 1.2, the means of the naïve image are recorded, as perceived by the five market segments. It can be observed on the right-hand side of the table that the majority of the variables have high means scores (mean > 4), while the others have a mean >3. This is a common phenomenon in rating scales that tends to create difficulties in discriminating among the variables. In order to minimize this issue and clearly identify the differences, centered values for each one of the 19 variables were structured. The centered values are constructed by subtracting the mean value of all the variables from the mean of the corresponding segment.

The mean scores, in table 1.2, indicate that the segments tend to have a more optimistic view for the variables they consider more important and vice versa. Therefore, segment 1 displays higher means for the naïve image of the variables “prestige” and “friendships.” Segment 2 is more “optimistic” regarding the characteristics of the chosen destination (the variables “discovering new places/different cultures,” “historical attractions,” “natural beauty”) and less optimistic for the variables “sunbathing,” “entertainment,” and so on, which are of less interest to them. Segment 3 shows lower means for the naïve image of “friendships” while segment 5 higher means for “adventure” and “sport facilities.” The variable “friendships” is one of the less important criteria for segment 2; therefore, it gets a very low mean.

In table 1.3 the means of the reevaluated image are recorded, as perceived by the five segments. Also, the centered values are constructed as in the previous table. The mean scores in table 1.3 indicate that the identified market segments display differences in their reevaluated image. For example segment 2 rated “natural beauty” with the higher mean, concerning the naïve image and again rates this variable with the higher mean concerning the reevaluation. While segment 4 gives the lowest mean on this variable. On the contrary, concerning some other variables several differences are observed. For example, segment 4 rated “sport facilities” with the lowest naïve mean but gives the higher reevaluated mean.

Observing the means of the variables, segment 3 seems to be the more “demanding” since it is the one that gives lower scores on all variables of the reevaluated image without exception. In general, the fact that a segment originally gave high means to the naïve image of a certain variable, due to the fact that it was considered an important criterion, does not mean, in any way, that it also gave high means to the reevaluated image of that variable.

From table 1.4 it appears that there are modifications (positive or negative) between the naïve and reevaluated image for all the variables within all the segments. The acquired experience has impact on the preexisting perception. But for reasons of statistical accuracy we will analyze the statistically important differences ($p \leq 0.05$) of the attributes.

Also, from table 1.4, according to ANOVA, it is observed that there are differences among the five market segments concerning their perception of the modifications of the image variables.

Table 1.4 Differences between Naïve and Reevaluated Image within and among the Five Segments

		Does the reevaluated image differ significantly from the naïve within every segment?					ANOVA: are there significant differences among the 5 segments?	
		Segment 1	Segment 2	Segment 3	Segment 4	Segment 5	p-value	$\alpha=0.05$
1	Accommodation	-0.17	0.00	-0.25	0.04	0.18	0.01	YES
2	Prestige	-0.13	0.20	-0.08	0.14	0.03	0.05	YES
3	Cuisine	0.04	0.00	-0.19	-0.04	0.19	0.10	NO
4	Friendships	0.11	0.21	0.23	0.51	0.40	0.01	YES
5	Personnel	-0.05	-0.06	0.00	0.03	0.12	0.65	NO
6	Clean sea	-0.27	-0.24	-0.45	-0.43	-0.27	0.58	NO
7	New/different	-0.04	-0.29	-0.22	0.22	-0.21	0.00	YES
8	Sports facilities	0.08	-0.08	-0.05	0.39	0.00	0.01	YES
9	Entertainment	-0.17	-0.08	-0.17	-0.10	0.01	0.74	NO
10	Safety	-0.32	-0.42	-0.63	-0.40	-0.37	0.37	NO
11	Unspoiled environment	-0.18	-0.06	-0.38	-0.09	-0.24	0.29	NO
12	Fun	-0.14	-0.02	0.06	-0.25	-0.09	0.22	NO
13	Historical attractions	-0.04	-0.24	-0.27	0.09	-0.12	0.05	YES
14	Natural beauty	0.05	0.06	-0.09	0.08	-0.04	0.62	NO
15	Relaxing	-0.02	0.12	0.03	-0.01	-0.04	0.57	NO
16	Prices	-0.25	-0.11	-0.14	-0.22	-0.37	0.52	NO
17	Adventure	0.03	-0.06	-0.13	0.18	0.01	0.23	NO
18	Escape routine	0.04	0.09	-0.08	-0.05	0.09	0.52	NO
19	Sunbathing	0.22	0.20	0.09	0.01	0.09	0.43	NO

Specifically:

- The first five columns of this table indicate the modifications between naïve and reevaluated image for every market segment. The numbers in bold indicate that the difference is statistically significant (meaning $\neq 0$). For example segment 1 rates differently the variables accommodation, clean sea, safety, unspoiled environment, sunbathing, concerning the reevaluated and naïve image.
- The ANOVA analysis presented in the last two columns examines if the modification, for each and every one of the 19 variables, differs among the segments. In other words: is the impact of the visit on the formation of the reevaluated image the same among the segments?

For example, concerning the variable of accommodation, segments 1 and 3 shape a lower rate for the reevaluated image while, for the same variable, segment 5 shapes a higher rate, always in comparison to the naïve. Accordingly, it is obvious that there is a difference among the segments concerning the formation of their reevaluated image for this specific variable. This is reconfirmed from the ANOVA analysis.

Also, concerning the variable safety, its reevaluated image is significantly lower from its naïve, according to all the segments (the respondents associated the variable “safety” with road conditions and lack of pavements). Since the ANOVA analysis does not present differences among the segments, we can conclude that there is not a segment where this negative rating has a peak. For every variable the ANOVA analysis tests the hypothesis:

H0: There are no significant differences among the identified segments, concerning the means (reevaluated—naïve) of the image variables.

vs.

H1: There are significant differences among the identified segments concerning the means (reevaluated—naïve) of the image variables.

- ($\alpha=0,05$). Such differences are identified in six variables, specifically accommodation, prestige, friendships, discovering new places/different cultures, sport facilities, historical attractions.
 - Accommodation: segment 5 grades with a higher mean while segments 1 and 3 grade with a lower mean, segment 2 and 4 do not display significant differences.
 - Prestige: There is a significant positive difference only for segment 2. For the other four segments there is no significant difference displayed either way.
 - Friendships: There is a positive significant modification among all the segments with the exception of segment 1 where the modification is not significant.
 - Discovering new places /different cultures: segment 4 gives higher rates while segments 2 and 5 lower. There are no significant differences observed for segments 1 and 3.
 - Sport facilities: There is significant positive modification for segment 4 only. The other four segments do not display any significant differences.
 - Historical attractions: Significant negative modifications are observed for segments 2 and 3. The other segments do not display significant differences.

Identified Segment 1.

As clear from Figures 1.1 and 1.2:

- Significant modifications are observed in the variables accommodation, clean sea, safety, unspoiled environment, prices, sunbathing.
- Only the variable sunbathing displays higher reevaluated image in comparison to the naïve. Even though the other variables display negative modifications their means remain high (around 4).

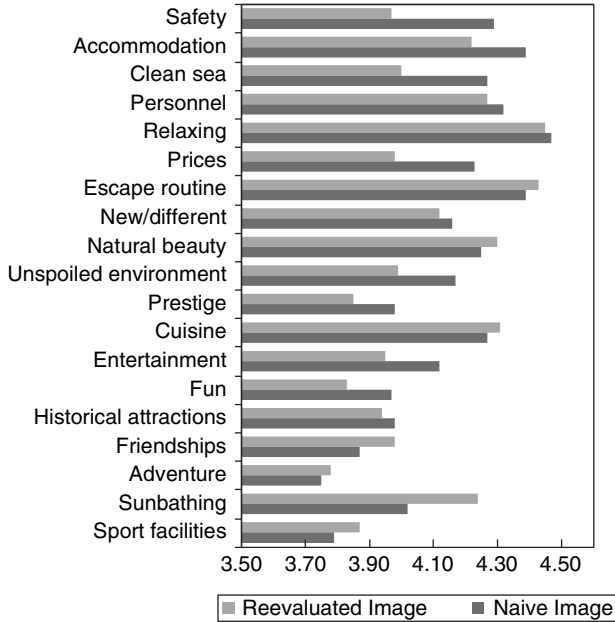


Figure 1.1 Modifications between naïve and reevaluated image for segment 1—ranking of choice criteria in order of importance.

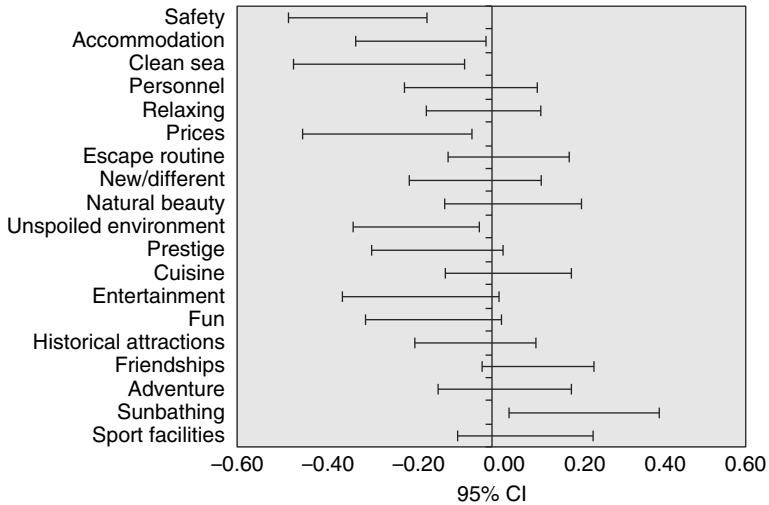


Figure 1.2 Significant and nonsignificant differences for segment 1 (significant differences are those where 0 is not included).

- The variables accommodation, clean sea, and safety where significant negative modification is observed are also the criteria that this segment considers the most important for their choice.
- Especially the variable safety is considered by them the first choice criterion and has a strong negative modification.

Identified Segment 2

As clear from Figures 1.3 and 1.4:

- Significant negative modifications are observed for the variables discovering new places/different cultures, safety, historical attractions, and positive for the variables prestige and friendships.
- It is interesting that the criteria that are considered least important receive positive rating, while the ones that are more important, negative.
- Especially the variable discovering new places/different cultures that is considered the most important choice criterion for this segment, after the visit receives the lowest rating compared to all the other segments.

Identified Segment 3

As clear from Figures 1.5 and 1.6:

- Significant negative modifications are observed for the variables accommodation, clean sea, safety, unspoiled environment, historical attractions. Only the variable friendships received positive rating.
- Segment 3 is the one that considered of greatest importance the criteria accommodation, clean sea, safety, and unspoiled environment.
- Especially the variable safety has for this segment the most negative modification after the visit compared to all other segments.

Identified Segment 4

As clear from figures 1.7 and 1.8:

- Significant positive modifications are observed for the variables friendships, sport facilities, discovering new places/different cultures. Negative significant modifications are observed for clean sea, safety and fun.
- For this segment too, the positive modifications concern the less important criteria and vice versa.
- This segment that is characterized by its desire for fun displays a significantly negative modification after the visit.

Identified Segment 5

As clear from figures 1.9 and 1.10:

- Significant positive modifications are observed for the variables accommodation, local cuisine, and friendships. Significant negative modifications are observed for clean sea, discovering new places/different cultures, safety, unspoiled environment, prices.
- Once more, for segment 5 the positive modifications concern the less important criteria and vice versa.

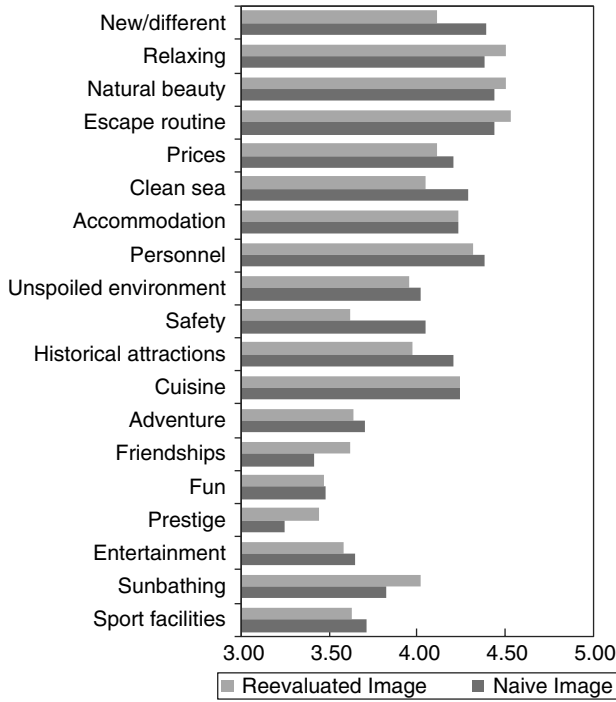


Figure 1.3 Modifications between naïve and reevaluated image for segment 2—ranking of choice criteria in order of importance.

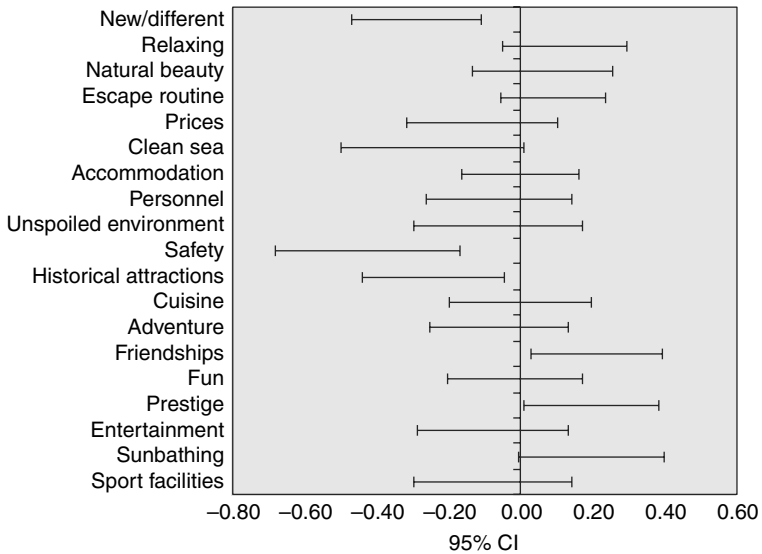


Figure 1.4 Significant and nonsignificant differences for segment 2 (significant differences are those where 0 is not included).

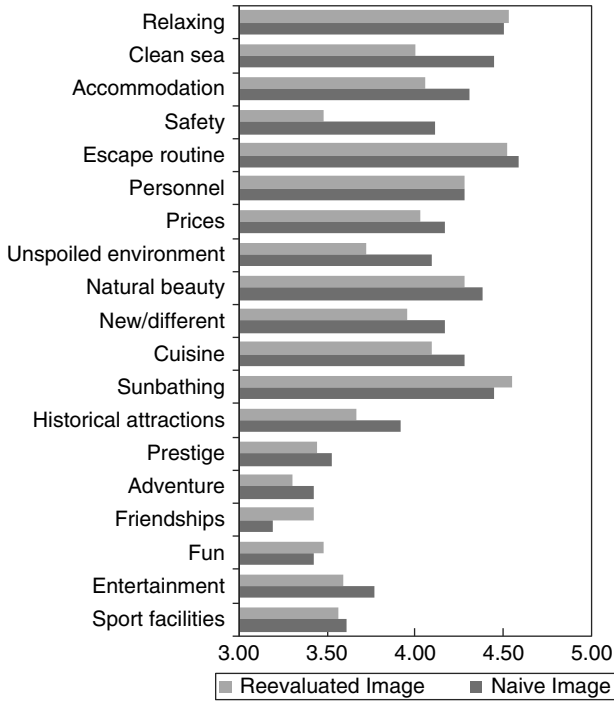


Figure 1.5 Modifications between naïve and reevaluated image for segment 3—ranking of choice criteria in order of importance.

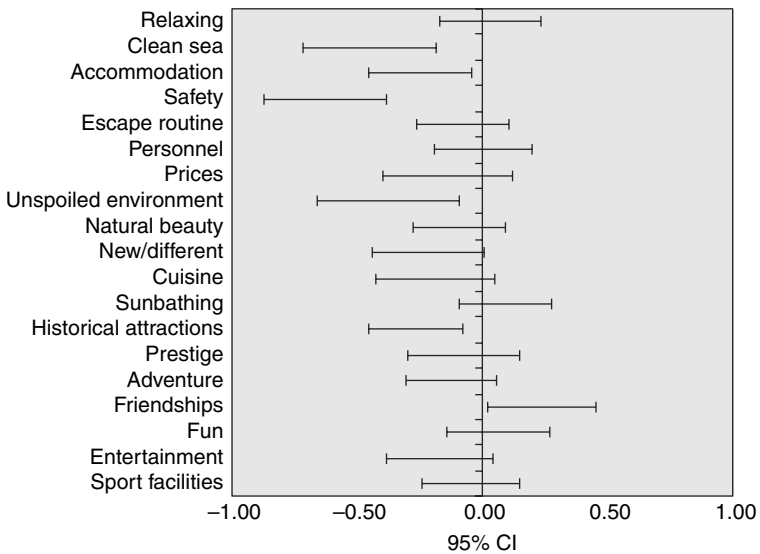


Figure 1.6 Significant and nonsignificant differences for segment 3 (significant differences are those where 0 is not included).

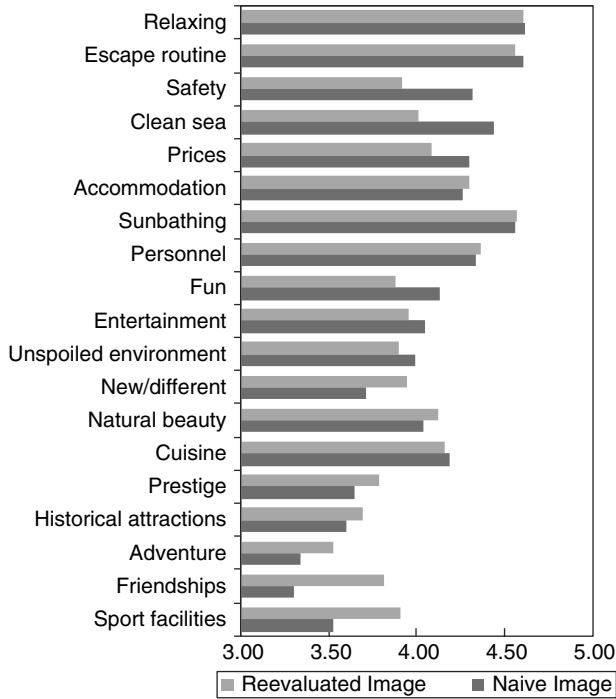


Figure 1.7 Modifications between naïve and reevaluated image for segment 4—ranking of choice criteria in order of importance.

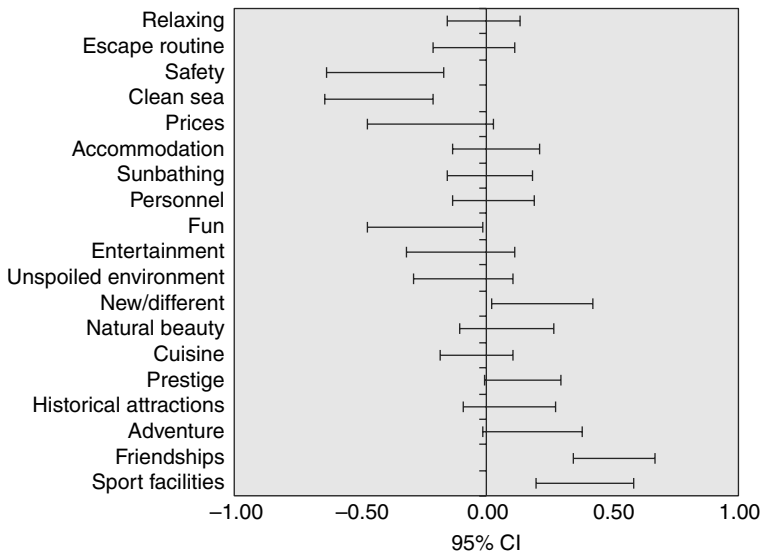


Figure 1.8 Significant and nonsignificant differences for segment 4 (significant differences are those where 0 is not included).

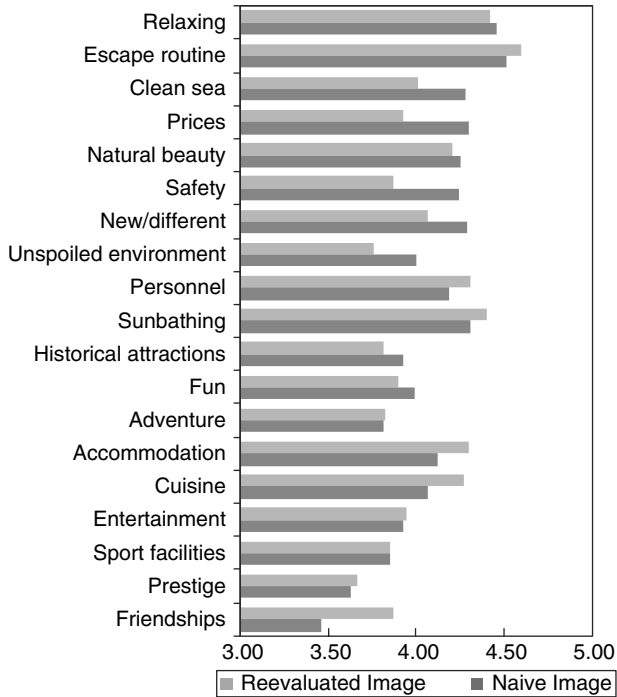


Figure 1.9 Modifications between naïve and reevaluated image for segment 5—ranking of choice criteria in order of importance.

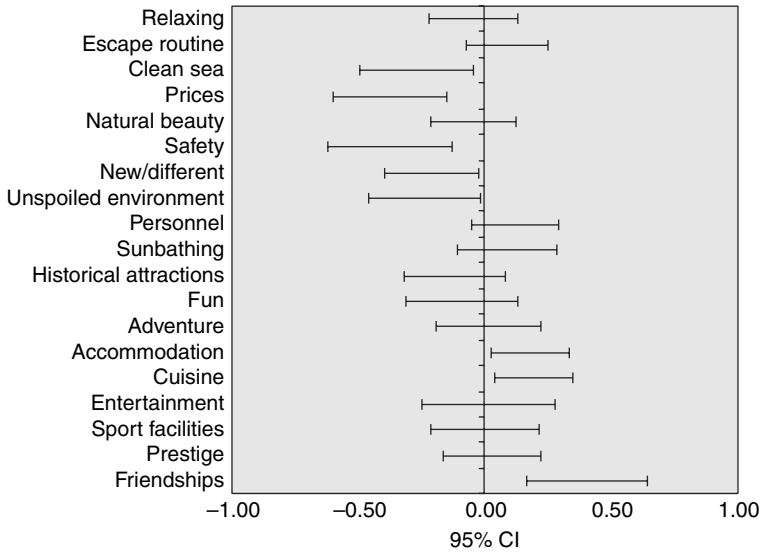


Figure 1.10 Significant and nonsignificant differences for segment 5 (significant differences are those where 0 is not included).

5. Concluding Remarks and Implications

The findings of this study are manifold. First of all, the study shows that existing tourism market segments analyzed have evolved while, at the same time, new markets have emerged. This supports the views that underline that improvements of education and welfare levels in European countries have differentiated the profiles of the consumers, their wants, motives, and preferences and have increased the quality standard demanded (Poon, 1994).

Moreover, the tourists' vacation choice is accompanied by their perception of the destination naïve image as well as the travellers' personal motives, attitudes, and benefits sought. Their acquired vacation experience, in correlation with their expectations and benefits sought, affects their preexisting perception and reevaluated image results within and among the target markets.

In the current study it appears that in many cases the acquired experience positively modifies the image significantly from a statistical point of view. Also, there are variables where the high naïve image scores are retained and variables where the naïve image is modified negatively and significantly from a statistical point of view. Nevertheless, the negative modification of the variables, which are ranked as the most important criteria for a vacation destination choice, must be taken into serious account.

It must not be, *a priori*, assumed that an important choice criterion-variable that received high naïve scores, because of the expected performance, will receive equally high reevaluated scores. On the contrary, it is apparent that the majority of the market segments because of the importance of these criteria, seem to be more strict in their reevaluation of the specific variables.

Unfortunately, negative modifications occur on all segments including the highly desirable segments (2 and 3), that are the most demanding in their wants and needs. This offers the opportunity for competitive destinations to claim them. Since these emerging markets have been recently identified and have never been targeted they could be conquered by a destination with more effective marketing strategies. The same, of course, applies to the existing but evolving target markets. It is therefore imperative for the tourism policymakers and authorities to improve the negatively modified variables and set respective priorities in order to transform the positively modified variables into competitive advantages and differentiation features.

The selection of market segments judged as income-generating provides the opportunity for marketers to conduct research inside these segments, to record the desired features and the tourism image of the vacations to be purchased, thus offering the possibility to tourism organizations to improve or even alter the image according to the hints of the desired target markets. Then tourism marketers will be able to design marketing programs compatible with these target segments and effectively claim them.

Therefore, the subdivision of tourists and potential tourists into useful groups is a critical step in building competitive advantages of a destination (Evans et al., 2003) and is one of the most vital decisions a destination can make (Dolnicar, 2004). When the authorities in the private and public sector deeply understand tourist consumers' characteristics and decision process, the promotional activities,

price settings, planning, and product development can be more consistent and effective. The approach of the appropriate target market and development of the right mix of tourism products and services in the region, especially when it is based on the suggestions of visitors, is the secret for successful marketing.

From a scientific approach this study offered empirical findings that contributed to define the reevaluated image characteristics and indicated the differences from the naïve. This was achieved by using the perceptions of established and emerging target markets with a combination of characteristics. It has proved that experience has an extensive research interest and can guide the marketers. From a methodological approach the structure of this study added to the empirical research field by providing reliable and valuable findings that define reevaluated image characteristics, indicate the actual differences from the naïve, and provide empirical and corroborating evidence on the assumption that experience is vital to the formation of the tourism destination image.

From a practical approach, this research offered several guidelines: first, for a set of actions that concern targeted corrective policies in infrastructure and projects aimed to the enhancement of the natural and cultural environment. Subsequently, the analysis provided guidelines for product positioning and design of promotional campaigns concentrated on those characteristics that retain their good ratings and are ranked among the important criteria (such as “escaping daily routine,” “scenic beauty and natural attractions,” “quality of service personnel,” “relaxing physically and mentally,” “local cuisine”).

The findings and the issues emphasized are of great importance because they can direct and enable destination marketers to combine the marketing mix variables in order to approach the new segments and satisfy the evolving demand of the classical clientele. In today’s world the continual changes cause volatility in the economic environment (Kiohos et al., 2011), affect the political and social issues and increase the competition. Therefore, today more than ever the knowledge of consumers’ wants and perceptions is vital in determining the success of marketing strategies.

6. Limitations and Research Agenda

Even though this research was based on a representative and extensive sample, which gave a small statistical error, it must be taken into consideration that testing 19 variables in five segments might lead to some statistically significant results, even if there are no differences between the two kinds of image at all. Therefore, some results (especially those with high p -values that reach 5%) should be considered as exploratory ones. Also, this study was focused only on the British target market and on one specific Mediterranean destination.

Although this study is innovative in its research aim and tried to enrich the research field by separating and subsequently comparing the two most important aspects of destination image by using a complex profile sample, it is suggested that future researchers extend the research to other nationalities and destinations in the

Mediterranean. The findings from such researches could be compared and operate as guidelines for marketing and management strategies.

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Chapter 2

Forecasting Tourism Flows from the Russian Federation into the Mediterranean Countries

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1. Introduction

Providing visitors with a unique combination of climate, sea, and culture, the Mediterranean region is an attractive destination for tourists from around the world. As such, it is reasonable that “tourism has become a crucial export sector in the Mediterranean, responsible for the generation of jobs as well as income” (Falzon, 2012: 1080).

The analysis of tourism flows to Mediterranean countries is a frequently addressed research topic. However, this study examines the specific underresearched area of forecasting trips made by Russian tourists to Mediterranean destinations.

Mediterranean countries are traditionally very popular tourism destinations among Russian citizens. In 2012, tourism flows to these countries accounted for more than 50 percent of the total number of Russian tourist trips to foreign countries (outside the Commonwealth of Independent States of the former Soviet Union [3] countries). The total number of tourist trips to these countries was approximately 8.3 times higher in 2012 than in 1994, totaling approximately 8 million trips in 2012.

This chapter investigates the possibility of forecasting tourism flows using statistical methods. It offers predictions for the number of tourist trips from Russia to the primary Mediterranean destinations using the well-known autoregressive integrated moving average (ARIMA) class of univariate time-series models along with the multivariate, joint model for several destination countries. The aims of the study are (a) to determine whether joint modeling of tourism flows to the set of destinations helps improve the accuracy of forecasts and (b) to gain insights into near-future Russian outbound tourism. Whereas the latter aim may be interesting only to the small group

of specialists who closely monitor Russian tourism, the former objective could have a wide range of forecasting applications.

The chapter is structured as follows. Section 2 presents the current state of tourism forecasting research. The empirical setting, data, and methodology section (section 3) describes the Russian tourism market and its tendencies and presents the data and the methodology used in the study. Section 4 includes the empirical findings related to the forecasts of tourism flows from Russia to the Mediterranean region, which are summarized in the ensuing concluding section.

2. Literature Review

Many articles have analyzed inbound tourism to the countries of the Mediterranean region from different perspectives. A recent paper by Karyopouli and Koutra notes a number of economic, environmental, and other problems caused by seasonal fluctuations in the demand for tourism in the Mediterranean region (Karyopouli and Koutra, 2013). In another article, Falzon develops a relative price index for each Mediterranean country (Falzon, 2012). Zopounidis et al. (2010) describe the multi-criteria method PROMETHEE II and its use in evaluating the tourism performance of ten Mediterranean countries. A paper by Jacobsen (2000) focuses on “antitourist” attitudes and practices among tourists in Mediterranean destinations.

Specific aspects of the tourism flows to the individual Mediterranean countries and their tourism destinations, attractiveness, and competitiveness have been the focus of a wide range of papers (e.g., Barros et al., 2011; Bigović, 2012; Chapman and Speake, 2011; Garay and Cañoves, 2011; Kunst, 2011; Kozak and Martin, 2012). However, there is a lack of research that considers the entire region and compares the dynamics of tourism indicators for different countries.

In this section, the most common approaches used in tourism forecasting and research literature in this field are reviewed. Qualitative forecasting techniques are not discussed. The focus is on quantitative methods not because they are more accurate or useful but because of their ability to produce predictions free from subjective researcher opinions.

Quantitative analysis techniques may be classified in many ways. The remainder of this section is devoted to a comparison of univariate and multivariate methods.

Univariate time-series models aim to forecast the tourism demand for a certain country or region without involving any information other than the dynamics of the analyzed variable. These models focus on revealing tendencies and regular fluctuations in the data (trend, cyclical, and seasonal components) and extrapolating them into the future.

The most popular techniques of this kind, which have proven to be both universal and accurate, have been known for decades. The idea of exponential smoothing (ES) and its application in forecasting became popular soon after Brown proposed it in his work (Brown, 1956). Brown’s method was further developed and popularized by Holt and Winters (Holt, 1957; Winters, 1960). Exponential smoothing can be used for predicting the values of a series with trend and seasonality, but its most attractive feature is its adaptability: neither trend nor seasonal patterns are restricted to be stable over time.

Another famous approach to univariate time-series modeling was proposed by Box and Jenkins (1970). This approach is based on the autoregressive moving average (ARMA) class of models, which fits a wide range of stationary series. Non-stationarity is eliminated by differencing analyzed series (turning from the level of the forecasted variable to the changes in that level) and allowing for a seasonal component. A model that reduces to an ARMA by differencing the data is called an ARIMA. A common abbreviation for a model with seasonality is SARIMA. The Box–Jenkins methodology may be used for analyzing time series that have trends, seasonality, and a flexible autocorrelation structure.

Applications of univariate models can be found in the early literature on quantitative tourism analysis (Geurts and Ibrahim, 1975; Geurts et al., 1976) as well as in more recent research (Lim and McAleer, 2001; Petrevska, 2012). Despite the large variety of sophisticated time-series models and impressive computational capacities developed in recent decades, both exponential smoothing and ARIMA models remain widely used and outperform numerous alternative approaches in prediction accuracy. It has also been found that univariate models are sufficient for forecasting purposes and that involving additional information apart from the dynamics of the analyzed series usually does not lead to an improvement in accuracy. Various comparative studies on tourism forecasting reach similar conclusions:

1. “Among all the approaches that have been attempted in this study, ES and ARIMA models provided the best short-term forecasts” (Bhattacharya, 2011: 11).
2. “We conclude that pure time series approaches forecast tourism demand data more accurately than methods that use explanatory variables” (Athanasopoulos et al., 2009: 31).
3. “Exponential smoothing yields the most accurate forecasts of trend changes” (Witt and Witt, 1995: 469).

The main rival of the exponential smoothing and Box–Jenkins approaches is naïve forecasting, which is based on the assumption that no change in tourism demand will occur in the future. Several relevant quotations from the literature are as follows;

1. “The conclusion is that the naïve model generates the most accurate long-term forecasts (up to two years ahead)” (Song et al., 2008: 15).
2. “The implications of this result for the practitioner seem to be that he/she should ignore the more complicated, costly and time-consuming forecasting methods and just use last year’s demand as the forecast for this year, i.e. assume no change for one-year ahead forecasts” (Witt and Witt, 1995: 469).

In summary, the main advantages of univariate methods are

- short-term forecasting accuracy,
- the ability to make predictions without involving any additional information (only the data on the historical dynamics of the analyzed series are used), and
- universality (the same forecasting technique can be used for forecasting different variables for different countries).

Universality is possible because both exponential smoothing and ARIMA are based on the extrapolation of observed tendencies and regularities into the future regardless of underlying processes. Thus, constructing a causal model of tourism demand is not needed to produce an accurate forecast. However, this characteristic is also the main disadvantage of univariate models: they do not provide any information on the causes for changes in tourism flows and neither do they contribute to knowledge of tourism market mechanisms.

Multivariate time-series and panel data models aim to estimate statistical relationships between some measure of tourism demand and a number of explanatory variables. These variables are sometimes used to improve forecasting performance. Another reason for including them in an analysis is to reveal causal relationships, which is why multivariate models are often called “causal” models. Some studies exploiting multivariate methods rely on techniques for panel data analysis, which are used when a researcher attempts to develop one model to explain tourism flows for a group of regions or countries (either by origin or destination). For example, the studies by Bednova and Ratnikova (2011) and Aslan et al. (2009) present econometric models for tourism flows to Russia and Turkey corresponding with the main countries of origin. Studies often include separate models for different destinations or origins instead of attempting to construct one model for all of them. In these cases, the researcher uses “traditional” regression or multivariate time-series models instead of panel data approaches (e.g., Chaovanapoonphol et al., 2010; Costa et al., 1994; Costa and Manente, 1994).

The basis for causal models and the choice of explanatory variables are usually provided by the economic theory of demand. From a theoretical point of view, the demand for a good is a function of prices and a consumer’s income. It is common to use gross domestic product or real disposable income as a measure of aggregate consumer income. However, it is difficult to define the price of a tourist good and how it can be estimated. This is a serious problem and, as such, is the focus of a separate branch of research (e.g., Dwyer et al., 2000; Martin and Witt, 1987).

The construction of a composite tourism price index requires data on prices for different products and services. A problem is that such data may be unavailable, particularly if the aim of the research is to construct comparable indices for different countries. This difficulty drives scholars to look for a simple and available price variable proxy. Examples of such proxies include the following:

- Transportation costs (Bednova and Ratnikova, 2011; Lim and McAleer, 2003)
- Consumer price indices (Balaeva et al., 2012; Chaovanapoonphol et al., 2010; Lim and McAleer, 2003)
- Hotel prices (Bednova and Ratnikova, 2011).

In addition to income and price, econometric models of tourism demand usually include variables for capturing trends, periods of political instability, special events that can affect tourism flows (e.g., terrorist acts), and other factors.

As previously observed, comparative studies have found that multivariate models do not outperform univariate models in terms of forecasting accuracy. However,

multivariate models provide scholars with some knowledge of the relationships between tourism and economic indicators, which are used as explanatory variables. Another useful result of multivariate modeling is the ability to produce scenario-based forecasts. As such, choosing a method of analysis is not based on finding the best all-purpose technique but rather on the research goal. This study relies on both types of models, as described in the “Empirical Setting, Data and Methodology” section, after considering the information database.

3. Empirical Setting, Data and Methodology

Empirical Setting

In absolute terms, the number of trips made by Russian citizens for tourist purposes (out of CIS countries) is growing almost constantly, from 4,252,000 in 1994 to 14,816,000 in 2012 (GKS, 2013). The determinants of tourism demand may be used to explain the propensity of Russians for outbound tourism. “The determinants of tourism demand are those factors at work in any society that drive and set limits to the volume of a population’s demand for holiday and travel” (Vanhove, 2011: 61). The list of determinants of demand for travel and tourism offered by Middleton et al. (2009) includes the following: (a) economic factors and comparative prices, (b) demographic characteristics of tourism-generating nations, (c) geographic factors, (d) sociocultural attitudes to tourism, (e) access to personal transport, (f) government/regulatory “infrastructure” surrounding travel and tourism, (g) media communications, (h) information and communications technology (ICT), (i) environmental concerns and demand for more sustainable forms of tourism, and (j) international political developments and terrorist actions. In the following, the determinants are employed to demonstrate the trends in the Russian Federation’s outbound tourism market using the available secondary data. Business trips, educational travel, and medical travel are not considered in this study.

Economic factors and comparative prices. As Middleton states, “there is a very clear direct relationship between the performance of a country’s economy, especially the average disposable income of its population, and the volume of demand that it generates for holidays and leisure trips” (Middleton, 2005: 55).

The real disposable income of the Russian population increased 2.5 times from 2000 to 2012.¹ With respect to expenditures for trips abroad, according to World Bank data, the Russian Federation is among the top ten source markets for such expenditures. Moreover, Russia rose from the twelfth position in the world ranking for expenditures on trips abroad in 2000 (USD 8.8 billion) to the fifth position in 2012 (\$48.1 billion) (WORLDBANK, 2014).

Unfortunately, the real income index may not be an appropriate measure of Russian citizens’ propensity for travel (Balaeva et al., 2012). Although the real income index dynamics depict the income of an average citizen, tourists who travel abroad at least once a year are relatively rich. These citizens account for approximately 5 percent of the total Russian population (RUSSIATOURISM, 2013).

It should be noted that income inequality in Russia is rather high; according to official statistics, the Gini coefficient was 0.42 in 2012 (GKS). One of the main reasons for this income differentiation is that the income of the urban population in Russia is significantly higher than that of the rest of the country. For instance, the average per capita cash income of the population in Moscow is approximately 2.1 times higher than the national average.²

The exchange rates between countries of origin and destination countries as well as inflation in the destination area are also factors that affect the demand for tourism and travel (Middleton et al., 2009). The euro (national currency in most Mediterranean countries) to ruble (Russian national currency) exchange rate shows a tendency to increase, excluding temporary fluctuations. According to the Central Bank of Russian Federation data, on January 1, 2000, January 1, 2005, January 1, 2010, and January 11, 2012, the rates were 27.2, 37.84, 43.46, and 40.76 rubles for one euro, respectively (CENTRAL BANK, 2012). However, the tourism flows to Mediterranean countries have demonstrated positive trends during the last decades. This fact is apparent in our previous study on tourism flows to the EU countries (Balaeva et al., 2012), which did not exhibit any evidence of the dependence of the outbound tourism demand on the currency rate.

Demographic characteristics of tourism-generating nations. Among these characteristics, Middleton et al. highlight population size and composition, household size and composition, the effects of high levels of divorce and remarriage or new partnerships, aging populations, falling birth rates, and the growing number of young people with higher levels of education (Middleton et al., 2009).

One reason why Russia is a huge market for outbound tourism is the country's population. Russia's population was 148.3 million in 1996, decreasing to 142.7 million in 2009 and slightly increasing to 143.1 million by 2012. In terms of traveling, the real purchasing power belongs mostly to the working population, which accounts for 47 percent of Russian citizens (96 million people).

Two other demographic groups of interest that show a propensity for tourism are the elderly and children. Twenty-six percent of the Russian population is composed of citizens over the age of 55.³ In spite of current world trends showing an increasing number of senior citizens traveling, the Russian elderly population does not typically travel abroad due to relatively low income. As a result, the Russian senior tourist market is comparatively small. Children under the age of 15 account for 16 percent of the Russian population.⁴ Because children are usually accompanied by more than one adult family member when traveling, the segment of families that travel with children may be quite large.

Regarding the effect of education level on outbound tourism, according to UNESCO data, approximately 57 percent of Russian citizens 25–34 years old and 44 percent of citizens 55–64 years old have completed tertiary (university) education. These groups of Russian tourists are likely to demonstrate a propensity for cultural tourism.

These demographic trends lead to the conclusion that from a demographic perspective, Russia is a prospective outbound tourism market that generates different target markets for travel and tourism.

Geographic factors such as climate and urbanization also play a positive role in outbound tourism development. Russia covers 17 million square kilometers and several climatic zones (arctic, subarctic, and temperate) with a variety of climates (continental, extremely continental, and humid continental). Although the Russian coastline is approximately 38,000 km, the length of warm sea coastline is only approximately 2,000 km. In many regions of the country, the winter season is long enough to make a holiday by the warm Mediterranean especially attractive: "People from northern climates believe that lying on beaches has a therapeutic value" (Vanhove, 2011: 66).

There is a significant distance between eastern Russia and the Mediterranean region. However, the wide network of air routes makes it easy to reach the Mediterranean region from distant regions in Russia. Aeroflot (a Sky Team member), the largest national airway of Russia, operates flights to 122 destinations in 53 countries, including destinations in the Mediterranean region (AEROFLOT, 2013). In addition, dozens of smaller national and international air companies operate in Russia, providing numerous travel avenues to Russian citizens.

Another factor that influences the demand for outbound tourism is the high level of urbanization in Russia (Middleton, 2005). Seventy-four percent of the Russian population lives in urban areas (106 million), and 28 percent⁵ of this population lives in cities with a population of more than 1 million (13 cities total). Residents of large cities usually desire to spend a vacation being close to nature, thereby increasing the demand for beaches, wellness centres, ecological spots, and tours to similar places. Inhabitants of large cities are also more likely to be able to afford a foreign holiday because, as mentioned above, their average income is usually relatively high.

Sociocultural attitudes toward tourism. As Middleton et al. state, "the growing number of people with enough income, leisure time and mobility to generate and sustain market growth is a primary determinant for travel and tourism" (Middleton et al., 2009: 65).

The sociocultural attitudes of Russian citizens toward outbound tourism are affected by the fact that Russians are interested in becoming acquainted with new and different cultures. Although it has been almost three decades since the fall of the Iron Curtain, some Russians (i.e., those with low income) still consider a trip abroad on holiday a rather rare and unique opportunity. Another trend that is more popular among residents of large cities is escapism and the ambition to lead a healthier lifestyle. This trend particularly stimulates the demand for ski and spa tourism.

The length of public holidays and annual leave also contributes to Russians' sociocultural attitudes toward tourism: "There are no holidays without time available for travel" (Vanhove, 2011: 62). According to the Labor Code of the Russian Federation, paid annual leave is four weeks, and there are several public holidays (approximately 15 days per year). As for Russian schoolchildren and college students, they have their winter and summer vacation. As a result, Russian citizens, including infants and teenagers, have sufficient time for traveling within the course of the year.

Access to personal transport. Although access to personal transport is essential for domestic tourism, it is not considered a significant influence on the number

of Russian citizens for outbound tourism because of the vast distances from most Russian cities to any foreign country, including the Mediterranean countries. Exceptions based on geographical reasons are the northern (St. Petersburg) and western (Kaliningrad) regions of Russia. The distance from St. Petersburg to the Finnish border is approximately 150 km, and the Kaliningrad region is a Russian exclave between Poland and Lithuania, which makes this region easily accessible to those who can travel by their personal cars.

Government/regulatory factors. “Governments and the authority of regulation that they control are, however, critically important because they set and powerfully influence the national and international framework within which the demand and supply evolves for travel and tourism” (Middleton et al., 2009: 67). Russian Federal Law № 365-FL of December 27, 2009, is “the basis of tourist activity in the Russian Federation” and is responsible for standardization in the tourism industry, tourism product certification, protection of the rights and interests of tourists, the establishment of regulations for entry and departure from the Russian Federation, and tax and customs regulations. To protect the rights and interests of tourists, a mechanism of financial support for tour operators was introduced. Tour operators are now required to have a bank guarantee. This legislative support is, to some extent, insurance against failed service and provides a feeling of security among the Russian tourism industry clients.

Another factor that regulates the Russian tourism industry and affects the demand for outbound tourism is Russia’s visa agreement with other countries. Russia has a visa-free regime with 60 countries, including several Mediterranean countries and a simplified visa system with a range of other Mediterranean countries (TRAVEL, 2013). This system greatly simplifies travel preparation and enables spontaneous trips.

Media communications and information and communications technology (ICT). The widespread use of ICT has dramatically transformed business models in the tourism and hospitality industry as well as tourists’ decision making and behavior before and after a trip.

Searching for, booking, and paying for air and rail tickets, hotel rooms, and car rentals can be completed almost entirely online. These travel preparations can be completed on corporate websites or through online reservation systems such as Expedia.com, Venere.com, and Booking.com. The most popular websites used for travel planning among Russian tourists are commonly known foreign (mostly English-language) tourist review sites such as Tripadvisor.com, Booking.com, and Virtualtourist.com as well as Facebook.com. Several Russian travel review sites are also available (Travel.ru, Otdih.ru, and others).

International political developments and terrorist actions. The influence of this factor on Russian citizens’ demand for outbound tourism is the same as that on other countries: tourism flows to particular countries decrease after terrorist actions and political crisis.

Thus, the increased income, the climate (in most Russian regions), a propensity to travel as a lifestyle, ICT development, the popularity of social media, and other factors have recently been influencing the demand of Russian citizens for outbound tourism, and favorable conditions for further increases in Russian outbound tourism flows may be expected.

For Russian citizens, Mediterranean countries are among the most attractive tourism destinations. In 2012, 53 percent of the international tourism trips made by Russian citizens were to Mediterranean destinations. The number of tourist trips made by Russian citizens to the Mediterranean countries selected for further analysis in 2012 is between 208,000 (Tunisia) and 2,539,000 (Turkey) (figure 2.1).

The number of international arrivals in several Mediterranean countries in 2011 was substantial: 81.4 million for France, 56.7 million for Spain, and 46.1 million for Italy (WORLD BANK, 2013). Russians represented 0.3, 1.1, and 1.2 percent of the total number of foreign tourists who visited France, Spain, and Italy, respectively.

Turkey, Cyprus, and Egypt also welcomed a significant number of foreign tourists in 2011: 34 million for Turkey, 2.4 million for Cyprus, and 9.5 million for Egypt (WORLD BANK). Russian tourists represented 7.9, 13.5, and 20 percent of the total number of foreign tourists who visited Turkey, Cyprus, and Egypt, respectively. These countries focus on Russian tourists to a great extent, offering relatively low prices for package tours, an acceptable level of service, and the popular “all inclusive” stay. In addition, these countries are especially attractive to Russians due to the visa-free system Russia has with Turkey and the visa-simplified system it has with Cyprus and Egypt.

Regarding the dynamics of change in Russian tourism flows to Mediterranean countries since 1994, it may be noted that overall, flows for all countries have almost always shown an increasing tendency. The exceptions are the crisis periods of 1998–1999 (Russian tourism flows to all countries except Egypt declined) and 2009 (Russian tourism flows to all countries except Egypt and Israel decreased), which coincided with global trends.

During the 1994–2012 period, Turkey held the leading position for tourism flows from Russia: the number of tourist trips increased from 588,000 in 1994 to 2,539,000 in 2012, recording an average annual growth of 10–20 percent (GKS). A

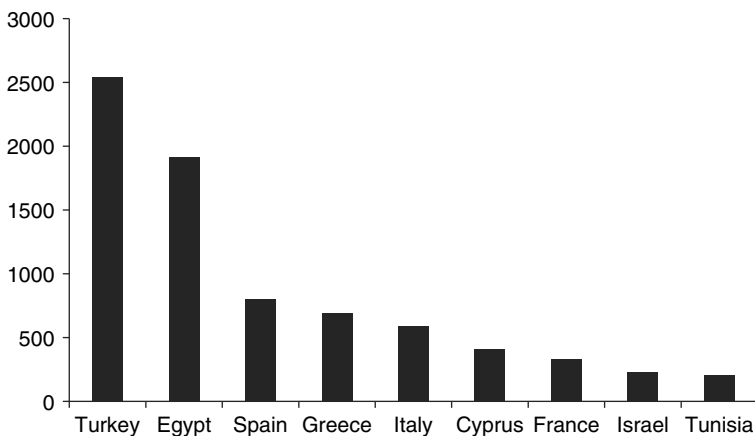


Figure 2.1 Number of tourist trips made by Russian citizens to the selected Mediterranean countries in 2012 (in thousands).

sharp decline occurred from 1998 to 1999 due to the financial and economic crisis in Russia and in 2012 due to political problems in Turkey.

From 2009 to 2010, Egypt was almost on par with Turkey in terms of this indicator. However, Egypt lost its position in 2011 because of the country's political crisis. The number of tourist trips made by Russians decreased by 1.5 times (34%) in 2011.⁶ Despite the continuing political crisis in Egypt, the number of tourist trips made by Russians to Egypt in 2012 reached 1,910,000, which is close to the 2010 precrisis figure.

The highest growth of this indicator has been observed in Turkey (from 686,000 in 2002 to 2,682,000 in 2011), Egypt (from 14,000 in 1994 to 2,198,000 in 2010), Greece (from 100,000 in 2004 to 694,000 in 2012), and Israel (from 46,000 in 2007 to 226,000 in 2011) (GKS).

Data and Methodology

Data provided by the Federal State Statistics Service of Russian Federation and the World Bank database were used in this study.

Like the Federal State Statistics Service of the Russian Federation database, the World Bank database accounts for the number of international arrivals but not the number of travelers. The Federal State Statistics Service of Russian Federation defines international tourist trips as trips abroad by Russian citizens (not including trips to CIS countries).

The Russian statistics include business trips (including trips for service staff), trips for personal needs (e.g., educational or medical tourism), and tourist trips (e.g., holidays and participation in sporting and cultural events).

This study focuses on trips made by Russian citizens to Mediterranean countries exclusively for leisure tourism. The Mediterranean countries listed in the World Travel and Tourism Council's Economic and Geographic Groups are as follows: Albania, Algeria, Bosnia and Herzegovina, Croatia, Cyprus, Egypt, France, Greece, Israel, Italy, Lebanon, Libya, Malta, Montenegro, Morocco, Serbia, Slovenia, Spain, Syria, Tunisia, Turkey, Jordan, Macedonia, and Portugal (WTTC, 2013).

Not all of these countries are popular tourism destinations for Russian citizens. In this section, only those Mediterranean countries that attracted more than 100,000 Russian tourists in 2012 are considered. These countries include Turkey, Egypt, Spain, Greece, Italy, Cyprus, France, Israel, Tunisia, and Croatia. The analyzed sample is based on data from 1994 to 2012. Because of a lack of data for this period, Croatia was excluded from further analysis.

The analysis is divided into two stages. The first stage is preliminary, in which a group of main destinations in the Mediterranean area is selected for forecasting and a correlation analysis of tourism flows is performed. In the second stage, several predictive models are developed for these destinations, and forecasts of tourism flows by the year 2015 are calculated. The second stage concludes with a comparison of the constructed models in terms of goodness-of-fit and a discussion of the obtained predictions. Some results of the preliminary analysis have been presented in the data section above. The results of the correlation analysis may be found in a previous

version of this study, which was published as a conference report⁷. Here, the results of the correlation analysis are not presented because conclusions concerning statistical relationships for tourism to different destinations could be made using a multivariate model, which is described below.

Information on tourism flows presented in the previous section enables the selection of nine important destinations in the Mediterranean region: Turkey, Egypt, Spain, Greece, Italy, Cyprus, France, Israel, and Tunisia. For each of these destinations, a univariate time-series model was estimated and forecasts for 2013–2015 were calculated. Data on four destinations (Egypt, Spain, Greece, and Italy) were also used to develop a joint, multivariate forecasting model of tourism flows.

Univariate time-series analysis. As mentioned above, the ARIMA models of Box and Jenkins as well as methods based on exponential smoothing are the techniques that are recommended for tourism demand forecasting by various researchers based on their comparative studies. A previous study (Balaeva et al., 2012) has demonstrated that in the case of Russia, there is little discrepancy between predictions obtained using ARIMA models and Holt's exponential smoothing. The current research is based on ARIMA models because they can be easily extended by adding exogenous variables.

The ARIMA model of tourism flows can be expressed by the following formula:

$$\Delta^d F_t = \alpha + \sum_{i=1}^p \beta_i (\Delta^d F_{t-i}) + \sum_{j=1}^q \gamma_j \varepsilon_{t-j} + \varepsilon_t \quad (1)$$

where F_t is the number of tourist trips to a certain country in the year t ;

$\alpha, \beta_1, \dots, \beta_p, \gamma_1, \dots, \gamma_q$ are the unknown parameters of the model (p and q are called the order of autoregression and the order of moving average, respectively);

ε_t is the random component, which is assumed to be serially uncorrelated and identically distributed with zero mean (we estimate the model by the maximum likelihood method, which is also based on the assumption that random errors are normally distributed);

and Δ^d is the difference operator of the order d (also called the order of integration).

The model defined by expression (1) is usually denoted as ARIMA (p, d, q). In this study, it is assumed that the tourism flows are first-order integrated. Thus, the left-hand side of the equation (1) becomes $\Delta F_t = F_t - F_{t-1}$, which represents the simplest way to include trends in the model. Typically, the order of integration is chosen through various unit root tests (e.g., Verbeek, 2003). However, these tests are known to have low power in short samples. Thus, they are of little use in this case.

To account for the crisis of 1998, the dummy variable $D99_t$ is included, which equals 1 for observations related to that year⁸ and 0 otherwise. Data on tourism flows to Egypt contain another outlier: in 2011, the number of trips from Russia declined sharply. This phenomenon is taken into account by including the corresponding dummy ($D11_t$) into the model for Egypt.

Thus, the ARIMA model becomes ARIMAX (ARIMA with exogenous variables):

$$\Delta F_t = \alpha + \sum_{i=1}^p \beta_i (\Delta F_{t-i}) + \sum_{j=1}^q \gamma_j \varepsilon_{t-j} + \delta_1 D99_t + \delta_2 D11_t + \varepsilon_t \quad (2)$$

This is a general form that is adapted for particular countries by imposing restrictions. For example, including the crisis variable does not necessarily result in a significant improvement of the model. Therefore, this variable was excluded when making forecasts for certain destinations. Various specifications with different orders of autoregression and moving averages are applied for each country, and the final choice is made on the basis of the Akaike information criterion (Akaike, 1974). For the purposes of parsimony, the set of estimated models is restricted so that $p + q \leq 2$.

Multivariate time-series analysis. Tourism flows to different destinations may be statistically correlated. Thus, the number of trips to one country may be used as a predictor for the flows to other countries. This idea underlies the multivariate model for the dynamics of tourism demand for the most popular Mediterranean destinations used in this study. The model is constructed using vector autoregression (VAR). The inclusion of additional variables enables the model to take into account certain peculiarities of tourism demand dynamics, such as the 1998 crisis in Russia and the Egyptian revolution of 2011. Therefore, in fact, the estimated model is a vector autoregression with exogenous variables (VARX).

The choice of the final model is based on maximizing the adjusted R^2 coefficient for each country of destination. The results are presented in the next section.

4. Results

Forecasts of tourism flows for nine popular Mediterranean countries obtained from the ARIMAX model are presented in appendix 2.1. No changes in the ranking of the countries by popularity among Russian tourists are expected by the year 2015. Additionally, no extraordinary dynamics are anticipated with the exception of low growth in the rate of tourism flows to France (2.4%).⁹ However, this low growth will not result in significant changes in the “balance of power” because the figures for Israel and Tunisia do not approach the forecasts for France. Nevertheless, there are significant differences in the expected growth rates. The ARIMAX model predicts the largest growth rate for Egypt (33.4%), followed by Spain (21.2%). Apart from France, the slowest growth in the number of tourist trips from Russia is expected to be in Israel (11.3%) and Tunisia (13.7%). France’s low growth figure may be explained by the unusually high number of trips to France in 2012 (329,000); in 2011, France attracted only 267,000 trips. The forecasting model considered such a leap to be an impermanent change that was likely to be followed by a restoration of the former trend. The obtained forecasts lead to the conclusion that the demand of Russian citizens will increase faster for those destinations that are already popular.

Estimates of the multivariate model of tourism flows from Russia to Egypt, Greece, Italy, and Spain are presented in appendix 2.2. Most coefficients are difficult to interpret not because they are somewhat unexpected or questionable or because they contradict theory or common sense, but because the model is only intended to forecast and not meant to represent economic theory. One can assume the reason why the number of tourist trips to Greece is a significant predictor for tourism flows to Egypt. However, this study does not provide arguments in favor of or against such hypotheses, which does not mean that one cannot extract useful information from the obtained estimates.

The trend variable is significant in the equations for each of the four destinations. This may be explained by the fact that the dynamics of the tourism flows are determined by some directly unaccounted factors that influence the flows to the chosen destinations in different ways. Otherwise, that influence would be accounted for by the variables for the number of tourist trips to other countries. The high significance of the dummy for the year 2011 represents the effect of the political crisis in Egypt, which led to a drastic fall in the number of visits to Egypt. However, this decrease was not lasting, and the status quo was immediately restored in 2012. Correspondingly, it is interesting to note that the $D11_t$ variable is significantly positive in equations for other countries because this seems to indicate where Russian tourists chose to go instead of Egypt. The estimates indicate that Spain benefited the most from the Egyptian political crisis, at least in the short term (in the long term, interactions between different flows will take place). However, the forecast for Spain from the multivariate model corresponds to a slower growth rate than the one from ARIMAX (both can be found in appendix 2.1). In contrast, VARX predicts a more rapid increase in the flow to Italy (32% in three years) compared to the univariate model (15.1%). As for Greece, both approaches yield similar results.

For the most part, the discrepancies in the forecasts obtained from the two models do not affect the predicted ranking of destinations. There is, however, one exception: the multivariate model predicts that Egypt will outrun Turkey and become the new Mediterranean leader in tourism flows from Russia. However, there are substantial differences in the expected absolute values of tourism flows, so it is important to decide which model is more reliable.

The multivariate model provides much better goodness-of-fit than ARIMAX. Table 2.1 contains the mean squared errors (MSEs) of the one-year-ahead forecasts obtained by the ARIMAX and VARX models for the four chosen countries. It can be seen that the multivariate model's MSEs are lower than those in the ARIMAX model for each destination, and for three of the destinations (all except Italy), the MSEs are at least two times lower.

Unfortunately, this result does not mean that the multivariate model provides better insight into the future. In appendix 2.1, which presents the obtained forecasts, one can note that the number of trips to Egypt is expected to increase at an unusually high rate, which makes one suspicious of the reliability of that prediction. Another reason to doubt the forecasts is their instability: a similar multivariate model applied to data from 1994 to 2011 produced rather different forecasts, indicating that the results of multivariate analysis are sensitive to small changes in data. For this reason, the univariate model seems to produce more reliable predictions.

Table 2.1 Mean Squared Errors for ARIMAX and VARX Models' Predictions for Four Mediterranean Destinations

Destination	MSE, ARIMAX	MSE, VARX
Egypt	9813.7	4384.5
Greece	3811.6	717.4
Italy	2340.5	1229.1
Spain	3111.7	1279.0

5. Conclusion and Limitations

Presenting the main trends of Russian outbound tourism, the chapter has focused on forecasting tourism flows from the Russian Federation to the Mediterranean countries. The results of an analysis of the tourism flows from the Russian Federation to Mediterranean countries as well as short-term forecasts for the main destinations in this area are presented. Modeling and analysis of the tourism flows from Russia to countries in the Mediterranean region appear to be interesting from both an academic and a practical point of view.

The tourism flows to the countries selected for this research account for more than 100,000 Russian tourists per year. These tourism flows are expected to grow,¹⁰ although the expected growth rates differ among destinations. By the year 2015, the number of Russian arrivals in Turkey, the current Mediterranean leader, is expected to grow by 13.8 percent in comparison to 2012. The most rapid growth is expected in the tourism flow to Egypt, which is forecasted to approach Turkey in terms of the total number of trips. Both leaders are leaving their followers far behind, accounting for more than 2.5 million expected trips in 2015. No other country is expected to exceed the threshold of 1 million Russian arrivals. Another rapidly evolving destination is Spain, which is expected to attract 21.2 percent more trips from Russian citizens in 2015 than in 2012. The slowest growth is anticipated in the number of tourism trips to France, for which the steep ascent observed in 2012 may be followed by a moderate decline. Flows to other analyzed destinations are anticipated to have similar growth rates (11–17% for the three-year period).

Attempts to create a joint model for the main Mediterranean destinations show that there are some statistical correlations between tourism flows to different countries, which may be useful for producing forecasts. However, the predictions obtained by using the multivariate model do not currently seem to be reliable. Nevertheless, the model provides some information on the impact of the 2011 political crisis on tourism flows. Despite the doubtful forecasting ability, we believe that the idea of jointly modeling tourism flows to different destinations might have a wide range of implications and should be tested on data from other destinations and countries of origin. The results may be used not only for forecasting purposes but also to provide insight into the processes that drive tourism demand (e.g., studying the substitution effects between destinations).

The study has substantial limitations that are primarily caused by a scarcity of available data on Russian tourism. Because the Federal State Statistics Service of the Russian Federation only provides annual series, the analyzed samples are short, and it is not possible to investigate seasonality patterns. Another concern is the considerable heterogeneity of the Russian regions, which also cannot be accounted for because the information on tourism trips is provided for the entire country. Additionally, the problem of political instability in the destination region can confound our forecasts. Follow-up studies that monitor outbound tourism in the Russian Federation may reveal whether these limitations are important for the obtained results.

Notes

1. Calculated based on data of the Federal State Statistics Service of Russian Federation.
2. Calculated based on data of the Federal State Statistics Service of Russian Federation.
3. Calculated based on data of the Federal State Statistics Service of Russian Federation.
4. Calculated based on data of the Federal State Statistics Service of Russian Federation.
5. Calculated based on data of the Federal State Statistics Service of Russian Federation.
6. Calculated based on data of the Federal State Statistics Service of Russia.
7. The conference report may be found at <http://www.eiasm.org/documents/abstracts/36285.doc>.
8. The series are taken in differences, so the D99 dummy corresponds to the change in 1999 tourism flows as compared to the 1998 (crisis year) data.
9. The figure corresponds to the 2012–2015 period. This means that the predicted number of tourism trips from Russia to France for the year 2015 is larger than the actual value in 2012 by 2.4 percent.
10. We do not consider Croatia, which fell out of the analysis due to the short length of time series on a number of trips.

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Appendix 2.1 Forecasts of Tourism Flows from the Russian Federation to the Selected Mediterranean Countries (Thousands of Trips)

ARIMAX model

Destination	2012 (actual)	2013	2014	2015	Growth rate (2015 to 2012), %
Turkey	2539	2641	2781	2891	13.8%
Egypt	1910	2162	2365	2549	33.4%
Spain	802	880	926	972	21.2%
Greece	694	733	772	811	16.9%
Italy	588	618	647	677	15.1%
Cyprus	408	429	450	471	15.4%
France	329	300	318	337	2.4%
Israel	226	246	239	252	11.3%
Tunisia	208	206	222	237	13.7%

VARX model

Destination	2012 (actual)	2013	2014	2015	Growth rate (2015 to 2012), %
Egypt	1910	2548	3027	3452	80.7%
Spain	802	860	952	916	14.2%
Greece	694	662	804	803	15.7%
Italy	588	639	740	776	32.0%

Appendix 2.2 Estimated Coefficients for the Multivariate Model of Tourism Flows from the Russian Federation to Egypt, Greece, Spain, and Italy

Independent Variables	Dependent Variable			
	$\Delta Egypt_t$	$\Delta Greece_t$	$\Delta Spain_t$	$\Delta Italy_t$
$\Delta Egypt_{t-1}$	–	–0.15** (0.06)	–0.16* (0.08)	–
$\Delta Greece_{t-1}$	–	–1.34** (0.43)	–1.06** (0.49)	–0.40* (0.19)
$\Delta Spain_{t-1}$	1.08 (0.65)	–	0.63 (0.43)	–
$\Delta Italy_{t-1}$	–2.44** (0.98)	1.12** (0.43)	–	–
<i>Dummy for the year 1999</i>	–101.27 (99.11)	–43.82 (39.19)	–114.71* (52.95)	–60.81 (45.01)
<i>Dummy for the year 2011</i>	–1030.63*** (98.61)	214.12*** (52.63)	260.06*** (74.51)	88.42* (46.37)
<i>t (trend)</i>	32.54*** (4.72)	9.27*** (2.45)	6.60* (3.14)	4.69* (2.58)
<i>Intercept</i>	–143.60 (53.92)	–54.50 (25.10)	–13.23 (33.10)	8.55 (12.05)
R^2	0.94	0.84	0.76	0.50
$R^2_{adjusted}$	0.91	0.74	0.62	0.34

Standard errors are given in parentheses. The main variables in the model are changes in the number of tourist trips made from Russia to a certain country (e.g., $\Delta Egypt_t$ denotes the difference between the number of tourist trips to Egypt in the years t and $t-1$).

* denotes significance at the 10% level, ** – 5%, *** – 1%.

Chapter 3

Entrepreneurship and the Discovery and Exploitation of Business Opportunities Empirical Evidence from the Malawian Tourism Sector

Aravind Mohan Krishnan

1. Introduction

The narrative of Africa as a primitive, underdeveloped continent with bleak future prospects (Washington, 2011) has been increasingly modified in favor of optimistic sentiments (Blaser, 2013; Berman and Blade, 2013; Gobry, 2014). Commentators increasingly portray Africa as a continent of business opportunities (Mahajan, 2009). “We are tired of being the subject of everybody’s charity and care . . . There’s a huge market out there, and people don’t know about it” (Okonjo-Iweala, 2007, 20:13).

As entrepreneurs are the catalysts of economic development, policymakers must cultivate the driving force of tourism entrepreneurship in the African continent. In fact, focusing on tourism may solve Africa’s economic and social challenges (Christie and Compton, 2001; Dieke, 2003). Tourism Entrepreneurs can act as problem-solvers in the African context.

The aim of this chapter is to explore the nature of business opportunities, and the entrepreneurs capitalizing on them, in a Southern African country called Malawi. We study how these ideas are developed into fully realized business concepts. The chapter also examines whether entrepreneurship in Malawi develops in order to grow businesses in response to opportunities, or is motivated by lifestyle aspirations. The roles that prior business experience and business networks play in recognizing opportunities are crucial. Entrepreneurs in this context are seen as owner-managers of companies (Westhead and Wright, 1998).

Since opportunity discovery and implementation vary according to the industrial context (Shane, 2003), the study focuses specifically on the tourism sector. As tourism spans multiple industries (Leiper, 2008), the subsector of choice for this

investigation is the safari companies. The term “safari” originates from the Arabic word *safara* or “journey.” Safaris in Africa are journeys that incorporate wildlife viewing as well as other leisure activities for tourists (Davies, 2013). Safari companies were chosen for this investigation because it is strongly opined that these companies conduct activities that promote Malawi’s natural, cultural, and historical attractions, which in turn helps raise awareness about the country globally.

Entrepreneurs in Malawi also diversify into other areas in tourism to avoid placing all their eggs in one basket. They usually extend their business portfolio from customer-focused safaris to acquiring or building new lodges or resorts at Malawi’s popular destinations. The study of both opportunity discovery and exploitation is necessary due to the interdependence of these two processes (Buenstorf, 2007).

This chapter is divided into the following sections. Section 2 analyzes the existing literature relating to entrepreneurship and tourism while highlighting the limited research on tourism entrepreneurship related to Africa. Subsequently, the Malawian empirical setting is introduced in section 3 while also including the methodology used in conducting primary research through interviews with ten entrepreneurial firms. The results of the interviews with entrepreneurs are illustrated in section 4. Section 5 discusses the findings and the last section elucidates the conclusion, implications for entrepreneurs and policymakers, as well as limitations and future research directions.

2. Literature Review

This literature review identifies three areas of research that need closer examination: (1) the importance of prior experience in entrepreneurship, (2) whether venture creation precedes or follows opportunities, and (3) how business networks facilitate opportunity exploration.

Kirzner (1997) defines entrepreneurship as the profitable activity of individuals based on knowledge and information gaps in the market. Examples of information gaps in the Malawian context include destinations for organizing new safaris as well as natural attractions where new lodges can be built or renovated. Shane and Venkataraman define entrepreneurship as; “. . . how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated and exploited” (2000, 218).

The Opportunity-Based Approach to Entrepreneurship and the Importance of Prior Experience in Entrepreneurship

The concept of opportunity entrepreneurship is widely discussed in the literature (Eckhardt and Shane, 2003; Gaglio and Katz, 2001; Keh et al., 2002; Shane, 2003; Shane and Venkataraman, 2000; Venkataraman, 1999). Opportunities are value-creating arrangements to introduce either new products or services from existing organizations, or to create new firms (Davidsson, 2008).

The interaction between enterprising individuals and opportunities is of great interest to academics. Alsos and Kaikonnen (2005) even state that entrepreneurship cannot exist without the presence of opportunities. Ardichvilli et al. (2003) believe that successful entrepreneurs have the ability to identify and select the right opportunities. Intriguingly, entrepreneurs are particularly skilled at identifying opportunities from challenging environments (Hills and Shrader, 1998; Mahajan, 2009). The most pertinent question on entrepreneurship and opportunities has been posed by Shane and Venkataraman (2000, 218): “. . . why, when, and how some people and not others discover and exploit these opportunities . . .”

Opportunity Discovery

Opportunities are discovered through a fit between external market needs and internal resources (Ardichvilli et al., 2003). Keh et al. (2002, 127) note a “window of opportunity,” the time period between opportunity discovery and exploitation. This requires speedy identification and evaluation of the idea before being noticed by competitors (Gaglio and Katz, 2001). Opportunities may disappear from an entrepreneur’s horizon after the introduction of new information into the market (Dutta and Crossan, 2005).

Entrepreneurial alertness is a fundamental aspect of opportunity discovery (Kirzner, 1973). Alert entrepreneurs detect a gap in the market (Alvarez and Busenitz, 2001) that other individuals miss. They constantly scan the external environment for opportunities (Gaglio and Katz, 2001) and enjoy looking for opportunities in their spare time (Kaish and Gilad, 1991).

The Importance of Prior Experience in Discovering Opportunities

The role of prior experience in opportunity discovery is of real interest for academics both in the general entrepreneurship literature (Shane, 2000; Venkataraman, 1997) and the tourism entrepreneurship literature (Szivas, 2001; Williams et al., 1989).

Individuals recognize different opportunities (Venkataraman, 1997) due to their prior knowledge of markets, the ways in which markets are served, and their experience in solving customer problems (Shane, 2000). Owner-managers develop prior knowledge from their experiences in previous ventures (Mueller, 2007). Business ideas for serving markets may originate from a combination of prior experience and new information received (Shane and Venkataraman, 2000). Also, the entrepreneurial experience of family (Carr and Sequira, 2007) is significant. According to Alsos and Kaikonnen (2005), prior experience facilitates the entrepreneur’s inclusion in social networks, subsequently fostering opportunity discovery.

However, Szivas (2001) downplays the importance of prior experience in the tourism sector. Instead, lifestyle motivations, the pleasant nature of the tourism industry, and a chance to improve quality of life are the reasons to establish a business (Hollick and Braun, 2009; Szivas, 2001). Williams et al. (1989) found that only a few entrepreneurs entered the tourism industry with relevant prior experience. Lerner and Haber (2000) disagree, identifying 50 percent of their sample of entrepreneurs as

having previous experience. This discrepancy in the literature highlights the need for further empirical research, particularly concerning the importance of lifestyle motivations in tourism entrepreneurship, to reach a definitive conclusion.

As a consequence of the literature reviewed, we propose to tackle the following research question related to Malawian tourism entrepreneurs:

RQ1. How important is prior experience in the discovery of business opportunities in the Malawian tourism context?

Venture Creation and the Exploitation of Opportunities

Opportunity Exploitation

Entrepreneurs do not pursue all the opportunities they discover (Mueller, 2007). Choi and Shepherd (2004) define opportunity exploitation as the implementation of full-scale operations through a product or service from an opportunity. This occurs through turning an idea into a business concept and designing what will be offered, who it is offered to, and how the product or service is delivered to the market (Ardichvilli et al., 2003). The time taken between conceiving an idea and transforming that idea into a business concept is roughly three to four years (De Koning and Muzyka, 1999). The decision to transform an opportunity into a full-fledged business concept requires managerial capability, knowledge of customer demand for new products and services relating to the opportunity, and stakeholder support (Choi and Shepherd, 2004). Sometimes, opportunities may not be fully exploited due to limited stakeholder support (Dutta and Crossan, 2005). In such a scenario, entrepreneurs might abandon opportunities (Wood and McKinley, 2010).

As a consequence of the literature reviewed we propose to tackle this research question related to Malawian tourism entrepreneurs.

RQ2. Does venture creation occur before or after discovering an opportunity and how are ventures created from an opportunity?

The New Venture Creation Process

Following on from RQ2, we provide a brief theoretical overview of opportunity recognition and the new venture creation process. An opportunity for a nascent firm to offer a new product or service can either be externally stimulated, where opportunity discovery takes place after venture creation, or internally generated, when opportunities are discovered before venture creation (Bhave, 1994). Opportunity recognition after venture creation is common because the new venture allows entrepreneurs to spot opportunities that might not have been possible before its establishment (Alsos and Kaikkonen, 2005).

Business Networks, Entrepreneurial Teams, and Business Opportunities

One of the most important frameworks explaining the venture creation process is Timmons and Spinelli's (2009) model, which places opportunities at the heart of the entrepreneurial process. The model incorporates three elements of the process: opportunities, resources, and the entrepreneurial team (Timmons and Spinelli, 2009). It is worth examining one of the elements further—the entrepreneurial team.

The Entrepreneurial Team

An entrepreneurial team is “. . . a group of people involved in the creation and management of a new venture” (Forbes et al., 2006: 226). Klien (2008) advocates the selection of a team upon opportunity recognition. A team can be an important source of ideas for an entrepreneur. Leary and De Vaughn (2009) consider diversity of knowledge, background, and experience as crucial for a strong and durable entrepreneurial team, allowing access to a superior pool of knowledge to draw upon when developing business ideas. It is important to examine the relevance of the entrepreneurial team in opportunity discovery and exploitation in the African context.

Networks and Opportunity Development

Business networks are an important resource of information leading to potential opportunities (Chea, 2008; Greve and Salaff, 2003). Networks aid opportunity discovery by providing relevant information enhancing entrepreneurial alertness to opportunities and facilitate opportunity exploitation by discussing the feasibility of a new idea (Wood and McKinley, 2010).

An opportunity is exploited when it becomes a business concept with the support of stakeholders. The entrepreneur interacts with close friends and family to ascertain whether the idea is viable and strives to convince external stakeholders to support the concept. Based on discussions with network actors, he/she chooses to fully enact the opportunity or abandon it. Habitual entrepreneurs with prior experience of founding a business (Westhead and Wright, 1998) may exploit an opportunity quicker than those with no previous experience and discuss it with fewer individuals (Wood and McKinley, 2010).

As a consequence of the literature reviewed, we propose to tackle this research question related to Malawian tourism entrepreneurs.

RQ3. How important are networks in facilitating the opportunity discovery and exploitation processes?

Entrepreneurial Research on the African Continent

Limited research studies have covered entrepreneurship in the African continent (Havenga, 2005), although there have been calls for research to help policymakers

develop entrepreneurship programs in the continent. In fact, most entrepreneurship research has focused on South Africa, “. . . 61.2% of African entrepreneurship research concerns South African entrepreneurship . . . Zimbabwe (5%), Nigeria (3.84%) . . . Kenya (3.65%)” (Havenga, 2005: 12) This means that the majority (almost 75%) of recent African entrepreneurship research has focused on just four African countries. This subsequently has created a research gap for empirical research studies in other Southern African countries like Malawi, especially given that Nyakunu and Rogerson (2014) highlight the emergence of Southern Africa as a potentially lucrative region for international tourism.

Various arguments highlight the importance of studying tourism entrepreneurship. For example, Briedenhann (2013) believes focusing on tourism can reduce poverty and enhance economic development. Okonjo-Iweala (2007, 20:13) highlights that “. . . tourism is a big opportunity in many countries in Africa.” Empirical studies on entrepreneurship and tourism should arguably provide a platform for ideas that can help policymakers and practitioners improve the African continent’s future economic prospects (Christie and Crompton, 2001; Dieke, 2003).

3. Empirical Setting and Methodology

The Malawian Tourism Context

Malawi is a landlocked country in South Central Africa. Its eastern border is shared with the country’s most distinctive and popular feature, Lake Malawi. The country is surrounded in the north and east by Tanzania, Mozambique in the south and east, and Zambia in the west. Many of the country’s national parks and attractions share borders with neighboring countries, highlighting the importance of developing tourism and sharing resources regionally. Malawi is known for its friendly people; the popular phrase the “warm heart of Africa” (Johnston and Ferrar, 2006) has been adopted to describe the country, especially in the tourism sector.

Commentators highlight the Malawian economy’s heavy reliance on tobacco (Jaffee, 2003) and call for Malawi to embark on economic diversification (Randall, 2013). It is strongly opined by the World Bank (2010) that tourism should be prioritized as a major economic sector in Malawi. Moreover, the Malawian government identifies tourism as one of the key sectors in the Malawi Growth and Development Strategy (Government of Malawi, 2006).

However, Park (2014) states that Malawi lacks the publicity and visibility of its neighboring competitors, Zambia, Tanzania, and Mozambique. Malawi’s annual tourist arrivals are far below optimal levels, displaying the need for comprehensive efforts to promote the country. Unfortunately, as table 3.1 illustrates, the country has seen only a 4 percent increase in tourist arrivals from 2008 to 2012. This is mainly due to lack of awareness, limited air connectivity to Malawi from Europe and Asia, and poor marketing and promotional efforts by public sector authorities.

Table 3.1 Annual Number of Tourists into Malawi, 2008–2012

Year	Number of Tourists Entering the Country per Annum	Year-on-Year Growth rate
2008	742,458	1%
2009	755,031	1.75%
2010	746,129	-1.2%
2011	766,893	2.8%
2012	770,341	0.5%

Source: National Statistical Office, (2013), *Malawi Tourism* Stats, E-mail, 3 October 2014.

**Figure 3.1** Lake Malawi.

Source: Madzikwala Lodge, Author's photo, June 19, 2014.

On the other hand, Malawi is the beneficiary of positive reviews from online travel sites. *Lonely Planet* (2013) lists Malawi as one of the top ten destinations to visit in 2014. A recent international survey on Yahoo! Travel has chosen Lake Malawi as one of the most beautiful lakes in the world (Collins, 2011). Also, the World Bank (2010, 14) highlights Malawi's diversity of natural attractions; "... destinations such as Lake Malawi (see Figure 3.1), Nyika Plateau (see Figure 3.2), Liwonde National Park, and Mulanje Mountain have potential to attract international visitors in their own right." More information on Malawi's natural attractions can be found in appendix 3.A1.

Several entrepreneurs have undertaken substantial efforts to improve the social welfare of the Malawian people. An example is the "Madzi Alipo" (Water



Figure 3.2 Nyika Plateau.

Source: Nyika Plateau, Author's photo, December 14, 2013.

Table 3.2 PESTEL Analysis of Malawi

Political

- The post-election landscape creates an uncertain business environment, negatively affecting subsequent tourism policies and resources
- Limited donor funding undermines further entrepreneurial incentives and public sector investment in tourism

Social

- The warmth and friendliness of the people will always be a positive factor in bringing tourists
- Interest in exploration of remote, exotic destinations
- Indigenous Malawians tend to be risk-averse, avoiding entrepreneurial activity

Environmental

- The alarming prospect of private companies exploiting Lake Malawi for oil and gas drilling and negative effect on Malawi's image destination
- Deforestation in Malawi's key natural attractions and urbaniaation

Economic

- Europe is still emerging from recession, affecting tourism inflows into Malawi
- Many tourism activities and services are ill-affordable for ordinary Malawians

Technological

- Online sources have contributed to increased positive awareness of Malawi
- Social media helps promote Malawi and entrepreneurs to a wider global audience

Legal

- Dispute between Tanzania and Malawi on 'boundary of the Lake' could create a negative image in minds of tourists
-

Is Coming) project, aiming to restore water connectivity to the poorest people in Southern Malawi (Malawi Tourism, 2014a). In addition, there is the Namizimu Forest Retreat, a socially responsible business that is working closely with the local community and providing apprenticeship schemes for people in the surrounding areas. The Responsible Safari Company is another group supporting various self-sustainable initiatives by social Malawian entrepreneurs, such as the Community Initiative for Self Reliance (Responsible Safari Company, 2014). Both these companies are interviewed further on in the chapter. These examples highlight how safari companies can support local communities and help in social upliftment (Davies, 2013).

The PESTEL analysis outlined in table 3.2 provides an overall picture of the challenges facing the Malawian tourism sector, along with some positive developments.

Implications from this framework include the environmental damage affecting some of the country's major natural attractions (World Bank, 2010), and the political and economic challenges facing Malawi today. Currently, Malawi is going through a difficult economic period, which can diminish entrepreneurial enthusiasm for developing new ideas in the country. The only positive developments include favorable online publicity from travel websites, and tourists' willingness to explore different, remote destinations. Ultimately, plans for oil and gas exploration taking place at Lake Malawi could substantially undermine future tourism-related opportunities in the country (Chimjeka, 2014).

Methodology

The research conducted was mainly exploratory and used qualitative techniques relying on both secondary and primary data. Data were collected over the 2010–2014 timespan.

Primary research was the preferred method for data collection, given the difficulty in obtaining relevant secondary research related to tourism entrepreneurship in Malawi. This enabled the extraction of relevant information directly as opposed to relying on secondhand sources (Meredith, 1998). We deployed semistructured interviews. More specifically, we interviewed the owner-managers of ten travel companies over four years in Malawi using information and contacts from the Malawi Travel Marketing Consortium (White, 2010). This fits in with the number suggested by Eisenhardt (1989) for case-based research. In the initial round of interviews conducted in 2010, eight entrepreneurs were selected using data provided through e-mail by the marketing officer of the Malawi Travel and Marketing Consortium (White, 2010).

In order to improve the validity of the research, two further interviews were conducted in February 2014 with different entrepreneurs who established their businesses after 2010. These additional interviews were aimed at identifying any variations in factors influencing opportunity development and conditions for entrepreneurship when compared to initial empirical studies in 2010.

A voice recorder was used during initial interviews to accurately record and listen to interviewees' responses. Subsequently, recordings were listened to again to capture any new insights previously overlooked. However, it was found the absence of the voice recorder helped respondents feel more comfortable in sharing their experiences and opinions. Therefore, in subsequent interviews, the recorder was not used, allowing entrepreneurs to speak more freely. The study also allowed for anonymity where possible to protect the identities of the respondents. All the interviews were subsequently transcribed with nearly verbatim notes.

Secondary research involves collecting data used for another purpose in the past (Saunders et al., 2000). The researcher first obtained background information about the companies and the wider tourism context based on online sources specific to Malawi. Triangulating secondary sources and primary data (Opperman, 2000) allowed interviewee responses to be verified by secondary research to increase overall research validity. Secondary research specific to the Malawian context included published reports, case studies, travel guides, and company websites.

Case Studies

Ten entrepreneurs running safaris in Malawi and/or owners of lodges were interviewed. In two cases, there were joint business owners (male and female) involved. The list of entrepreneurial firms and dates when interviews took place are shown in table 3.3.

Interviews were of a conversational nature and lasted on average between one and a half and two hours. As several entrepreneurs in the study requested anonymity, we decided to keep direct quotations by all the respondents anonymous in the "Findings" chapter, given the sensitivity of the information involved and for ethical reasons (but the actual interviews are fully referenced with names of the entrepreneurial firms in the "References" section).

Table 3.3 Interviews with Entrepreneurs

Company	Year of Establishment	Number of Business Owners	Date of Interview
1. Land and Lake Safaris	1987	1	June 3, 2010
2. Porini Adventure Safaris	2009	1	June 7, 2010
3. Ulendo Safaris	1998	1	June 9, 2010
4. The Responsible Safari Company	2008	2	June 15, 2010
5. Barefoot Safaris & Adventure Tours	1997	1	June 21, 2010
6. Cluny Safaris	1995	1	June 23, 2010
7. Jambo Africa	2000	1	July 5, 2010
8. Malawian Style	2010	1	July 9, 2010
9. Namizimu Forest Retreat	2011	2	February 7, 2014
10. Sute Lake Safaris	2013	1	February 4, 2014

4. Research Findings

The study now presents the results of the interviews with the ten entrepreneurs. Where appropriate, information from secondary sources is included for the purposes of triangulation. Each of the subheadings in the results show the research questions covered.

Overview of Opportunity Exploration

Table 3.4 outlines the individual processes of opportunity discovery and exploitation for each of the respondents. The key factors involved in opportunity development are discussed, while drawing comparisons with the research questions.

Table 3.4 illustrates the importance of different forms of prior experience in establishing and running a safari company, validating the literature examined earlier. To a large extent, evidence from the first round of interviews also correlates with the literature regarding the importance of business networks in facilitating opportunity development. However, opportunity exploitation in the Malawian context does not seem to follow a methodical process, “I think each business opportunity presents its own requirements. You cant just say there’s a blueprint . . . go through Steps A, B, C and D” (Entrepreneur A 2010, Transcript).

However, entrepreneurs from the second round of interviews differed from those in the first round in several ways. First, prior experience specific to tourism was not an important factor in establishing businesses and opportunity discovery for both Sute Lake Safaris and Namizimu Forest Retreat. Second, these particular entrepreneurial firms developed business opportunities with minimal reliance on networks in contrast to the firms in the first round of interviews in 2010; “. . . of course we discussed with friends but as a very new idea, not much contribution came from them” (Entrepreneur I 2014, Transcript). Third, both the newer entrepreneurial firms are focusing their operations solely on Malawi, as opposed to the other eight businesses, which run safaris in Malawi and at least one other country in Southern Africa (e.g., Zambia, Mozambique).

Prior Experience and Opportunity Identification (RQ1)

As indicated in Table 3.4, all the entrepreneurs believed prior experience was vital in establishing their companies and recognizing new opportunities. For instance, experience obtained as tour guides allowed two of the ten respondents to identify opportunities from customer enquiries for new destinations. The evidence also underlines the importance of prior experience with larger firms in the travel and tourism sector.

I worked with Robin Pope Safaris . . . Wilderness Safaris . . . these are well established, respected companies. And the minute you . . . say right Rob who was with Robin Pope Safaris . . . has now set up on his own in Malawi . . . it gives you credibility that you wouldn’t have before. . . . (Entrepreneur C 2010, Transcript)

Table 3.4 The Opportunity Development Process

Entrepreneur/ (Opportunity)	Process Followed	Key Implications for Research
INTERVIEWS ROUND 1: JULY 2010		
1. Land & Lake Safaris (Creating a new safari company)	<ol style="list-style-type: none"> 1. Win a government tender 2. Use stakeholders for consultation 3. Entrepreneurial team facilitates daily operations 	<ol style="list-style-type: none"> A. Prior experience helps implement opportunities (Validates RQ1) B. Networks help evaluate new ideas (Validates RQ3)
2. Porini Safaris (Creating a new safari company)	<ol style="list-style-type: none"> 1. Prior Experience of working with existing travel & tour operators 2. Convincing other stakeholders of the viability of ideas 	<ol style="list-style-type: none"> A. Lessons learned from previous experiences in other tourism firms (Validates RQ1) B. Importance of collaboration for new ideas (Validates RQ3)
3. Ulendo Safaris (Commercial opportunity to start and grow a travel company and expand into other areas)	<ol style="list-style-type: none"> 1. Using world travel fairs to discuss existing ideas and consider ideas from other individuals 2. New opportunities in response to market and customer-focused trends 	<ol style="list-style-type: none"> A. The case of Ulendo Safaris demonstrates an example of portfolio entrepreneurship in this context
4. The Responsible Safari Company (Creating a venture supporting ethical and community based ethos of the owners)	<ol style="list-style-type: none"> 1. Consultation between entrepreneurs to assess viability of idea 2. Female co-owner discovers opportunities in a 'moment of inspiration', showing differences in process of opportunity discovery with male co-owner. 3. Screening of Malawi against other African countries 	<ol style="list-style-type: none"> A. Importance of networks and family input (Validates RQ3) B. Prior experience of travelling and running a similar lifestyle business crucial (Validates RQ1)
5. Barefoot Safaris & Adventure Tours (Creating a lodge in Lilongwe)	<ol style="list-style-type: none"> 1. Physical exploration and prior knowledge of the area 	<ol style="list-style-type: none"> A. Prior experience of the right tourism destinations helps successful operations (Validates RQ1)
6. Cluny Safaris (Developing opportunities to run photographic safaris)	<ol style="list-style-type: none"> 1. First-hand experience and knowledge of the geographical area through other activities 2. Consult customers about potential new ideas 	<ol style="list-style-type: none"> A. Prior experience and unique knowledge of specific areas in Malawi (Validates RQ1)

Continued

Table 3.4 Continued

Entrepreneur/ (Opportunity)	Process Followed	Key Implications for Research
7. Jambo Africa (Opportunity to run and manage a national park in Malawi)	1. Following official government requirements through a tender to run the park	A. Prior experience, importance of reputation and track record (Validates RQ1)
8. Malawian Style (Creating a new safari company)	1. Venture creation based on organising expeditions for friends and family	A. Collaboration to develop and clarify a new business idea (Validates RQ3)
	2. Market research and studying the competition	B. Prior experience of following passion for travel (Validates RQ1)
	3. Network relations for support and ideas	
INTERVIEWS ROUND 2: FEBRUARY 2014		
9. Sute Lake Safaris (Creating a new travel company focusing on expeditions in Lake Malawi)	1. Offers a quicker way to travel across Lake Malawi	A. Opportunity discovery in a moment of inspiration
	2. Methodically developed the opportunity by writing a business plan, and securing financing.	B. Rare example of opportunity development independently (Disputes RQ3)
	3. Exploring future opportunities in marine based travel and tourism in Lake Malawi	C. Prior experience of entrepreneurship, unrelated to tourism (Validates RQ1)
10. Namizimu Forest Retreat (Creating a lodge with community based and nature oriented travel excursions)	1. Exploring Malawi for places to run that fitted with the owner managers' ethos and would offer a different Malawian experience for customers	A. Reduced importance of networks in developing the business (Disputes RQ3) B. Differences in prior experience between the business owners benefits the opportunity exploration process (Validates RQ1)
	2. Transform the lodge from a lifestyle oriented business to a commercial (but ethical) operation gradually	

Five of the ten entrepreneurs value advice from individuals with prior experience in entrepreneurship. This correlates with literature (Mueller, 2007) regarding the importance of individuals with entrepreneurial experience in venture creation and opportunities. In fact, in one of cases studied empirically, parents with prior experience of entrepreneurship were identified, supporting Carr and Sequira's (2007) research on family entrepreneurship.

Also, prior exposure and knowledge of natural attractions within Malawi and neighboring countries helped new opportunity discovery. Four of the ten entrepreneurs recognized specific opportunities from natural resources in Malawi overlooked by others, correlating with Kirzner (1973). Lake Chilwa is a seasonal lake in Southern Malawi.

My worry of what to do . . . pushed me to look at an opportunity . . . less visited by many which was lake transport/lake tourism. (Entrepreneur I 2014, Transcript)

. . . why has Wilderness not snapped up Lake Chilwa . . . because you've got pelicans there, flamingoes there, huge diversity of wildlife, huge diversity of human habitation . . . people living on reed beds, that is in itself a tourist attraction . . . to my mind (it) is a goldmine in tourism . . . why am I the guy that recognizes it . . . (Entrepreneur F 2010, Transcript)

Motivations for Entrepreneurship in Malawi (RQ1, RQ2)

Work freedom and independence were the primary motivations to establish a business in Malawi. "Whenever you work for somebody else . . . you are always restricted . . . to do your own thing is a lot easier and a lot better" (Entrepreneur A 2010, Transcript).

There are different motivations for entrepreneurial activity in Malawian tourism. For the owner of Malawian Style, starting a company in an area he was passionate about seemed a natural step, "My dream was to always come to Africa and start some kind of leisure company" (Entrepreneur H 2010, Transcript). The tranquil nature of Malawi was an important factor in several cases of venture creation. One of the respondents actually saw the tourism sector as a springboard to explore business opportunities through diversification into related areas like aviation and accommodation (i.e., portfolio entrepreneurship), ". . . once in the business your perspective changes . . . you are looking at new use of areas where you can grow the business in . . . Especially when you start-up, you are hungry to grow the business and make a name for yourself" (Entrepreneur C 2010, Transcript).

Opportunity Identification and Venture Creation (RQ2)

Seven of the ten entrepreneurs recognized opportunities before establishing their ventures. Examples from two cases are provided.

When we first started up there was nobody offering safaris in Malawi . . . it was purely a business opportunity that we saw (Entrepreneur A 2010, Transcript)

. . . I shared a dream with two colleagues about a desire I had to venture on a passenger ferry to operate on the lake . . . Against expectations, everyone agreed . . . I remained stuck in my chair until very late pondering over this new venture as it not only haunted me, but also excited me . . . It was then, that I decided to pursue this crazy idea, which started my search to find a suitable vessel. (Sute Lake Safaris 2014, from *M.V. Mwande . . . Our Dream*)

The case of the Responsible Safari Company illustrates how an opportunity is developed prior to venture creation. The founders systematically researched and screened Malawi against other African countries. “We set up the company after an idea that there was a gap in the ‘African’ Market and then earmarked Malawi as the most suitable destination for the product” (Entrepreneur D 2010, Transcript).

Questions were asked regarding the importance of an entrepreneurial team in venture creation and development. Seven of the ten respondents set up their businesses with a team of individuals. This shows correlation with the importance of business partners in the literature. However, in two cases, partners left the enterprises at a later stage. Respondents commented on the busy nature of team members, limiting their impact on daily operations.

“We have Board Of Directors . . . who help us with running the business . . . they are too busy to find time for meaningful contribution. (Entrepreneur I 2014, Transcript)
 . . . you can be a one man band . . . and unfortunately that is what it is at the moment . . . my other partners are busy with what they are doing. (Entrepreneur G 2010, Transcript)

Moreover, while respondents solicited the assistance of team members for day-to-day operations, most of them prefer to make major decisions independently, “We always have done and intend always to make decisions ourselves. This enables us to have 100% control over the company and ensure it follows the direction we feel is right” (Entrepreneur D 2010, Transcript). Hence the role of the team in developing business opportunities may be questioned in this empirical context.

Networking and Collaboration (RQ3)

Collaboration with other tour operators is encouraged in Malawi. Usually this involves using other tour operators’ lodges to host clients and more importantly with inbound tour operators to generate new enquiries into Malawi. “. . . It’s about personal relationships . . . If you can develop a relationship with some of the big tour operators that sell Africa . . . and they like you . . . they will have confidence to sell you . . .” (Entrepreneur C 2010, Transcript). An interesting example of interfirm collaboration is a large, well-established entrepreneurial firm, Ulendo Safaris, promoting Sute Lake Safaris, a younger entrepreneurial firm (Malawi Tourism, 2014b). Indeed, the evidence shows that newer entrepreneurial firms are inspired by the experiences of older established entrepreneurial firms: “. . . Ulendo Safaris, Land and Lake Safaris. I’ve seen these guys come into Malawi . . . I’ve seen where they started but if you see them now they are well off!” (Entrepreneur B 2010, Transcript).

Four of the ten respondents felt external organizations could provide information leading to a new opportunity, or discuss the potential of an idea. One of the respondents was approached by colleagues about new ideas and decided to engage in discussions with tour companies (Malawian Style, 2010). Other respondents called for more incentives and diverse financing arrangements. The limited cooperation between external stakeholders in the tourism sector was also highlighted: “. . . there

is little or no communication between the private and public sectors so neither party know[s] what is going on between them . . . ” (Entrepreneur D, 2010, Transcript).

Therefore in relation to RQ2, the evidence suggests that while business networks (i.e., other tourism firms) foster venture creation and opportunity development in the Malawian tourism sector, public sector organizations have a limited impact. This is important for further discussion and future research studies.

Evaluating Malawian Tourism

Entrepreneurs are highly skeptical regarding the overall prospects of the Malawian tourism sector. Several entrepreneurs shared specific concerns over the operational challenges faced on a daily basis in Malawi, particularly bureaucracy in the public sector:

Another major challenge has been the various bureaucratic hurdles that all businesses in Malawi face. (Entrepreneur J 2014, Transcript)

. . . The biggest is fuel prices that are increasing now and again, it makes projections not realistic. Another challenge is pricing, MV Mwanje is modern with all facilities on board, but the clients are reluctant to pay for it. (Entrepreneur I 2014, Transcript)

Indeed, government bureaucracy was a key factor in the abandonment of a business opportunity identified by one of the entrepreneurs, to run private air services in Malawi, “. . . Nyassa Express . . . was a great idea, it made money while it was flying . . . then we hit the red tape and the bureaucracy . . . and we lost a huge amount of money on it” (Entrepreneur C 2010, Transcript). Respondents also point out that Malawi is perceived as an expensive destination for tourists to visit and difficult to reach due to the absence of direct flights from Asia and Europe.

Opportunity exploitation in Malawi is a difficult decision due to the unpredictable and dynamic business environment. Some entrepreneurs may discover exciting ideas but defer opportunities due to various regulatory obstacles such as access to finance and incentives, “There’s some great ideas that you come up with . . . but where do you get the capital from . . . who’s prepared to invest in something like this . . . is it sustainable?” (Entrepreneur C 2010, Transcript). Nonetheless, some entrepreneurs express optimism about the sector’s future prospects in Malawi and Southern Africa as a whole.

There is always tremendous opportunity in Malawi as the country is both peaceful and beautiful. (Entrepreneur J 2010, Transcript)

Malawi is a land of opportunity . . . you look at the Lake, Mountains . . . where else in Africa do you have so many things in one country . . . the sea is not too far away (Mozambique) . . . you got the Zambezi . . . Luangwa Valley right on your doorstep. (Entrepreneur H 2010, Transcript)

Table 3.5 outlines some of the potential future business opportunities considered by entrepreneurs. These ideas could provide a platform for further discussion with

Table 3.5 Future Opportunities in Malawian Tourism

Respondent	Possible business opportunities
Entrepreneur A	“... on the Lake, things like houseboats and yachts.” (Transcript, 5 July 2010) “... hire some bicycles out to customers where they can look around... because the traffic is so bad, instead of driving you put them on a bike.” (Transcript, June 3, 2010)
Entrepreneur B	“... I want to put something in Nyika National Park... very good standard... but affordable.” (Transcript, June 7, 2010) “... we could get a whole pride of lions from the Kruger, the Masai Mara, the Ngorongoro or elsewhere... bring them in... maybe 2 prides of 10... just set them free... then they would multiply and then we would have a fully fledged national park... I would rather get involved with that kind of project where we could transfer animals...” (Transcript, June 7, 2010)
Entrepreneur C	“... we’ll probably end up going into aviation in some form again, probably more to meet the expectations of our new partners.” (Transcript, June 9, 2010)
Entrepreneur D	“Expanding into Zambia and Mozambique... so we can expand into Central Africa...” (Transcript, June 15, 2010)
Entrepreneur E	“... market the Lodge... to other companies... tour operators.” (Transcript, June 21, 2010)
Entrepreneur F	“... offer aerial survey for wildlife management services throughout the country... I will use it for Lake Chilwa... look at where the potential lodge sites are... where the birds are... what the geographical nature of the area is like...” (Transcript, June 23, 2010)
Entrepreneur G	“... I need a Lake Property... that’s where I would be more interested in pursuing...” (Transcript, July 5, 2010)
Entrepreneur H	“I would like to have maybe some Malawian Style Hostels, maybe 10 in Malawi, and then having links between them, so people... will have, transport to the other lodges, on the other side of the Lake, or the other side of Malawi... just to revolutionize travel in Malawi really is the goal.” (Transcript, July 9, 2010) “... a lot of South Africans want to come up to Malawi... I am redesigning tours that are targeting the South African market.” (Transcript, July 9, 2010)
Entrepreneur I	“... Sute Lake Safaris is enough preoccupation at the moment and would like to see it grow.” (Transcript, February 4, 2014)
Entrepreneur J	“... we want to integrate community and environmental projects into our business more and more... Namizimu Institute will be expanding its biodiversity surveys throughout the country.” (Transcript, February 7, 2014)

policymakers and business actors and also influence further research directions in Malawian tourism.

The ideas presented in Table 3.5, such as hostels around Malawi, stocking wildlife in national parks, and improving means of transport for visitors, may be considered as ways of improving tourism in Malawi (Shane, 2000). Entrepreneurs should therefore be encouraged by policymakers and financial stakeholders to pursue such opportunities. Nevertheless, out of 1000 ideas, only one may be developed fully (Land & Lake Safaris, 2010). Four of the ten respondents specifically identified Northern Malawi as an untapped region for future tourism development.

For development its definitely the northern . . . beautiful white beaches . . . you've got the mountains of Viphya and a whole different aspect there . . . so if there's any room for development . . . it will be in the Northern Region. (Entrepreneur G 2010, Transcript)

The beaches in Northern Malawi are largely untapped and remote. (Entrepreneur J 2014, Transcript)

While the scope of research may physically focus on Malawi, entrepreneurs studied have actually pursued opportunities to run safaris covering the wider Southern African region as opposed to one small country in Southern Africa. “. . . I thought I could put some tours . . . Malawi, Zambia and Mozambique . . . or maybe all of them . . . and Tanzania. I had discovered that you could make a round trip” (Entrepreneur B 2010, Transcript). Therefore, data from empirical research in Malawi could be replicated in a regional context (Southern Africa) in future research studies.

5. Discussion

This study compares the results obtained from empirical data from the tourism and entrepreneurship literature about Malawi, exploring relationships between theory and practice to come up with overarching conclusions and implications.

Opportunity Discovery

The findings prove that prior experience is fundamental in the creation of businesses and in the discovery of opportunities, agreeing with the general entrepreneurship literature (Shane, 2000) and disagreeing with the tourism literature (Szivas, 2001). However, we found that in some cases prior experience obtained by entrepreneurs was not specific tourism-related experience. Entrepreneurs use various forms of information to discover opportunities, such as the motive behind the travel to Africa, customer needs, and their knowledge of local attractions and destinations

gathered through travel. Thereafter, they decide to act on any valuable information they possess to use that opportunity (Alvarez and Busenitz, 2001).

Empirical data also suggest that various forms of prior knowledge and experiences are utilized to channel entrepreneurial business operations, contradicting the tourism entrepreneurship literature. Where entrepreneurs did not possess the necessary experience, their team's experience was utilized. Besides, the results also validate the literature concerning heterogeneous prior experience possessed by entrepreneurs (Venkataraman, 1997), leading them to subsequently recognize different opportunities.

In fact, scenarios exist where opportunity discovery does not occur exclusively to the entrepreneur but happens to other individuals as well. New ideas may emerge from travel fairs, or other organizations. The Internet is an avenue through which entrepreneurs are contacted by other individuals or organizations. Entrepreneurs may spot new opportunities when they indulge in traveling, relaxing in lodges, or are enjoying tranquil evenings in restaurants.

New Venture Creation

The entrepreneurs in this study generally create businesses from opportunities, matching the internally stimulated sequence of opportunity recognition (businesses follow opportunities) specified by Bhawe (1994). However, unlike theoretical frameworks from the literature, no common blueprint actually exists to exploit an opportunity to create an independent business in the Malawian context.

The major difference between our findings and extant literature is the importance of market research to screen Malawi against other African countries for new niches or gaps, and the need to critically analyze Malawi's business environment prior to opportunity execution. It was rare to find entrepreneurs in Malawi who followed the classic steps of writing a business plan and applying for finance with banks, steps that would be essential in a developed world context. Instead, they simply registered their businesses and started offering services. Due to the relative ease of starting up a business in Malawi, theoretical studies concerning the time taken for venture creation varied substantially from the literature (De Koning and Muzyka, 1999). Further studies should examine the venture creation process in the African context more closely, as it could yield some fascinating differences with existing literature.

The chapter identifies examples where external stakeholders hinder opportunity exploitation both during venture creation and in day-to-day operations. Overcoming such bureaucracy was seen as the most difficult challenge in new venture creation. The results also support the literature by highlighting the importance of the entrepreneurial team in the venture creation process (Iacobucci and Rosa, 2004). In the Malawian context, the team helps assemble the resources required to start up the business. However, findings disputed Iacobucci and Rosa's (2004) assertions of the team helping the dominant entrepreneur to pursue opportunities, due to the absence of team members during the later stages as seen in some Malawian tourism

ventures and also because of entrepreneurs' tendency to explore opportunities independently. This may require reexamining the role of an entrepreneurial team in the African context.

Networks and Opportunities

Malawian entrepreneurial firms show interest in collaborating to help develop the sector. Further research investigating the dynamic relationship between larger entrepreneurial organizations and new start-ups may be of real interest in the African context.

Relationships with other tour operators, partners, as well as local contacts help in the discovery of opportunities. Networks increase the density of opportunities available to entrepreneurs (Ardichvilli et al., 2003), and facilitate opportunity exploitation through consensus building between entrepreneurs and various stakeholders (Wood and McKinley, 2010). Relationships with other firms help entrepreneurs discuss potential ideas (Ardichvilli et al., 2003). Collaboration could be the way forward for future opportunity exploitation given the challenging business environment entrepreneurs face in Malawi today. However, the absence of tangible network support provided to the two entrepreneurial firms in the second round of interviews is a cause for concern.

6. Conclusions, Implications, and Research Agenda

This chapter has highlighted various cases of new venture creation based on business opportunities in the tourism sector of Malawi. Entrepreneurs discover opportunities based on prior experience of the industry they worked in and on their unique knowledge of untapped natural attractions found in Malawi. On certain occasions entrepreneurs are presented with opportunities from other individuals.

Managerial and Policymaking Implications

Entrepreneurs screen these opportunities through information gathering, evaluating their feasibility, and consulting external stakeholders. This supports Greve and Salaff's (2003) findings that highlight the importance of networks in the opportunity enactment process. Entrepreneurs must pick the right time to exploit an opportunity (Choi and Shepherd, 2004). While the opportunity discovery processes in Malawi aligned with the entrepreneurship literature, opportunity exploitation in this empirical context diverged from literature.

This study provided several theoretical implications. First, a favorable business environment is essential in facilitating the opportunity development process. Entrepreneurs seem to be more cautious in opportunity exploration during a time of economic downturn, although further research should verify this in other geographical and sectorial contexts. However, the chapter has found that some risk-oriented

entrepreneurs implement opportunities even if there is a possibility of a negative outcome. Opportunity exploration is also influenced by external stakeholders, team members, and sometimes happens out of sheer boredom. The public sector too plays an important role in influencing the outcome of opportunity exploitation. The relationship between authorities in the public sector and entrepreneurs is a potentially interesting avenue for more research studies to concentrate on, particularly as this chapter has predominantly explored tourism development from the standpoint of the entrepreneurs (private sector).

Third and intriguingly, after helping set up firms, several members of the entrepreneurial team leave to create their own firms or pursue personal interests. In this context, perhaps the entrepreneurial team might be negatively impacted by the entrepreneurs being left to navigate the troubled waters of the external environment alone. Hence, the impact of the entrepreneurial team on new venture creation needs to be reexamined within the African context. It is opined that entrepreneurs should work together with their teams after venture creation to steer their business through rocky waters during the initial stages of the venture's development. The research also found differences in how female and male entrepreneurs discover opportunities (the case of the Responsible Safari Company), which is of real interest for future research studies in Africa.

Additional implications for practitioners and policymakers can be identified. As far as existing entrepreneurs are concerned, it appears that in Malawi, policymakers failed to provide a conducive business environment for entrepreneurship. Bureaucracy and red tape can undermine the opportunity exploitation process and lead to abandonment of new business ideas. From the perspective of future entrepreneurs, venture creation will be daunting given the difficult business environment in Malawi at present.

Exploring untapped niches in tourism, such as leisure tourism on Lake Malawi, could be the basis of new ventures. New entrepreneurs should seek advice from existing entrepreneurs and learn from their experiences. After all, established entrepreneurs survived challenging circumstances since their inception but emerged stronger as a result, highlighting the importance of learning from difficult experiences. This also feeds into MacMillan's (1986) call for the study of experienced (habitual) entrepreneurs. Moreover, Northern Malawi is an untapped region for new opportunities to offer safaris or run lodges. While the logistics are challenging, the remote and idyllic nature of destinations in this region is of potential interest to future entrepreneurs.

Limitations and Research Agenda

As with any other study, our investigation presents several limitations. Having chosen to focus solely on Malawi, a key challenge for future researchers is to ascertain whether research findings from Malawi can be replicated in other African countries. A second step could be to test our hypotheses with a quantitative study.

This study is constrained by its analysis of opportunity discovery and exploitation processes based on past examples. Zietsma (1999) identifies the difficulties in

measuring the current opportunity exploration processes of entrepreneurs. Upcoming studies could compare a group of entrepreneurs that developed opportunities in the past with another group scanning for future opportunities. Differences should emerge due to the interdependence of opportunities with the constantly changing external environment.

There are a number of areas for further research that can be explored. First, tourism scholars must explore portfolio entrepreneurs in more detail, focusing on differences in opportunity recognition between portfolio and novice entrepreneurs (Westhead et al., 2003; Wiklund and Shepherd, 2008). Portfolio entrepreneurship in Africa is an emerging research area (Balunywa and Rosa, 2008; Malfense-Fierro and Kivuloto, 2010), and while one portfolio entrepreneur was identified, an in-depth study of this concept was beyond the scope of the chapter. Future studies must explore portfolio entrepreneurship in larger entrepreneurial firms in Malawi, in other African countries, and in other economic sectors.

Second, the role of governments in hindering or encouraging opportunities, especially in the African context, should also be studied. The public sector has to provide an enabling environment for entrepreneurship, as political stability is particularly important considering the sensitivity of tourists and outbound tour operators to negative socioeconomic developments and news. Public sector authorities must also provide incentives and simplify business regulations to foster existing and new entrepreneurial activity. Third, researchers should focus on the relevance of the entrepreneurial team, especially circumstances where team members remain in the new venture or part ways with their leaders. Alternatively, exploring the specific ways in which team members interact with entrepreneurs to identify and exploit opportunities could provide valuable insights. Finally, optimal locations where entrepreneurs recognize opportunities can be worth investigating as entrepreneurs strive to create the ideal work environment to foster creativity and imagination both for themselves and their employees.

In conclusion, this investigation's ultimate goal is to facilitate future empirical studies of tourism entrepreneurship in Southern Africa. These studies should in turn provide the information necessary for entrepreneurs and stakeholders in public and private sectors to present dynamic, socially responsible, and sustainable solutions to the existing economic and social challenges in the entire continent of Africa.

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Appendix 3.1

Table 3.A1 Major Natural Attractions of Relevance to This Study

Location	Description
Nyika National Park, Northern Malawi	These rolling hills are arguably the most beautiful sight in Malawi.
Likoma Island, Northern Malawi	Situated deep in Lake Malawi, Likoma enjoys rave reviews as an unspoilt destination. Has the potential to become one of the major tourist hotspots in the country, while it is also home to one of the oldest Christian churches in Africa.
Chintechi, Northern Malawi	Some of the cleanest and most beautiful beaches on Lake Malawi
Cape Maclear, Southern Malawi	A popular hotspot for backpackers, this region boasts the world's first freshwater park, a UNESCO World Heritage Site.
Mount Mulanje, Southern Malawi	Central Africa's highest mountain and a wildly popular trekking haven.
Satemwa Tea Estates, Southern Malawi	Tea estates located in the backdrop of Mulanje Mountain the backdrop. Popular for day trips and weekends.
Zomba Plateau, Southern Malawi	Boasts of some of the most stunning views in Malawi
Majete Game Reserve, Southern Malawi	This game reserve has been extensively rehabilitated and stocked by African Parks, with animals of interest, including the only lions in Malawi.
Namizimu Forest, Southern Malawi	One of Malawi's true remaining remote, wild and tranquil spots, housing a diverse range of endemic species, the last spots of Malawian rainforest on the eastern side of the Malawian Great Rift Valley.

Chapter 4

St. Petersburg as a Tourist Destination Searching for the Gastronomic Brand*

Valery Gordin and Julia Trabskaya

1. Introduction

In recent years there has been a significant growth of interest in regional gastronomic brands. In this chapter the authors analyze the structure, content, and individual characteristics of the gastronomic industry as a key component of regional tourism. The apparent interest in the gastronomic component stems from tourists' desire to obtain a deeper understanding of the specificities of the area they are visiting and their wish to diversify and intensify the impressions garnered on their trips.

The purpose of this chapter, therefore, is to discover whether it is possible to create a gastronomic brand for a territory that lacks a pronounced local cuisine and to define the foundations and the specific ways in which such a brand might be created. We take St. Petersburg, Russia, as a test case for considering the possible methods of gastronomic brand formation under conditions of multiculturalism and lack of a well-defined local cuisine.

Currently, St. Petersburg is not known as a tourist destination for a gastronomical experience. The search for a gastronomic brand is based on the underlying principles of place branding and recognition of the crucial role that branding plays in creating a tourist image of a territory. It is also based on research concerning the gastronomic component of a place and an analysis of the motivational factors underpinning gastronomic services targeted at tourists.

St. Petersburg is one of the largest tourist centers in Europe. Largely because of the city's cultural image being world famous, the level of development and promotion of St. Petersburg's entire branding as a tourist destination is considerably superior and not as a gastronomic brand. However, the image of a particular location cannot be considered to be complete without a gastronomic component. The effect of

gastronomic branding as an instrument to promote a location on the international tourism market should not be underestimated.

However, in the case of St. Petersburg, the gastronomic component of its tourist brand is not clearly defined and does not by itself attract tourists to the city.

This chapter is organized as follows. In section 2, “Theoretical Framework,” the authors examine the following: the connection between gastronomy and tourism; the idiosyncrasies of the gastronomic experience of tourists; the fundamental principles of regional branding; and the characteristics of gastronomic branding of destinations.

The third section “Data and Methodology” contains a description of the methodology employed for conducting stakeholder interviews, the criteria under which the stakeholders were selected, and the components of the main stakeholder groups.

In section 4, titled “Findings,” the authors present the key results of the stakeholder survey and in-depth expert interviews and then conduct a PEST analysis of the St. Petersburg gastronomic brand.

The fifth and sixth sections illustrate respectively the conclusion and limitations and suggestions for further research.

2. Theoretical Framework

Gastronomy and Tourism: The Gastronomic Experience

The mutual influence of tourism and gastronomy has long been noted (Bessiere, 2001; Boyne and Hall, 2004; Fields, 2002; Hjalager, 2002; Jones and Jenkins, 2002; Kivela and Crofts, 2006; Richards, 2002; Scarpato and Daniele, 2003). Gastronomy holds a prominent place in the tourist industry for several reasons. Involving gastronomy in the tourist industry leads to diversification of the local economy and benefits several stakeholders: farmers, producers of industrial products, the tourism sector, hotels, and local residents (Blakey, 2012). At the same time, tourism has many positive effects on the development of gastronomy; it amplifies the demand for gastronomic services, and it encourages preservation of and support for a gastronomic cultural heritage, gastronomic traditions, old recipes, and so on.

The modern economy is becoming an experience economy (Gilmore and Pine, 2008). One of the latest trends is that consumers aspire to obtain diversified experiences for not only the so-called higher needs but also basic needs. That is, tourists desire to have the experience of consuming local food, and authentic dishes and traditional methods of cooking and serving are of crucial importance. These conditions have transformed gastronomy into an industry where the key goal is the “production” of impressions.

Gastronomy is one of the key aspects of a region’s identity (Richards, 2002), and it plays a significant role as part of the cultural tourist product, representing an important element of tourists’ impressions of a destination. Gastronomy provides a substantial cultural and historical basis for creating such impressions. This cultural

and historical basis allows gastronomy to actively and successfully perform the functions of the “impressions industry” by considering the target tourist group that is interested in becoming acquainted with local authenticities and territorial identity. The targeted tourist strives to obtain a unique tourist experience.

However, it is important to distinguish between the approaches of residents and nonresidents, or tourists, in forming impressions. Local residents’ interest in local gastronomic traditions is much lower compared to that of tourists. Residents are mostly interested in becoming acquainted with the gastronomic culture of other nations in local restaurants. Tourists consider food consumption to help form a comprehensive image of a tourist destination and a source of information regarding local habits and local people’s attitudes (Gordin and Trabskaya, 2013).

There has been an increased tendency in recent years to link the gastronomic motivations of tourists to the creative industries because these motivations represent mass reproduction of certain ethnocultural values as a distinctive type of entertainment. Moreover, immersion in an authentic ethnocultural environment has become popular as a form of “edutainment” comprising both educational and entertainment functions (Pine and Gilmore, 1999). Edutainment ideas have laid the foundation for a new type of tourism—creative tourism, which allows tourists to develop their social and professional skills while becoming acquainted with a country or a territory (Gordin and Matetskaya, 2011).

The role of the gastronomic factor in the formation of tourist preferences differs according to the place. Moreover, for some tourists, the gastronomic factor can become the key for creating a separate type of tourism. For other tourists, the gastronomic factor does not play an important role even in the general assessment of the tourism product quality (Hall and Mitchell, 2005).

Acknowledging the importance of considering the gastronomic factor in creating different types of tourism, the authors of this chapter developed their own classification of types of tourism connected with the gastronomic factor. First, professional gastronomy or educational gastronomy tourism refers to specialists who visit a country (region) to attend special training courses on sommelier and chef programs (such as the Culinary Art Academy “Le Cordon Blue,” or the International Culinary Center “Interchef” in Israel). Or, specialists might travel to obtain training from a particular specialist in a particular restaurant.

Second, tourism oriented toward gastronomes and gastronomic aesthetes indicates that the gastronomic factor is the principal and sometimes only motivation for travel: the national cuisine, a particular restaurant, or even a specific dish has great value. Culinary connoisseurs of this type have little or no interest in the culture and history of the country. This type of tourism can be considered niche tourism because it concerns limited groups of like-minded people (Novelli, 2005).

In the third category, creative tourism, the gastronomic component is emphasized because tourists express themselves through their culinary skills and want to form groups on this basis.

The fourth category is tourism oriented toward admirers of different types of cuisine with different levels of “immersion” in other tourist activities. This is a characteristic of Indian cuisine, where admirers learn about the culinary as well as the behavioral traditions of the country.

Finally, in gastronomy tourism, tourists are interested in the local cuisine as part of the local culture. Gastronomy is important to these tourists on a level with other component parts of travel. This category of travelers appears to be the principal consumer of the St. Petersburg gastronomic brand that has cultural and historical, rather than culinary, characteristics.

Thus, we have defined the role of gastronomy in tourism, the correlation between gastronomy and tourism, the mutual influences of the two sectors, and the classification of tourists according to the level of significance that the gastronomic factor has for them. Next, we define the role of gastronomy in regional branding. Accordingly, it is necessary first to analyze the characteristics and principles of destination branding as a whole and then to distinguish the features of the gastronomic branding of particular territories.

Destination Branding

The United Nations World Tourism Organization (UNWTO) defines a destination brand as a place that has been characterized as attractive to visit (*Handbook on Tourism Destination Branding*, 2009: 14).

A number of studies are dedicated to place branding issues. The research “Marketing Places” (Kotler et al., 1993) is generally regarded as a classic within this field. Kotler writes about the necessity of place marketing to “promote a place’s values and image so that potential users are fully aware of its distinctive advantages” (Kotler et al., 1993: 18).

Currently, one of the world’s leading authorities on the branding of countries and cities is Simon Anholt, who has written a number of works (Anholt, 2005, 2006, 2007, 2010) and established several indices, such as “The Anholt-GfK Roper Nation Brands Index” and “The Anholt-GfK Roper City Brands Index.” Anholt is the first researcher to recognize that the reputation of countries, regions, and cities is similar to the brand of a company or product and depends mainly on their prosperity and qualified management (Anholt, 2011). According to Anholt, by a brand of destination we mean “competitive identity,” something that distinguishes one territory from another and makes it memorable (Anholt, 2009). Brand identity is central to the branding of a place (Rainisto, 2003: 44).

Place branding has been extensively studied in recent years (Braun, 2008; Dooley and Bowie, 2005; Govers and Go, 2009; Kavaratzis, 2009; Zenker, 2011; Zenker et al., 2009).

The destination brand should reflect the essence, the spirit, and the values of a territory. The destination brand should be oriented to both tourists and local residents (Winfield-Pfefferkorn, 2005). In territorial branding, it is important to reflect the true values and the spirit of a destination: something that belongs to a place in reality connecting it to its cultural and historical features (Saraniemi and Ahonen, 2008). One of the most important points relating to a successful destination brand is that “brand is something that has to be built and actively managed” (Andersson, 2007: 128).

The promotion of a destination brand is a process that requires the coordinated activities of different groups of stakeholders (Brisson, 2012). Destination brands should be built by different stakeholder groups: not only travel agencies, museums, theaters, hotels, and tourist authorities, but also residents (“their characteristics, behaviour and reputation could make a city more attractive to visitors, new residents, investors, and companies” [Braun et al., 2013: 18]); ambassadors (“put a high value on getting access to first-hand information about the place and being involved in the marketing of the place” (Andersson and Ekman, 2009: 50); and so on.

We note the positive features of territorial branding in the context of tourism. The destination brand forms a unique identification of a territory on the travel services market by promoting the destination’s key advantages. The destination brand also increases recognizability of the region, attracts potential tourists, and stimulates activity among local residents. Tourist destination branding is an effective mechanism to promote a territory in the international tourism market. The efficiency of branding in tourism is related to the emotional impact of a brand on the target audience. The destination brand is a promise of memorable impressions and good experiences that are the main motivation in tourism (Ritchie and Ritchie, 1998).

Place branding is increasingly being practiced in several cities (Paris, Estonia, Perm, Hong Kong, Amsterdam, Berlin, etc.). Destination brands can be created for cities, countries, and also for groups of countries “meta-region” or a “macro-region” (Andersson, 2007). An interesting example of this is the place branding of the Baltic Sea Region “with its ten countries and at least as many national cultures” (Andersson, 2007: 121). “Brand building effort, whether in terms of an overarching brand or different sub-brands, would also probably encourage the development of a common identity, which, in turn, would make brand building easier” (Andersson, 2007: 128).

Destination brands could be based on culture, nature, interesting personalities, and so on. The authors of this study are interested in the destination brands created on the basis of gastronomy.

City Branding by Leveraging Gastronomy

When a territory is associated with its gastronomy, the territory’s attractiveness increases (Boyne and Hall, 2003; Grew, 2004; Kim et al., 2009). Gastronomy can offer a destination a competitive advantage as an additional travel motivation for tourists (Baloglu and Uysal, 1996; Boyne and Hall, 2004; Fields, 2002; Hall et al., 2003). Local cuisine is regarded as a symbol of a tourist destination. Gastronomy can be considered the tourist resource of the location (Fields, 2002).

Food has a direct impact on the level of tourists’ satisfaction in visiting a territory because it can emotionally influence them. Statistically, expenses for food and drink are equal, averaging one-third of the total expenses of tourists (Lertputtarak, 2012). A competent utilization of gastronomy in territorial promotion increases the inflow of tourists and investments, provides greater profits, and stimulates

subsequent visits to the territory. The demand for gastronomic branding of a territory is increasing.

On the basis of place branding, the idea of tourist place branding has contributed to the formation of gastronomic brands of places.

A gastronomic brand is a complex concept that comprises many elements, and many stakeholders must participate in gastronomic brand formation.

The United Nations Educational, Scientific and Cultural Organization (UNESCO) conducts a project in which cities compete for being known as the “gastronomic city.” To win this title, a city must display the following characteristics that are elements of a city brand: “well-developed gastronomy that is characteristic of the urban centre and/or region; vibrant gastronomy community with numerous traditional restaurants and/or chefs; endogenous ingredients used in traditional cooking; local know-how, traditional culinary practices and methods of cooking that have survived industrial/technological advancement; traditional food markets and traditional food industry; tradition of hosting gastronomic festivals, awards, contests and other broadly-targeted means of recognition; respect for the environment and promotion of sustainable local products etc.” (UNESCO, 2013).

These component parts of the brand should be supplemented with “. . . cookbook and kitchen gadget stores, culinary tours and tour leaders, culinary media and guide books, caterers, wineries, breweries, distilleries, food growers and manufacturers, culinary attractions and more” according to the International Culinary Tourism Association (<http://www.culinarytourism.org>). Supermarkets are undeservedly out of the list but we should not underestimate their importance in the perception of local color by tourists (Blichfeldt and Therkelsen, 2010). Local food markets are, in our opinion, an even more essential component part of the gastronomic brand. It is here that tourists encounter a whole variety of food produced in the region, discover traditional ways of storage of agricultural products, and also learn about the taste preferences of the local community. We should not forget that the heart of the gastronomic brand lies in its recipes, cooking traditions, and local ingredients. It should be mentioned that the use of local ingredients is of great importance for building the place brand. Thus, one of the studies (Murphy and Smith, 2007) shows the important role played by chefs in promoting local ingredients in the local tourism market. However, it must be emphasized that this tendency is a feature of those countries where the personality of an individual chef plays a significant role in the creation and promotion of a restaurant’s image. But in Russia the key figure in planning the image of a restaurant is its owner. They, in their turn, invite a chef who is in accord with their own concept of the restaurant that has been planned in advance.

Gastronomic brand formation is an integrated process that requires involving stakeholders from different sectors, not only the field of gastronomy but also hotels, travel agencies, cultural institutions, and city authorities.

It is important to note that local gastronomic brands are formed in different ways. Some destinations have their own pronounced historically developed brand, for example, Italy, France, Belgium. A number of territories actively work on creating gastronomic brands for their destinations; for example, the campaign A number

of territories actively work on creating gastronomic brands for their destinations: the campaigns Taste of Wales in Great Britain, the Niagara Cuisine in Canada, and so on (Lin, 2011). The last project enabled the creation of strategic alliances between food products, producers, distribution companies, hotels, restaurants, and other concerned parties, a factor that has been reflected in a strengthened regional gastronomic brand (Okumus, 2007). In 2002 the government of Thailand launched the project “Global Thai,” which was designed to increase world awareness of Thai cuisine and establish a multitude of Thai restaurants in different countries (Wilson, 2011). Therefore, experience has shown that lack of a culinary tradition is not necessarily an obstacle in creating a gastronomic brand.

It is also worth noting that some tourist destinations lack a gastronomic brand and branded authentic cuisine, dishes, or locally produced food. The authors are interested in the following questions: Do these destinations really need a gastronomic brand? Is it possible to form a gastronomic brand for such destination types? The authors believe that regional historic and cultural traditions can indeed form the basis of a gastronomic brand emerging in such places.

3. Empirical Setting, Data, and Methodology

Empirical Setting

St. Petersburg’s tourism brand is based on its cultural heritage and it has several competitive advantages. The city’s historic center is one of the largest in Europe. There are large architectural ensembles, a clear architectural plan, and a relevant waterway backbone. The city has its own unique natural and cultural features, such as the “white nights.” The city is famous worldwide for its orchestras, opera, and ballet troupes. St. Petersburg’s rich history is reflected in the masterpieces of literature, music, and fine arts that the city has produced (Gordin, 2011). St. Petersburg’s cultural heritage is characterized by its considerable breadth as well as the high degree of professionalism of its specialists. There are 7,783 national cultural heritage sites in the city, and UNESCO has placed the historic center of St. Petersburg and its groups of monuments on the list of world heritage sites. There are 148 museums, 62 theaters, and 17 working concert organizations in the city.

However, St. Petersburg lacks a unique gastronomic brand that has acquired international standing. The branding of the food and alcohol products that are most popular among tourists (caviar, vodka) has general national standing and is devoid of any regional specificity. Thus, the impact of gastronomic factors is limited to the attractive network of restaurants in the city.

The problem is further aggravated by the fact that Russian cuisine does not possess a well-regarded image on the world gastronomic map because it is a derivative of French cuisine, which heavily influenced Russian cuisine in the eighteenth and nineteenth centuries.

Data and Methodology

The main objective of this research was to determine the prospects for gastronomic brand creation within St. Petersburg. Specifically: How do different groups of stakeholders estimate the existing gastronomic brand? Is gastronomic brand formation considered to be an important task for a territory and is a brand necessary for the region? The main practical task of the research, therefore, was to define the components necessary for the formation of the gastronomic brand of St. Petersburg. The principal directions and components of gastronomic brand formation are identified on the basis of a two-stage expert survey of local stakeholders.

At the first stage, the authors conducted a survey where 43 stakeholders of gastronomic brand creation were asked to share their opinions on these issues. The main task was to define the attitude of the stakeholders toward formation of the gastronomic brand of St. Petersburg and to identify specific components (directions of formation) of the gastronomic brand.

The selection of stakeholders was conducted according to the following criteria.

The first criterion is stakeholders' affiliation to one of the sectors that is a potential participant in gastronomic branding (restaurants, travel agencies, hotel restaurants, guides, researchers, and buffs of the local gastronomic culture).

The second criterion is the connection of a certain organization to a local theme (cultural or gastronomic) of St. Petersburg.

The third criterion is the stakeholders' professional experience and competence in their field. (This fact was revealed through a preliminary gathering of information on the experience and achievement of a particular stakeholder and the gathering of recommendations.)

Considering the above criteria, the list of stakeholders included the following (see Table 4.1):

The data obtained were processed with Atlas.ti software for quantitative data analysis. The research time frame was from April 2011 to August 2014.

At the second stage we conducted a series of in-depth expert interviews to obtain more detailed descriptions of the main components of a potential St. Petersburg gastronomic brand. These experts expressed their detailed opinions regarding every component of the formation of a St. Petersburg gastronomic brand (see Table 4.2).

The research time frame was from April 2012 to August 2014.

On the basis of completely transcribed interviews, an open coding was conducted. It was a line-by-line analysis of the concepts that were mentioned by the

Table 4.1 The List of Stakeholders

Sphere	Number of Stakeholders
Restaurant business	22
Hotels	8
Travel agencies	6
Guides	7
Total number of experts	43

Table 4.2 The List of Experts

Position of the Expert	Number of Experts
The consultant of Ingria business incubator	1
The researcher of the gastronomic sphere	2
The researcher of hotel restaurant	1

experts interviewed. Some concepts were more descriptive and others were more analytical.

Programs for coding the concepts were created and then combined in the categories that cover a field. Processes of separation, conceptualization, and categorization of data were conducted.

Then, a case description all findings obtained was made. In this, we discussed the themes that were indicated in the interviews, distinguished the main categories in every case, and analyzed the interviews. The most common tendencies (the primary analysis) were taken into consideration.

Thus, the interview analysis followed a robust process. First, a transcript of the interviews was obtained. Second, the texts were read line by line, the codes and the authors' comments were identified, and the analytical and descriptive codes were obtained (the analytical codes were based on the concepts used in the research protocol). The analysis first examined a particular situation, and then a microanalysis studied the characteristics of the interview. The subject of the analysis was subjective evaluations and opinions expressed during the interview. We distinguished the categories obtained during the interviews and that were provided in the research protocol. Third, a primary description of the cases was created taking into account each of their details and special features. Fourth, the cause-and-effect relations among the categories were determined from facts, opinions, and evaluations of the conception. An analysis of the connection between a category and a subcategory was conducted. The results were compared and contrasted, identifying deviations and phenomena that contradicted the revealed regularities. These phenomena were also categorized. Fifth, conclusions were drawn based on the interpretation of the categories that were obtained in the course of the analysis and categorization of the research.

We used grounded theory (Strauss and Corbin, 2001) because the authors had presupposed that the subject under investigation requires a new interpretation and building of new knowledge obtained from the interviews.

In the last stage, we conducted a PEST analysis to define the main factors that influence the formation and promotion of a St. Petersburg gastronomic brand. In the course of conducting the analysis according to the classical scheme, we used the experts' estimations (five experts in the restaurant business and the experts of National Research University—Higher School of Economics were interviewed). The research time frame was October 2014.

The main limitations of the research related to the large potential number of experts and the process of their selection. The authors also faced the practical problem of interviewing the experts. Relatively few experts agreed to give an interview and referred to a lack of time or the absence of a belief that the situation could be changed.

4. Findings

Designing a St. Petersburg Gastronomic Brand

With regard to building the gastronomic brand of St. Petersburg, almost all stakeholders stated that the city does not have one presently and some stakeholders emphasized that this was due to the lack of a pronounced local cuisine and the dominance of foreign cuisine in the city; the others mentioned that St. Petersburg had been a European city since its very foundation and that is why it does not have its own authentic gastronomic brand. The stakeholders pointed out that gastronomic brand formation and a gastronomic component were disregarded by policymakers at the present time.

Taking the specificity of the destination into account, the stakeholders considered the local culture and traditions to be the foundation of a gastronomic brand. The main results, building on those published earlier (Gordin and Trabskaya, 2013), of the stakeholder survey are presented in Table 4.3.

Table 4.3 The Main Results of the Research

Stakeholders' Opinion	Number of Answers of the Stakeholders
The present situation in the field of gastronomic branding in St. Petersburg	
The experts stated that the city currently did not have any gastronomic brand	43
The relevance and prospects of St. Petersburg gastronomic brand formation	
Gastronomic brand formation is an important and necessary direction in the development of St. Petersburg as a tourist destination.	26
The prospects for brand formation are positively evaluated.	23
The ways to create a St. Petersburg gastronomic brand	
The food products and dishes that are popular in St. Petersburg cannot serve as a basis for gastronomic brand formation because they are not attractive to tourists.	28
Considering the specificity of the destination, the experts considered the local culture and traditions to be the foundation of a gastronomic brand.	26
The components of a gastronomic brand that are capable of increasing the attractiveness of the city by different types of tourists.	
“St. Petersburg imperial cuisine”	32
“Creative Cafes of the Silver Age: Building a Bridge between the Past and the Present”	23
“Leningrad cuisine”	25
“St. Petersburg as the gastronomic gate to Russia”	18

In the course of the stakeholder survey, the authors identified the components of a gastronomic brand. As is shown above, the experts mentioned the most frequent four components of the gastronomic brand of St. Petersburg.

Then the components selected by the stakeholders themselves were elaborated in the course of deep expert interviews. The results are presented in Table 4.4.

We have analyzed the opinions of the stakeholders and find that all components of the gastronomic brand of St. Petersburg mentioned by the experts are united by a number of principles:

Building a gastronomic brand on the basis of its cultural and historical heritage;

Covering the main periods and aspects of St. Petersburg's development that, in the opinion of the authors, excite the main interests of tourists (a series of in-depth interviews with guides and a historian of St. Petersburg's gastronomic culture was conducted);

Selecting the components that are potentially attractive to new segments of tourists (the majority of tourists in St. Petersburg are seniors with a high level of income).

The city's gastronomic brand and its components should be based on the principle of theatricalization of food consumption by adding mythological flavor to the process, which can be achieved through various events.

To properly introduce the previously noted gastronomic components and a new gastronomic course requires launching a series of gastronomic events and building the brand using presentations, exhibitions, and so on.

PEST Analysis

The present analysis researches the external factors that impact the field of gastronomic branding. Gastronomic branding is a complex process and it must be developed from the ground up without a gastronomic brand. The main actors here are restaurants, travel agencies, and hotels. These fields are analyzed within a political, economic, social, and technological (PEST) analysis framework. We conduct the analysis not of particular industries but the intersection of the fields that are connected to gastronomic branding. We analyze the internal factors that influence the key actors of gastronomic branding. They are displayed in Table 4.5.

In general, the difficult political and economic situation has an ambiguous impact on the gastronomic branding of a city such as St. Petersburg. The key actors of gastronomic branding are in a complex situation: the rate of inflation and the decline in consumer demand affects branding.

Complicating factors include the recent (2014) collapse in the ruble exchange rate and the prohibition on the importation of products from some countries. However, these factors may create changes in the assortment of food and open up opportunities for the development of enhanced connections with local producers and cause a focus on local cuisine and local food products. However, this is not helped, in policy terms due to the lack of effective support for these sectors. Set against this though is the prospect that the local tourism authorities are beginning to develop the concept of a gastronomic brand for St. Petersburg.

Table 4.4 The Components of a St. Petersburg Gastronomic Brand

Name of the Component	Cultural and Historical Basis	Envisaged Component Formation	How is the St. Petersburg brand enriched and supported? The importance for and the contribution towards the general St. Petersburg brand	Example of restaurants which can drive creation of components of St. Petersburg gastronomic brand
<p>“St. Petersburg imperial cuisine”</p> <p>St. Petersburg. This component is based mainly on the cultural brand of St. Petersburg. The most important part of culture-historical heritage of St. Petersburg was created in the imperial period of the city’s history: imperial architecture (e.g., the ensembles of the Palace Square, the Winter Palace); paintings collections (containing, for example, the masterpieces by Leonardo da Vinci, Rubens); the art of ballet (e.g., such ballets as ‘Swan Lake’, the Nutcracker’ were created here)</p>	<p>Tourists dipping into the imperial epoch, theatricalized meals in the style of imperial St. Petersburg. Premises with a luxurious interior which were historically associated with the tsarist court or Russian aristocracy. This component should be implemented by professionals from the ‘haute cuisine’ sector.</p>	<p>The support of the main St. Petersburg brand built on the ground of imperial culture-historical heritage. The tourist product becomes more complete.</p>	<p>The support of the main St. Petersburg brand built on the ground of imperial culture-historical heritage. The tourist product becomes more complete.</p>	<p>Russian Vodka Room № 1</p>
<p>Creative Cafes of the Silver Age: Building a Bridge between the Past and the Present.</p>	<p>The Silver Age (the end of the 19th century—the beginning of the 20th century), one of the high-water marks of Russian art. The following refers to this epoch: The Russian avant-garde (Malevich, Matyushin); music (Stravinsky), the new art of ballet (The Rite of Spring, ‘Le cygne’).</p>	<p>The “silver age cafes” brand should be formed by drawing a parallel between the modern cafes with creative atmospheres and the historically creative cafes at the turn of the twentieth century. The main idea of this component is recreation of creative atmosphere of silver age cafes for tourists and simultaneously the creation of a modern creative cafe where it is possible not only to eat but also to see an art exhibition, to have a discussion, and to watch a performance.</p>	<p>Promotion of the relatively undeveloped cultural component (The Silver Age), formation of both the classical and creative city image.</p>	<p>The Stray Dog art-cafe</p>

<p>'Leningrad cuisine'</p>	<p>History and culture of Soviet St. Petersburg (the 1920s–1980s) which was then called Leningrad. In this period the Socialist realist style of painting was created (Moiseenko, Plastov); architecture was developing at first in the style of Constructivism (Fomin, Shchusev) and then in Stalin's Empire style (Trotsky); soviet ballet was also developing ('Romeo and Juliet'; 'Creation of the World'; 'Spartacus').</p>	<p>The gastronomic component 'Leningrad cuisine' should be based on the nostalgic reminiscences of Russian tourists and on the interest of tourists from other countries in Soviet history and culture as representing an unusual, exotic period in world history.</p>	<p>Enrichment of the city image, supplement it with new colors. St. Petersburg is not only an imperial but also a soviet city, giving multifacetedness to the image.</p>	<p>Kvartirka Soviet café Mari Yanna restaurant</p>
<p>'St. Petersburg as the gastronomic gate to Russia'</p>	<p>From the moment of its foundation St. Petersburg has naturally been a multicultural city. From the very moment of its foundation, people of different nationalities were invited who contributed to the history and culture of the city. Moreover, St. Petersburg has always been a port city which also determines its multiculturalness.</p>	<p>The formation of this component would follow the logic that the creation of St. Petersburg as a city was designed to join many cultures and traditions. Such a culinary diversion would allow a tourist visiting only St. Petersburg to obtain a general 'gastronomic' impression of Russia that would motivate her to visit other regions of the country. The concept of an outlet that should provide a tourist with the opportunity to become acquainted with the authentic cuisines of the Russian peoples, the typical dishes, the customary methods of consumption, and with their traditions and art as well. A tourist should have the chance to acquire both gastronomic and cultural experiences.</p>	<p>Enrichment of the city image; revealing another facet of its culture and history: multinationality, multiculturalness, tolerance. It adds to the image the features of openness, hospitality, and tolerance to different cultures.</p>	<p>Pomorsky restaurant</p>
<p>The ethnic portfolio may include such cuisines as the Cossack, Tatar, Karelian, Kalmyk, as well as the cuisine of the indigenous peoples of the Russian North.</p>				

Table 4-5 PEST Analysis of St. Petersburg Gastronomic Brand Formation

Factor	Influence on the Formation of a Destination Gastronomic Brand (St. Petersburg)	Actions
<i>Political</i>		
The existence of administrative and bureaucratic barriers (by entry in the sector, in the daily operations of restaurants and hotels)	<p>This factor represents the difficulty of entering the sector and meeting competition by family non-chain locations that do not have “administrative leverage”, and creative restaurants. Domination of chain locations on the market standardise product and services, aspire mainly to reduce expenses and are not concerned about following the conception or creative ideas.</p> <p>This factor mostly refers to actors such as restaurants and hotel restaurants and to a lesser degree, travel agencies, whose activity is not limited by stiff administrative barriers of entering and existing in the sector.</p> <p>In the field of gastronomic branding, the present factor decreases the possibility to implement creative strategies of hotel restaurants.</p>	Special effort (of restaurants, hotels community) should be directed at overcoming bureaucratic barriers.
The lack of effective support programmes on the part of the authorities for the restaurant business, hotels, travel agencies	<p>To form a gastronomic brand, it is necessary to develop a goal-directed programme. The formation and promotion of a gastronomic brand as a support for intersectoral alliances between tourism and the restaurant business, the main actors of gastronomic branding. This is especially relevant under the subsidence of restaurants, hotels and the travel agencies market.</p>	Formation and promotion of suggestions on required forms of support for intersectoral alliances in the tourism field and the restaurant business
The loyalty of the authorities to St. Petersburg gastronomic brand formation, support and promotion of local cuisine	<p>Until autumn 2014, the local authorities did not specify any actions directed at forming the programmes of supporting local cuisine and forming a gastronomic brand. However, in autumn 2014, the authorities began discussing development of local cuisine promotion and local gastronomic brand formation. These are only the first steps in this direction. However, the possibility of forming a centralised programme of local brand development and preferences and providing organisations participating in the programme with motivation can become an important factor in the formation of St. Petersburg gastronomic brand.</p>	Active involvement of actors in the development and implementation of the programmes of the St. Petersburg gastronomic brand creation

Escalated relations between Russia, Europe, and the United States

This factor may influence the formation of a St. Petersburg gastronomic brand. Generally, the critical political situation has affected the image of Russia and St. Petersburg. As a consequence, the number of foreign tourists in Russia and St. Petersburg has decreased, which has significantly impacted the restaurant business, travel agencies, and hotels. However, it is possible that this critical situation will have a healthy influence on gastronomic brand formation because the operation of restaurants, hotels and travel agencies is under harsh conditions. These organisations must develop creative new approaches and expand their tools to attract tourists.

Special effort should be directed at strengthening the reputation of St. Petersburg as a tolerant and open city. Gastronomy can become one of many tools in establishing the attractiveness of St. Petersburg.

Introduction of prohibition on the importation of products from European countries, the United States, Australia, etc.

The prohibition on the importation of food products from European countries, the USA, Australia, etc. has a particular impact on gastronomic brand formation.

The experts estimate the share of imported food products in St. Petersburg and Russia in different ways.

This fact will impact the price level in restaurants and hotel restaurants on assortment policy, on the principles of menu formation (some menu items will be removed and replaced with products from other countries) and likely even on the existence of restaurants based on the use of foreign food products.

This factor will also reflect on formation of relations with local suppliers. It can make restaurateurs use local products, enter local products and dishes on menus, motivate local producers, and create a demand for local products. Perhaps, this factor will become an enforced impulse of refocusing on local products and dishes.

The prohibition has a special impact on haute restaurants that use special high-quality products. With regard to St. Petersburg, this factor will mostly affect the “Imperial Cuisine” component because the main restaurants involved are haute restaurants.

Generally, this factor may have a positive impact—the use of local food products.

The replacement of imported products with local products, adjustment of menus and assortment of products in restaurants.

Introduction of new items in programmes and menus with a focus on local cuisine and local produce.

The search for new partners, networking with local producers.

Table 4.5 Continued

Factor	Influence on the Formation of a Destination Gastronomic Brand (St. Petersburg)	Actions
<i>Economic</i>		
The drop in the exchange rate of the ruble	<p>In the restaurant and hotel business, this factor will be reflected in the cost of development of gastronomic products, feedstock and an increase in the expenses of restaurateurs.</p> <p>In the field of travel agencies, this factor primarily means refocusing Russian tourists on the internal market—travelling inside the Russian Federation. This summer, Russians chose Simferopol, Sochi and St. Petersburg.</p>	<p>In the field of gastronomic branding, this factor makes it more relevant to use the market conjuncture (refocusing of Russian tourists on the internal tourism market). For example, promotion of the “Leningrad cuisine” gastronomic brand is directed partly at nostalgic memories of Russian tourists. A drop in the exchange rate of the ruble is an additional reason for the use of local food products in restaurants and hotel restaurants and to focus on local cuisine to a greater extent.</p>
The high rate of the development of inflation	<p>This factor reflects price increases in the restaurant business.</p> <p>In the tourist and hotel business, this means a decline in the demand for travelling to St. Petersburg and internal services among Russian tourists.</p> <p>In the field of gastronomic branding, this may indicate that some tourists will refocus on the internal market.</p>	<p>Creativity, reduction in prices, transition of restaurants to a lower price category.</p> <p>The experts explain the impacts of this factor in different ways. Some think that restaurateurs and hoteliers will be less inclined to invest money in the development of new conceptions in this period. Other experts consider that the crisis, on the contrary, stimulates the creative activity and search for new ideas and conceptions.</p>
Decrease of investment attractiveness of the region	<p>This factor indicates the decline of investment in the restaurant business, hotels, travel agencies and the gastronomic branding of foreign investors.</p>	<p>The actions directed at the correction of a destination image.</p>
The stagnation of consumer demand	<p>This factor represents the trend of the decline in demand on the part of Russian tourists for services of the restaurant business, tourism sector, hotels, and as consequence, the drop in income of restaurateurs, hotels, and travel agencies. This effect escalates competition for customers.</p>	<p>Under the conditions of the competition for customers, it is becoming more relevant to offer them a new strong attractive element: a substandard thematic location with a strong and attractive conception can easily survive in the competitive struggle. The basis of this conception can be a local gastronomic brand of St. Petersburg.</p>

Social

The change of reference points in the collective consciousness	The tendency to consume local products	Gastronomic brand must meet this demand
The change of the demographic composition of tourists—the increase of the percentage of young and middle-age people	The increase of importance for interactive and playful forms of introducing a tourist product	Organising dining events in a theatricalised form (“St. Petersburg imperial cuisine”) or with a high level of creative activity among tourists (“Cafés of the Silver Age”)
The entwinement of social and physiological needs in the process of tourist activities	Tourists aspire to make tourist product consumption more saturated in the context of time and cost savings	Through an organising creative process of food consumption, tourists become acquainted with local culinary artefacts and intangible cultural heritage.
The increase of importance of factors that prolong positive impressions of a trip	The intention of tourists to store different impressions of visiting a tourist destination	Introduction of unusual (theatricalised, playful) forms of consumption of traditional public catering services makes a strong impression of visiting the city

Technological

Automation of the restaurant, hotel and tourist businesses	Automation of the restaurant, hotel and tourist businesses is becoming an economically efficient management decision. The organisations that have automation facilities obtain cost leadership.	The use of new technologies The appearance of new advertising media
The revival of old recipes in preparing dishes	Requirement of using old recipes	Necessary to buy equipment for kitchen maximisation corresponding to authenticity
Requirement of creating interiors of particular historical periods	Development and reconstruction of authentic historical designs of interiors, equipment, tables, clothing of servers, etc.	Necessary to buy materials, furniture, dishware, and clothing that correspond to a particular historical period

5. Conclusion

Gastronomy is an important factor motivating tourists to visit a destination, and it is a factor that can significantly increase the attractiveness of an area.

This chapter analyzed modern approaches to building a gastronomic brand as a component of a destination's general tourism brand. A novel study was devoted to analyze the processes used in creating a gastronomic brand for cities that lack unique, authentic cuisines. The authors consider possible methods of building a necessary gastronomic brand for St. Petersburg. A need has arisen for new managerial approaches to build the city's gastronomic brand, and the authors have attempted to introduce a framework. The authors' suggestions are based on studying a large amount of specialized literature as well as drawing on results of an experts' survey. The findings obtained and conclusions drawn are intended to serve as a step toward building the gastronomic brand for the popular tourist destination of St. Petersburg.

The research can be considered as having applied meaning because it allows one to change the emphasis in promoting St. Petersburg as a cultural destination.

The research has practical importance. One result is that after presenting the research to the St. Petersburg Committee for Development of Tourism, the committee decided to elaborate the concept of developing gastronomic tourism in St. Petersburg.

6. Limitations of the Study and Suggestions for Future Research

It is necessary to specify the limitations of the study. In the present research, only a small number of experts were surveyed. There are many restaurants, hotels, travel agencies, cultural institutions, and so on in St. Petersburg. However, we interviewed only 43 experts. This paucity is due to an unwillingness shown by experts to take part in the research; the majority of them were reluctant to answer questions. Therefore, only a small sample of experts could be further expanded.

The authors plan to study the following aspects of gastronomic branding in their upcoming research efforts: the role of gastronomic branding in determining the general attractiveness of a territory; gastronomic brands of other regions of Russia; characteristics of the potentially mutually advantageous relationships between public catering enterprises and cultural institutions; characteristics of gastronomic enterprises in cultural clusters (e.g., 'Museum Quarter in St. Petersburg' case); the role gastronomic enterprises play in theaters and museums in terms of forming the gastronomic brand of a tourist destination.

Note

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Chapter 5

Internal Features and Agglomeration Externalities for the Hotels' Competitiveness in Emilia-Romagna

Cristina Bernini and Andrea Guizzardi

1. Introduction

The debate on the relationships among firm performance, heterogeneity, and agglomeration began many decades ago. Since the work of Penrose (1958), firm heterogeneity in resources and competences has been employed to explain the achievement of different levels of profitability. Wernerfelt (1984) demonstrates that the partial interfirm mobility of the different resources and capabilities are central in explaining the maintenance of competitive advantages. Moreover, the relationship between agglomeration (localization and urbanization) and productivity has spurred a vast amount of research (Rosenthal and Strange, 2004), thus providing extensive evidence of increasing returns to urban density and industry size for manufacturing industries. Focusing on different manufacturing sectors, the Italian Office of Statistics (ISTAT) has recently evidenced strongly heterogeneous dynamics in firm productivity, especially among firms belonging to different spatial clusters (ISTAT, 2014).

In tourism, while the study of the relationships between hotel performance and territorial characteristics is more recent, it is challenging given the strong connection between market size and destination policy, planning and development (Crouch and Ritchie, 1999; Ritchie and Crouch, 2003), and competitiveness. The rationale relies on the tourists' decision-making-process. The tourist's choice of a destination is driven by "external factors" such as natural and cultural resources, tourism infrastructure, and environmental characteristics. Moreover, hotels' (internal)

characteristics and the organization of their resources determine the choice of a certain accommodation structure (Molina-Azorin et al., 2010).

This chapter investigates how external (agglomeration) and internal factors affect the productivity and efficiency of the enterprises belonging to the NACE 55.1 industry (accommodation). We consider macro and micro determinants in a single stochastic frontier function estimated using firm-level data. The approach is coherent with the literature on determinants of firm competitiveness as it allows for the distinction between internal factors—reflecting the heterogeneous characteristics of individual business establishments—and external factors, either localization economies external to firms but internal to the industry or urbanization economies external to the firm and the industry but internal to the cities.

We focus on the Emilia-Romagna, an Italian administrative region (Nuts 2 region) in the center-northern portion of Italy with a population of 4.117 million people and a per capita income of €31,000, which places it in fourth place in Italy and fifty-third in Europe (source: Eurostat, Regional statistics database). The region has a strong vocation for tourism, offering a wide range of tourism products (seaside, mountain, thermal, artistic, and business tourism).

The regional focus is motivated by the current Italian institutional setting where regions are the principal subjects responsible for appropriately preparing the territory to enhance competitiveness. In this framework, we consider small areas (municipalities) as the spatial measurement unit because they permit the study of the relative impact of localization and urbanization economies. The source and the outcome of these agglomeration economies are quite similar within narrowly defined industries (Duranton and Puga, 2004); thus, following Rosental and Strange (2003), we attempt to identify these sources and outcomes limiting the spatial dimension on which the two agglomeration economies are measured.

This study expands on previous empirical research on agglomeration economies in four directions. First, following Tveteras and Battese (2006), we separate agglomeration effects (common to firms located in the same municipality) from internal effects on competitiveness, and thus avoid the aggregation biases associated with firms' different internal returns to scale. Second, we consider the effects of agglomeration economies on the production frontier and on technical inefficiency, estimating them simultaneously. Third, we focus on the relative strength of urbanization and localization effects using small area (municipality) data. Fourth, considering a wide sample of 2,705 hotels, we provide empirical evidence that the hotel industry is important for the territory, though it has been less explored than the manufacturing industry.

The chapter is structured in the following way. In section 2 a presentation of the agglomeration effects on productivity and efficiency is made. The next section presents the case study and the data, followed by the presentation and discussion of the methodology of the study. Empirical findings are reported in section 5. Some final remarks are left for the concluding section.

2. Agglomeration Effects on Hotel Production and Efficiency

In the field of tourism, firms tend to be concentrated in particular areas, forming a well-defined geography of local productive systems (Capone and Boix, 2008). The links between hotel competitiveness and destinations are expected to be intense, especially in countries such as Italy, where hotel proprietorship is diffuse, hotel chains are concentrated in large cities, and the diffusion of large tour operators is hampered by the small average size of accommodation structures. In such a fragmented market, the production of commodities and services, destination marketing, and the development of new products all require economic and organizational resources that an individual firm is usually unable to provide (Hong, 2009). This reinforces the importance of regional policies to create the contextual conditions and allow hotels to increase their level of competitiveness (Hu and Wall, 2005, Lopez-Gamero et al., 2009). Some of the extant literature relates firm productivity to the characteristics of the location in which the firm operates. Marshall (1920) examines three mechanisms through which the geographic concentration of firms may raise their performance: input sharing, labor-market pooling, and knowledge spillover. The rationale is that the geographical clustering of businesses may stimulate the development of upstream industries that are able to provide specialized inputs, boost the development of relatively large pools of labor-embodying skills, and enhance the flow of knowledge intra-firms, with consequent positive impacts on productivity. Later, Hoover (1937) distinguishes between urbanization and localization economies. The latter are benefits yielded by the local concentration of firms in the same industry, while urbanization economies are advantages generated by the urban environment as a whole. Subsequent literature notes that urbanization economies do not depend only on urban size but rely also on diversity (Jacobs, 1969) and infrastructures (Camagni, 1992).

Although most of the studies focus on the manufacturing sector, the localization economies affected by technological spillovers and/or spillovers of tacit knowledge are common within clusters of tourism firms (Hallin and Marnburg, 2008). One common characteristic of hospitality companies is that their service processes are knowledge-based or knowledge-intensive due to the great influence and use of information and communication technology (Kahle, 2002). Moreover, the accommodation structures operating in close spatial proximity are subject to the same stochastic seasonal demand patterns, and seasonality plays a central role in conditioning how operations are organized and people are managed (Baum and Szivas, 2008).

These externalities also occur in urbanization economies. The co-location of many complementary providers adds value to the tourism experience and increases tourist satisfaction. Hotels can create alliances and networks with firms and thus produce complementary products and services, thereby better exploiting local skills and resources (network economies). This cooperation gives rise to innovative business activities and the development of specialized regional products (Bernini, 2009; Michael, 2003; Novelli et al., 2006).

Clusters of accommodation structures are also expected to create both a pooled market for workers with specialized skills needed in the tourism industries (Hong, 2009) and increases in the birth and death of firms specializing in the provision of intermediate inputs. These effects are particularly important in the Italian context where the hospitality industry has a high employee turnover rate and people show a high propensity toward entrepreneurship (i.e., 116 companies per 1,000 inhabitants aged between 15 and 74). Accordingly, hotels have easy access to either a deep pool of labor or specialized suppliers, both of which support gains in productivity and promote efficiency. Agglomeration may also produce positive effects on rent for accommodation firms provided they can create complementary differences with respect to size (Baum and Haveman, 1997). Chung and Kalnins (2001) find that the presence of closely located chain hotels and larger hotels represents a positive externality for independent hotels and smaller hotels.

Finally, in an industry such as tourism, urbanization diseconomies exist, which may balance the expected positive advantages of agglomeration on hotel performance. Diseconomies are connected to congestion externalities and conflicting preferences among tourists and residents (Concu and Atzeny, 2012). In general, the role played by urbanization (dis)economies is not well defined and is frequently mixed up with localization economies (Eberts and McMillen, 1999; Graham, 2009). Rosenthal and Strange (2003) find that localization economies decrease rapidly across space, emphasizing that only with a spatially detailed sample of firms is it possible to identify the relative impact of localization and urbanization economies.

The literature on hotel efficiency based on frontier models and spatial agglomeration effects has increased. Several papers have investigated the effects of internal and agglomeration drivers on firm efficiency using a two-step procedure. Among others, De Jorge and Suarez (2014) find significant effect due to a territorial dummy variable (capturing the effect of hotel locations in different Spanish regions). They connect differential efficiency between hotels located in different regions to the differential in tourism demand size due to product specialization or better climate conditions. Barros (2005) demonstrates positive effects on hotel efficiency when located near a main route or in a city. A negative significant correlation between efficiency and the hotel distance from the main airport in Lisbona is also reported. With respect to Japanese hotels, Honma and Hu (2013) show a similar result regarding hotel distance from the nearest airport, while other agglomeration effects appear insignificant. Wang et al. (2006) show evidence for better performance that it is related to the proportion of individual foreign travelers in Taiwan. Bernini and Guizzardi (2010) find higher efficiency in business corporations located in Italian cities known for their art, as these cities are usually multi-*opportunity destinations* that host different segments of the tourism population. In seaside destinations, where it is not uncommon to observe a seasonal higher demand with respect to accommodation capacity, the estimated effect is lower but still positive and significant.

In summary, the relationship between localization and urbanization economies and hotel efficiency is a rather complicated issue. The complexity becomes more severe because of the negative externalities that exist and because destination and firm competitiveness are mutually dependent. To our knowledge, no empirical

studies have yet considered the simultaneous effects that the location in a municipality has in differentiating either the hotel production processes or the efficiency level of hotels.

3. The Case Study

This analysis focuses on the Emilia-Romagna (ER) region because it is one of the most important tourism destinations in Italy. Official data state that in 2005, hotel production in the region consisted of 29 million overnight stays, corresponding to 12 percent of the national market (ISTAT 2007). The market share falls to 9.8 percent for arrivals, depicting the region as a destination for “long vacations” (see Table 5.1).

ER is also an important area for tourism supply as 15 percent of the national accommodation enterprises and 15 percent of the accommodation workers are employed in the region. Finally, with its territorial characteristics and natural and anthropological features, the region offers a wide range of tourism products (seaside, mountain, thermal, artistic, and business tourism), and accommodation firms cover the full range of tourism activities. Such territorial differences support our aim to investigate the role of spatial characteristics on hotel efficiency.

Data for the ER region are available through the Fiscal Sector Study (FSS). FSSs are an administrative database instituted by the Italian Tax Authority in 1996 to determine, within each industry, adequate annual fiscal return for each enterprise based on accounting data, employment, structural facilities, and implemented productive processes. FSSs collect information from micro and small enterprises. The economic subjects qualified to compile questionnaires are firms, artisans, and the self-employed whose annual turnover ranges from €25,000 to €5,160,000. As a counterbenefit for a return declaration evaluated as adequate, these economic subjects are made free of Tax Authority income investigation. The FSS database provides both standard balance-sheets accounting data and a highly detailed description of inputs used in the production processes. As regards labor, the FSSs offer information on the number of working days of the several typologies of employees; capital

Table 5.1 Top Five Regions in Terms of Overnight Stays (2005)

Nuts 2 Regions	Tourist in Hotel		Market Share	
	Arrivals	Overnights	Arrivals	Overnights
Trentino-Alto Adige	6.391.936	32.151.606	8,9%	13,4%
Emilia-Romagna	7.052.271	28.886.289	9,8%	12,0%
Veneto	8.850.841	27.174.759	12,3%	11,3%
Lazio	8.750.847	26.444.508	12,1%	11,0%
Lombardia	8.998.800	21.253.264	12,5%	8,8%
Toscana	7.643.461	21.026.319	10,6%	8,7%
Others	24.530.948	83.498.471	34,0%	34,7%

Table 5.2 Population Structure and Sample Coverage (2005)

	Population Source (Istat)		FSS Sample Used in the Analysis Source (FSS)		Coverage of the Sample Used in the Analysis	
	Establishment	Beds	Establishment	Beds	Establishment	Beds
1*	730	19552	266	8745	36%	45%
2**	1347	54397	677	33518	50%	62%
3***	2306	158049	1567	126305	68%	80%
4****	304	38524	193	24716	63%	64%
5*****	7	1208	2	349	29%	29%
Total	4694	271730	2705	193633	58%	71%

Table 5.3 Destination Characteristics with Respect to Capital and Labor (Mean Values)

	Nr. hotels	Nr. Beds	Nr. Added Beds	S_mt F&B	S_mt halls	S_mt Facilities	Employees (nr. days worked)	Family (nr. days worked)	Managers (nr. days worked)
Minor municipalities	200	59	5	122	85	50	1,303	619	146
Major Towns	111	87	5	64	96	63	2,810	594	318
City of Arts	92	71	8	131	142	111	1,717	530	171
Hill localities	5	62	9	170	67	–	775	617	60
Seaside localities	2,136	74	6	152	82	29	838	366	47
Mountain localities	57	45	4	122	74	19	557	501	40
Thermal localities	104	55	3	134	96	37	829	623	66
Total	2,705	72	5	144	85	35	976	413	71

is disentangled and information about the area occupied by the firms as well as the services offered is available.

As for the accommodation industry (excluding motels and inns), the number of establishments returning a completed questionnaire in 2005 was 2,705 hotels, showing high coverage rates either for the number of establishments or beds (see Table 5.2).

The main advantage of FSSs is that they offer a wide range of information on the inputs used in the production process. With respect to labor, the number of working days for several types of employees is provided. In the analysis, we consider three labor inputs: managers (Managers), employees who are not managers (Employees), and individuals in another type of contractual relationship similar to the employment relationship, such as silent partners, administrators, or family members (Family). The capital inputs are measured by the number of beds (Nr Beds) and the number of

added beds (Nr Added Beds), thus accounting for beds that are added during seasonal peaks to those officially present. The capital not directly employed in guest accommodations is measured in terms of surface (square meters) and distinguishes between reception services (Halls), bar and restaurant services (F&B), and other services, such as conference rooms, sports facilities, swimming pools, and spas (Facilities).

These features are strongly related to the territory. By using the tourism municipality classification (ISTAT), the mean value of the labor and capital inputs are reported in Table 5.3. As evidenced, there are considerable differences among the different typologies of tourism and urban destinations regarding the inputs employed in the productive process, which suggests that territorial characteristics may play a role in the accommodation production process.

4. The Model

In this chapter, we consider external (agglomeration) and internal factors in a unique stochastic production function to investigate the relevance of these features in affecting the productivity and the (in)efficiency of hotels, and we suggest policy strategies to improve competitiveness. Moreover, following Tveteras and Battese (2006,) we differentiate between local agglomeration effect and the internal characteristics on firm efficiency, assuming that the agglomeration effect is common to firms located in the same city (or region).

The choice of a production function is motivated by certain considerations. First, a typical Italian hotel uses a part of the hotel as the entrepreneur's family home. Thus, accounting measures should not consider opportunity costs. Second, we investigate one output product, thus avoiding a multiproduct environment. Finally, we consider Italian tourism firms operating in a competitive market where inputs can be considered exogenous to the production function. Accordingly, the opportunity of a cost function approach decreases with respect to a production parametric approach.

The econometric model that is estimated in the chapter is specified with both a stochastic frontier production function and a technical inefficiency model (Battese and Coelli, 1995). In particular, we use a Cobb-Douglas production function:

$$\begin{aligned} \ln y_i = & \beta_0 + \beta_1 \ln \text{Employees}_i + \beta_2 \ln \text{Families}_i + \beta_3 \ln \text{Managers}_i \\ & + \beta_4 \ln \text{NrBeds}_i + \beta_5 \ln \text{NrAddedBeds}_i + \beta_6 \ln \text{F\&B}_i \\ & + \beta_7 \text{Halls}_i + \beta_8 \ln \text{Facilities}_i + \beta_9 D_ \text{Ann}_i + \beta_{10} D_ 1 \& 2 \text{Stars}_i \\ & + \beta_{11} D_ 4 \& 5 \text{Stars}_i + \beta_{11} D_ \text{ArtsMajoe}_i + \beta_{12} D_ \text{Tour}_i \\ & + (v_i - u_i) \quad i = 1, \dots, N_j \end{aligned} \quad (1)$$

where \ln indicates the natural logarithm and y_i denotes the value added of hotel i defined as the revenue minus outside purchases (of materials and services). Inputs are described in the previous section. Differences in production process due to the

category as well as the seasonality of the hotel are controlled by means of several dummies. $D_{1\&2Stars}$ is a dummy variable that takes a value of 1 if hotel i belongs to the one- and two-star category; $D_{4\&5Stars}$ takes a value of 1 if hotel i belongs to the four- and five-star category; D_{Ann}_i assumes the value of 0 if hotel i is seasonal. Two additional dummies are introduced in the production functions, $D_{ArtMajor}$ and D_{Tour} , to control for whether hotel i is localized in a city of arts or a major town or in a tourism destination (not a seaside municipality), respectively. These territorial-specific variables aim at capturing localization economies external to firms but internal to product segments (leisure, cultural, business, etc.), which may influence the productivity of the accommodation firms. We assume that differences in tourism product typologies reflect different territorial specializations in terms of demand size and seasonality pattern, pool of specialized labor, density in the location of the accommodation structures, co-location of complementary providers specializing in the provision of intermediate inputs, and the presence of specific infrastructure.

The v_{iS} are random variables that are assumed to be independent and identically distributed, $N(0; \sigma_v^2)$. The nonnegative random variables, (u_i) , which account for technical inefficiency in production, are assumed to be independently distributed, such that u_i is the truncation (at zero) of the $N(\mu_i; \sigma^2)$ -distribution, where μ_i is a function of observable explanatory variables and unknown parameters, as defined below. We choose the truncated normal form because of the hypothesis that the market is competitive, that is, a greater proportion of the enterprises operates “close” to efficiency. It is assumed that the v_{iS} and the u_{iS} are independent random variables.

To measure how external and internal factors affect hotel inefficiencies, we propose a novel specification in which the mean μ_i is associated with the technical inefficiency effects and is assumed to be a function of hotel internal characteristics and city localization such that,

$$\begin{aligned} \mu_i = & \delta_0 + \delta_1 \ln \text{Inv}_i + \delta_2 \ln \text{Age}_i + \delta_3 \ln \text{NoOver}_i + \delta_4 \ln \text{Tour}_i \\ & + \delta_5 \ln \text{Extra}_i + \delta_6 D_{Ann}_i + \delta_7 D_{1\&2Stars}_i \\ & + \delta_8 D_{4\&5Stars}_i + \delta_9 D_{Tour}_i + \delta_{10} D_{ArtsMajor}_i \\ & + \delta_{11} \ln \text{Stag}_i + \delta_{12} \ln \text{Density}_i + \delta_{13} \ln LQ_i + \delta_{14} \ln SF_i + \delta_{15} \ln FSR_i \end{aligned} \quad (2)$$

where δ_s are parameters to be estimated. A positive parameter value of δ_m implies that the mean technical inefficiency increases as the value of the m input variable increases. “Inv” is defined as the ratio between fixed assets and revenues, and it is used to control for the effect of investment of firm efficiency. We expect that hotels investing in fixed assets are more technically efficient (i.e., hotels with $u = 0$). “Age” is the number of years of operation of the hotel, and it is used to evaluate learning-by-doing effects on efficiency; “NoOver” is the percentage of days (in respect to the total number of opened days) without guests. “Tour” is the percentage of revenue due the tour operator and travel agency. “Extra” is the percentage of revenues due to additional services offered by the hotel (i.e., wellness, sports, etc.). As in the

production function, effects of star ratings and seasonality are addressed by dummy variables ($D_{1\&2Stars}$, $D_{4\&5Stars}$ and D_{Ann_i}).

Following Tveteras and Battese (2006), the number of hotel per km², FSR_{*i*}, is used to account for localization effects tied to firm density denoted by the subscript *i*, which refers to the municipality in which the firm operates. In addition, we consider a measure of municipality specialization relative to the whole ER region given by $LQ_i = \frac{H_i/E_i}{H/E}$, where H is the number of establishments in the 55.1 NACE classification and E_i is the number of establishments. If LQ is greater than 1, it indicates that the municipality has a specialization (concentration) in hotel activities that is above the regional average. The proximity of hotels can influence efficiency in several respects (Nakamura, 2012). It should lead to a more efficient sharing of producer services and industry capital, such as port, railway station or local transport services, parking facilities, retail consumer services, and wholesale services. Moreover, high hotel density (specialization) should enhance knowledge transmission as well as diseconomy due to the competition from similar-sized hotels within the accommodation sector of the destination.

To investigate urbanization economies that are the result of knowledge spillovers among firms and entrepreneurship, we follow Capone and Boix (2008) and use the inverse of the firm dimension (SF) given by the ratio between the number of firms and the corresponding number of employees in the whole industry of the destination. We also introduce the population density (Density), which is given by the ratio of inhabitants to municipality surface (km²) and the two dummies $D_{ArtMajour}$ and D_{Tour} to control for Hoover's dimension effect and the infrastructures and attractions endowment, not having specific data to capture such urbanization effects. Finally, we consider the externality effect generated by the demand seasonality pattern at the destination using an indicator (Stag) calculated as the ratio between the overnight stays during the peak season (June to September) and the total overnight stays of the year. This variable, together with Density, is expected to capture the presence of urbanization diseconomies connected to congestion externalities and conflicting preferences among tourists and residents. Some descriptive statistics on variables used in the analysis are reported in Table 5.4.

The parameters of the frontier production function are simultaneously estimated with those of the inefficiency model (β , δ , σ^2 , σ^2_v), in which the technically inefficiency effects are specified as a function of other variables. Maximum-likelihood estimates of the model parameters are obtained using the program FRONTIER 4.1 written by Coelli (1996). The technical efficiency of the *i*-hotel, $TE_i = e^{-u_i}$, is predicted as proposed in Battese and Coelli (1992).

The ML estimates of the parameters in the stochastic frontier production function, given the specifications for the technically inefficiency effects defined by equations (1) and (2), are given in Table 5.5. The estimated β coefficients of the stochastic frontier and estimated δ coefficients in the inefficiency model have signs and sizes that conform to our expectations; a discussion of technical inefficiency scores, elasticities, and economies of scale are reported in the next section.

With regard to the nature of the technical efficiency, the general stochastic frontier model encompasses the following three subcases: (1) when $\gamma = \delta_0 = \delta_1 = \dots = \delta_m = 0$,

Table 5.4 Descriptive Statistics of the Variables Used in the Analysis

Variables	Units	mean	sd	min	max
Output					
<i>Value added</i>	Euro (x1000)	72	48	9	642
Inputs					
<i>Nr. Beds</i>	Number	72	48	9	642
<i>Nr. Added Beds</i>	Number	5	10	1	160
<i>S_mt F&B</i>	square meters	144	111	2	1482
<i>S_mt halls</i>	square meters	85	127	8	4600
<i>S_mt Facilities</i>	square meters	35	136	1	2958
<i>Employees</i>	nr. days worked	976	1324	1	14158
<i>Family</i>	nr. days worked	413	287	0	4850
<i>Managers</i>	nr. days worked	71	178	1	2544
(In)efficiency Determinants: Internal to Hotel					
<i>Age</i>	Number	19.0	11.6	1.0	101.0
<i>Inv</i>	%	1.02	0.90	0.00	22.11
<i>NoOver</i>	%	4.1	8.5	0.0	100.0
<i>Tour</i>	%	18.2	23.4	0.0	100.0
<i>Extra</i>	%	4.2	8.7	0.0	97.0
<i>D_ann</i>	dummy	0.20	0.40	0.00	1.00
<i>D_1&2Stars</i>	dummy	0.35	0.48	0.00	1.00
<i>D_4&5Stars</i>	dummy	0.07	0.26	0.00	1.00
(In)efficiency Determinants: External to Hotel					
<i>D_Tour</i>	dummy	0.06	0.24	0.00	1.00
<i>D_ArtsMajor</i>	dummy	0.08	0.26	0.00	1.00
<i>Stag</i>	%	0.73	0.18	0.30	0.92
<i>Density</i>	Number	993.7	730.9	8.7	2670.5
<i>LQ</i>	Number	7.4	3.8	0.0	14.0
<i>SF</i>	Number	0.4	0.1	0.1	3.5
<i>FSR</i>	Number	11.8	11.6	0.0	43.9

there is no technical inefficiency (deterministic or stochastic) and the model collapses to the traditional average production function; (2) when $\gamma = 0$, technical inefficiency is not stochastic and the explanatory variables in equation (2) must be included in equation (1) along with inputs; (3) when all δ 's (except the intercept term) are zero, the z 's do not affect technical efficiency levels.

Hypotheses about the nature of the technical inefficiency can be tested using the generalized likelihood ratio statistic, λ , given by $\lambda = -2[\ln(L(H_0)) - \ln(L(H_1))]$, where $L(H_0)$ and $L(H_1)$ denote the value of the likelihood function under the null and alternative hypotheses, respectively. If the given null hypothesis is true, then λ has approximately a Chi-square (or a mixed Chi-square) distribution.

If the null hypothesis involves $\gamma = 0$, then the asymptotic distribution involves a mixed Chi-square distribution (Coelli, 1995). The LR test of the one-sided error for

Table 5.5 Maximum Likelihood Estimates for Parameters of the Stochastic Frontier and Inefficiency Effects Model

Coefficient	Estimate	Standard Error	t-Ratio
<i>Stochastic Frontier</i>			
Constant	6.454	0.139	46.418
No. of Beds	0.534	0.021	25.338
No. of added beds	0.063	0.017	3.795
S_mt F&B	0.005	0.008	0.616
S_mt halls	0.038	0.011	3.631
S_mt Facilities	0.034	0.017	1.981
Employees	0.195	0.006	30.228
Family	0.194	0.012	16.710
Managers	0.166	0.017	10.046
<i>D_Ann</i>	0.425	0.032	13.141
<i>D_1&2Stars</i>	-0.200	0.020	-9.844
<i>D_4&5Stars</i>	0.317	0.042	7.518
<i>D_Tour</i>	0.241	0.042	5.696
D_ArtsMajor	0.054	0.038	1.430
Inefficiency Model:			
Internal Determinants			
Constant	-6.308	1.226	-5.147
<i>Age</i>	-1.196	0.149	-8.048
<i>Inv</i>	-1.042	0.128	-8.149
<i>NoOver</i>	0.421	0.042	10.130
<i>Tour</i>	0.124	0.021	5.878
<i>Extra</i>	-0.404	0.055	-7.347
<i>D_Ann</i>	1.837	0.207	8.863
<i>D_1&2Stars</i>	0.514	0.086	6.005
<i>D_4&5Stars</i>	0.927	0.154	6.009
Inefficiency Model:			
External Determinants			
<i>D_Tour</i>	2.230	0.247	9.037
<i>D_ArtsMajor</i>	0.562	0.180	3.124
<i>Stag</i>	1.839	0.287	6.400
<i>Density</i>	-0.681	0.110	-6.207
<i>LQ</i>	-0.500	0.130	-3.836
<i>SF</i>	0.344	0.137	2.502
<i>FSR</i>	0.608	0.129	4.705
Variance Parameters			
	1.224	0.149	8.233
γ	0.919	0.011	82.996
Loglikelihood Function			
LL	-1293.780		
LR test of the one sided error	357.676		
Number of cross-sections	2705		
Number of time periods	1		

the null hypothesis of no technical efficiency is strongly rejected. The LR test is in fact equal to 266.65, which exceeds 19.94, the upper 5 percent point for the mixed Chi-square distribution with 17 degrees of freedom (Kodde and Palm, 1986). The value of the estimates of the γ -parameter is 0.92, which implies that a significant proportion of the total variability is associated with technical inefficiency of production. The null hypothesis that the explanatory variables in the model for the technical inefficiency effects have zero coefficients is also strongly rejected by the data (LR=169.7).

5. Economic and Managerial Results

Elasticities and Return to Scale

The elasticities, obtained by summing the input parameter estimates reported in table 5.5, equal 0.555 and 0.669 for labor and capital, respectively, and thus the return to scale parameter is 1.224, which indicates that the accommodation sector in ER exhibits increasing return to scale. The result on the labor elasticity is quite unexpected because the accommodation industry is perceived as a labor-intensive sector. The rationale relies on the role of the dummy variable D_{ann} , which controls for the production process of the annual hotels. As evidenced in Bernini and Guizzardi (2012), a strong heterogeneity affects the technological sets of hotels with different levels of environmental features (i.e., size, seasonality, rating). In our estimates, we partially control for heterogeneity by means of the D_{ann} variable, while hotel quality is denoted by $D_{1\&2Stars}$ and $D_{4\&5Stars}$. The comparison of the actual model estimates (Table 5.5) with a model in which the dummy D_{ann} is not included suggests that the capital elasticity does not change, while significant differences emerge in respect to the labor input (to note that the model with the D_{ann} prevails on the model without the D_{ann} dummy and is not rejected by the LR test, LR=175.04; all results are available on request from the authors). Not controlling for annual hotels augments elasticities of family members and managers to 0.23 and 0.21, respectively, thus confirming the accommodation as a labor-intensive sector. This result may be due to several features. The first is related to the measurement of the labor variable used in the analysis, that is, the number of days worked (instead of the usual number of employees) being largely sensitive to the hotel opening. The second issue concerns the different productive opportunities that characterize the seasonal and annual hotels. During seasonal demand peaks, several seasonal hotels in ER face a temporary excess of demand with respect to their available resources, primarily on the summer weekends. For these hotels, the greater benefit (in terms of increases in the value added) is connected to the availability of additional capital rather than labor. When there is a demand surplus, the risk to refuse reservations and customers is mainly due to the lack of rooms and beds. Another feature is related to seasonal workers. Seasonal firms employ nonpermanent staff for whom little training and fewer education programs are organized, thus resulting in a lower

accumulation of knowledge within the firm and in fewer opportunities for efficient labor management (Baum and Szivas, 2008).

The negative effect on productivity of a seasonal hotel is also related to the use of capital. Seasonal enterprises need to finance fixed-asset investments with income flows that are not constant throughout the year. This aspect in a country such as Italy, where interest rates are relatively high, constitutes a considerable constraint on competitive strength as seasonal hotels are generally perceived as more risky (van der Sterren, 2008) and therefore require specialized financial products in which long-term fixed asset investments are combined with flexible, short-term funding to cover seasonal cash flow fluctuations.

As for the hotel rating, the effect on the level of output is negative for the one- and two-star hotels, and positive for the more highly rated hotels. The elevated quality of services and facilities offered by the four- and five-star hotels well meet the needs and preferences of business travelers who have a high propensity to spend money when on vacation.

In the production function, we also control for the localization economies by means of the *D_ArtMajor* and *D_Tour* dummies. Estimates evidence that hotels located in the cities of the arts do not exhibit significant differences with respect to the mean level of output, while operating in a tourism destination allows for better performance.

The picture that emerges implies that there are external economies of scale associated with the increasing quality of the service provided, the annual opening, and the concentration of attractions endowed in a tourism municipality such as mountains, lakes, and thermal localities.

Internal Factors Affecting the Inefficiency of Firms

Not all of the hotels located in ER produce at their maximum level. Several internal factors reduce the efficiency level of hotels. Among these, the most important are annual opening and poor quality (one- and two-star hotels). Seasonal hotels have higher average daily occupancy rates, and they operate with much less uncertainty on the demand side. Therefore, *ceteris paribus*, they are technically more efficient than annual hotels. To understand the negative result associated with the quality of the service provided, it must be noted the competition of one- and two-star hotels centers on low prices as they offer facilities that were built in the 1960s and have never been structurally renewed. Moreover, these are mainly family hotels that are trying to manage a difficult generational change. The inefficiency associated with four- and five-star hotels may depend on their inability to attract the regional demand, which largely consists of internal mass seaside tourism and is characterized by a relatively low level of purchasing power. As a minor effect, we find that efficiency decreases with both the increase in the proportion of hotel opening days without guests and with the increase in the percentage of revenue due to the intermediation of tour operators and travel agencies.

Conversely, we find that efficiency gains are primarily the result of the “learning by doing” effect (i.e., the older enterprises tend to have lower inefficiency scores

than the younger firms) and in the propensity to (re)invest in the production process a higher part of the turnover (product innovation). The overall results indicate that hotels achieve the greatest return on investment (measured in efficiency gain) when they have a high level of experience and knowledge. A minor but significant positive effect on efficiency is also connected to the percentage of revenues originating from the additional services offered (i.e., wellness, sports, and etc.), thus confirming the importance of diversifying the services offered regardless of the star rating.

Territorial Factors Affecting the Inefficiency of Firms

The causes of seasonality in tourism are usually structural in nature, depending on, among others, supply-side (destination) constraints (Baum and Hagen, 1999). Seasonal destinations are expected to have limited attractiveness or poor connections to resources as they usually display stronger seasonal demand patterns. This destination effect is measured by the variable *Stag*. The positive estimated coefficient proves a strong negative impact on hotel efficiency. A hotel's inefficiency is also significantly dependent on its location, as in the city being popular for art or as a place in a tourism (mainly mountain) municipality. The previous findings suggest that in the ER region, a location in a seaside destination, with a nonmarket seasonal demand pattern, provides hotels with the lowest external losses in operational efficiency. These destinations have the connections, infrastructure, and resources to capture both the leisure segment with the largest market share and the business segment. Business tourism is particularly developed in the region as per capita GDP is among the highest in Italy and many firms are an integral part of global value chains, especially in metal product manufacturing and mechanical and textile sectors. This exposure to international markets partially explains the negative effect on hotel efficiency of the reverse of the firm dimension (FS), as the firm dimension diminishes (i.e., for higher values of firm size [FS]) the hotel inefficiency augments). As expected, the presence of large (internationalized) companies promotes (inbound) business tourism in the municipality where enterprises are agglomerated, and it ensures the greatest possibility of knowledge spillover among different industries. It is also worth noting that the negative coefficient of the variable "Density" excludes (possible) urbanization diseconomies connected to congestion externalities and conflicting preferences among tourists and residents.

Regarding the localization economies, the estimated negative coefficient for the variable *LQ* suggests that operating in a municipality with a specialization (concentration) in hotel activities enhances operative efficiency, thus supporting knowledge spillovers within the industry and a more efficient network for the supply of intermediate goods. Conversely, efficiency is negatively affected by the density of firms (FSR). This is especially true in the leisure sector where the differences between star ratings and the size of hotels located in close proximity to one another are relatively small and price competition is stiff.

Some Insights on Agglomeration Externalities and Efficiency of Hotels

To perform more straightforward comparisons among hotels operating in different municipalities, we compute the efficiency scores from the stochastic frontier model in equation (1) without the (in)efficiency model. The analysis allows us to either confirm previous results or compare how efficiency varies in respect to agglomeration variables used in the analysis.

In general, the kernel density distribution of efficiency scores (Figure 5.1) shows an asymmetric distribution around the mean value (0.72), with a thin tail to the left of the distribution. As the mode is not in the final interval of the distribution, it supports the use of a truncated normal distribution for u_i (Battese and Coelli, 1996). The distribution of technical efficiencies also shows a small number of hotels operating at a low level of technical inefficiency as only 10 percent of hotels show a score lower than 0.56.

With regard to agglomeration effects, the typology of the destination plays a major role in the efficiency distributions. Operating in a seaside destination allows for greater efficiency when compared to other tourism destinations and cities that are art destinations. The seaside municipalities in ER have either invested in the development of infrastructure and services supporting tourism activities or they have diversified their services to include several tourism segments (cultural, artistic, business, and leisure) to achieve better performance.

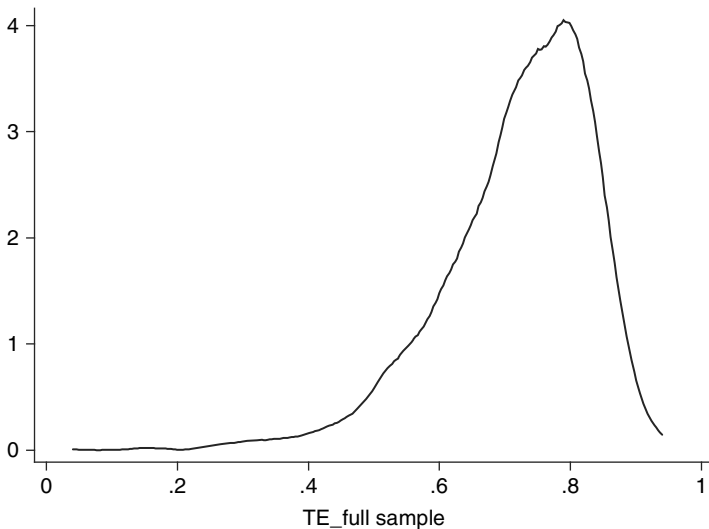


Figure 5.1 Kernel density distributions of technical efficiencies (full sample).

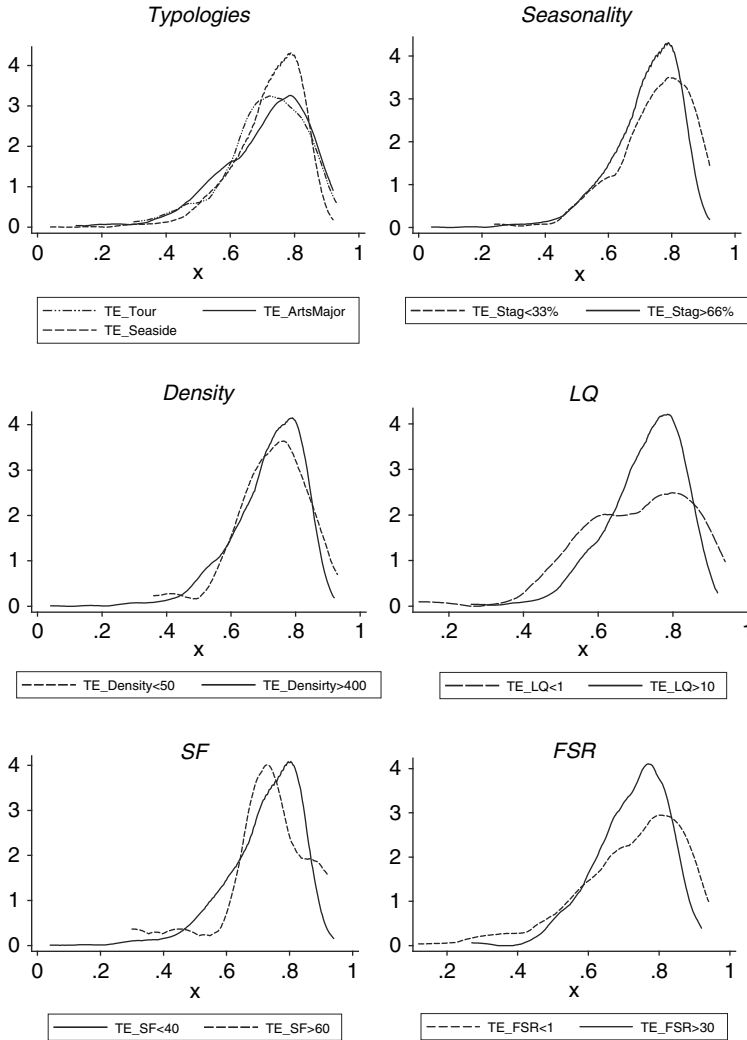


Figure 5.2 Kernel density distributions of technical efficiencies by the main agglomeration variables.

Seasonality of the destination has a mean negative effect on efficiency. If the municipality is mainly a summer destination (more than 66 percent of the tourism production is between June and September), the efficiency distribution is dispersed around low efficiency scores. Conversely, if the destination presents low seasonality (less than 33 percent of the tourism production is in the summer), the hotels demonstrate higher levels of efficiency (the mean efficiency is 0.75).

The effect of urbanization is positive. In other words, as the density of the destination increases, the accommodation sector improves its level of efficiency. In

particular, hotels located in municipalities with more than 400 inhabitants per km² exhibit a slight but significant increase in mean efficiency scores (equal to one point) with respect to hotels operating in localities with a density value less than 40.

Localization economies have an important role in influencing hotel efficiency. Operating in localities characterized by an elevated specialization in hotel activities significantly improves the efficiency of the sector. If the LQ is greater than 10 percent, the average efficiency score is approximately 0.73 (for LQ < 1% the mean efficiency score decreases to 0.70).

Conversely, the reverse of the firm dimension (SF) is negatively correlated with efficiency. When a hotel operates close to large (internationalized) companies, its efficiency increases. As evidenced from Figure 5.2, the kernel density distribution of hotels operating in municipalities with high SF (<40), average firm dimension is positioned close to the highest values of efficiency.

Finally, efficiency is negatively affected by the density of firms (FSR). If in the destination there is zero or one hotel per km², then the mean efficiency of the accommodation sector is 0.74. Conversely, for more than 30 hotels per km², the mean efficiency of the sector decreases to 0.72.

6. Conclusions

Hotels' competitiveness results from either the management practices of internal resources or the competitive advantage given by agglomeration economies. Even if a number of studies have provided evidence that the main factors contributing to hotel efficiency gains are internal to firms (Molina-Azorin et al., 2010), it remains that the production of services in the accommodation industry requires investments in infrastructure and environment that a single firm is usually unable to supply.

We consider a huge sample of hotel firms located in the Emilia-Romagna region to analyze the relevance of localization and urbanization economies in determining firm performance. The focus is twofold as we propose a stochastic frontier approach able to evaluate empirically the performance of a huge sample of hotels heterogeneous in organizational characteristics while simultaneously estimating the role of many territorial characteristics as factors of competitiveness.

The empirical analysis leads to several interesting findings. With respect to production processes, hotels located in ER are characterized by the relevant use of the labor input, confirming that the sector is mainly a labor-intensive industry. The quality of services provided affects the frontier in different ways. The (relative) poor quality has a negative impact on the productivity of one- and two-star hotels, shifting their frontier downward, while the four- and five-star hotel frontier shows a positive shift. Thus, the benefits associated with the upgrading of hotel facilities are particularly important in the current regional context where many low-rated hotels are experiencing a difficult transition between generations of owners. However, the most important internal effect depends on seasonal opening. Annual hotels show positive returns as they have the possibility to fully exploit managerial and employee skills.

Finally, we show the existence of external economies of scale associated with the concentration of infrastructures and attractions in the tourism municipality.

Regarding hotel efficiency, we find that it is significantly affected by both internal firm factors and agglomeration economies. Considering the former, the hotels with the highest efficiency in Emilia Romagna are three-star seasonal hotels that have been in existence for many years. Apart from an important “learning by doing” effect, these businesses have a strong competitive advantage on the demand side, as the seasonal opening helps in achieving high average daily occupancy rates, while their stay on the market allows them to increase the share of loyal customers who book their holidays in advance (mainly long-stay family tourists). Efficiency gains are also related to the propensity to invest (innovate the product) and the offer of a wide variety of ancillary services (i.e., wellness, sports, and so on), thus confirming the importance of product diversification regardless of tourists’ spending power.

The analysis also shows the existence of significant agglomeration effects influencing the possibility of hotels located in ER to produce at their maximum level. Inefficiency is related to the tourism product offered by the destination. The best advantages are for accommodation structures located in multiopportunity destinations with resources, infrastructure, and an economic fabric that allows them to host both business tourism and seaside leisure tourism. Hotels in these destinations have a greater chance to reduce uncertainty related to demand seasonality, and they have a greater opportunity for cost- and quality-effective HR management and development. They can also take advantage of the selection of intermediate inputs as professional service providers, requested by business travelers, are co-located with many leisure activity providers. Hotel efficiency is also affected by the presence of large enterprises in the municipality and by the concentration of accommodation activities. Externalities are connected to knowledge spillovers within the industry, a more efficient network for the supply of intermediate goods, and the possibility of attracting (international) high-spending business tourists.

In addition to previous agglomeration economies, this study shows that the number of similar hotels localized in close proximity to one another represents a significant diseconomy as it increases price competition. It is also worth noting that—contrary to what is expected—this study excludes the existence of urbanization diseconomies connected to congestion externalities and conflicting preferences among tourists and residents.

Taking the above results into account, policymakers must work collaboratively with hotel owners to assess (and reduce) the gap between actual performance and the potential frontier production frontier. Debating this theme is particularly important in ER because production structures and regulatory systems are simultaneously changing. The decline of seaside tourism, a generational exchange in hotel ownership, and the strong political impetus toward devolution and federalism are the primary causes for the transformation in the hotel industry.

Destination management can increase firm performance in order to encourage companies to invest in their product innovation. This would benefit the whole tourism destination with respect to both requalification of tourism as a product and an

increase in the employment rate. This latter point is worthy of attention in a region such as ER where the accommodation industry provides a large proportion of jobs.

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Chapter 6

Tourism Destination Competitiveness and Firm Performance through a Financial Crisis

An Empirical Analysis of the Italian Hotel Industry

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We acknowledge the helpful comments of all the participants of the Consumer Behavior in Tourism Symposium 2013 (CBTS, 2013) held in Bruneck (South Tyrol), Italy, and of the second EIASM Conference on Tourism Management and Tourism Related Issues, held in Nice, France. This chapter is the result of a research project discussed and shared by the authors as organic work. Only to highlight the contribution, this is referred as follows: section 1 to Marco Fazzini, section 2 to Giovanni Liberatore, sections 3 and 4 to Lorenzo Dal Maso, while section 5 is a common part.

1. Introduction

In the past decades, tourism destination competitiveness has gained significant attention among researchers and policymakers (Dwyer et al., 2004); as a result of the increase in international trade and global mobility, managers in the tourism industry have developed strategies related to destination competitiveness in order to gain a competitive advantage over other market participants. With regard to this, competitiveness is considered as a “factor that makes a given destination attractive to visitors and enhances the sociocultural, economic and environmental benefits of

tourism to the destination” (Armenska, 2011; Ritchie and Crouch, 2005; Vanhole, 2006; Wondowossen et al., 2014: 72). Hence, the prosperity of a place is directly related to its competitiveness (Porter, 2008).

Despite the increase in attention to destination competitiveness, the economic and social influence of the tourism sector had been overlooked by policymakers and other stakeholders in the tourism industry for many years (Crouch and Ritchie, 1999). In fact tourism is, after the financial services sector, one of the fastest-growing service industries for many economies in the world (Alberti and Giusti, 2012), with 260 million jobs, \$ 6.6 trillion in worldwide GDP, \$ 760 billion in investments, and \$1.2 trillion in exports (WTTC, 2013).

The evident economic and social impact of the tourism industry, coupled with the importance of location on firms’ competitiveness and performance, has led many researchers to attempt to identify factors that affect destination competitiveness in the tourism industry (Barros, 2005; Cracolici et al., 2008; Gomezelj and Mihalič, 2008; Molina-Azorin et al., 2010). This is because knowing which attributes push destination competitiveness would help authorities to strengthen the destination (i.e., have a competitive advantage) and properly match destination management strategies with tourism resources (Wondowossen et al., 2014).

Nevertheless, to the best of our knowledge, the relationship between regional competitiveness and hotels’ performance, in term of profitability, has not been explored so far. Therefore, beginning from the assumption that competitiveness enhances the economic welfare of local populations (Webster and Ivanov, 2014), this study investigates the existing relationship between regional competitiveness and firms operating in the “hotels and similar accommodations” industry, in Italy; in particular, this study adopts a cross-sectional approach in order to investigate this relation during a normal year (i.e., two years before the financial crisis of 2007) and after the outbreak of the crisis (i.e., two years after—Kanagaretnam et al., 2014).

According to Ferreira and Estevão (2009) and Fernando and Long (2012), tourism cluster competitiveness is still an open issue because few researchers have explored cluster competitiveness in theoretical terms; they have limited their conceptual modeling and descriptive applications to Porter’s diamond framework, which considers competitiveness to be attainable through (a) firm strategy, structure, and rivalry; (b) factor conditions; (c) demand conditions; and (d) related and supporting industries (Alberti and Giusti, 2012). On the contrary, this study uses a competitive index, similar to the one proposed by Navickas and Malakauskaite (2009), which considers regional competitiveness to be the net result of price competitiveness, infrastructure development, ecology and environment, human resource, human tourism (i.e., the percentage of tourists over local residents), market openness, technological advancement, and social development.

Results reveal that there is a relation between hotels’ profitability ratios, such as return on sales (ROS), return on assets (ROA), and earnings before interest, taxes, depreciation, and amortization (EBITDA) margin, and regional (i.e., destination) competitiveness. Findings from the regression model reported in Table 6.6 suggest that competitiveness positively influences profitability ratios; therefore, the

higher the competitiveness the higher the firms' profitability. This is also true during an economic downturn; notwithstanding the negative coefficient of competitiveness on ROA leads us to understand how managers do not use company assets efficiently to try and generate profit. From our point of view this behavior can be linked to hotel managers' price discount policies, that is, the higher the competitiveness of a destination the higher is the competition, which means, in turn, a high price war resulting in a lower level of profitability for hotels regardless of the change in local destination competitiveness (especially during an economic downturn). In other words, hotel managers are not efficiently using their assets to generate earnings.

Results reported are innovative because this paper is the first attempt to measure and evaluate the impact of Italian regional competitiveness on hotel performance. Since Italy is the one of the most important tourism destinations in the world, with the direct contribution of travel and tourism being 4.2 percent to the GDP (8 in a 184 world countries ranking—WTTC, 2014), our results are useful for practitioners and policymakers to help them understand how destination competitiveness influences hotel profitability both during normal and crisis periods.

Moreover, our results are also useful for hotel managers in making them realize that during an economic downturn a price discount policy can negatively affect hotel profitability, thus nullifying benefits from increased regional competition. Taken together, our results support the need for local authorities to increase local competitiveness in order to generate long-term destination attractiveness.

The remainder of this chapter is organized as follows: the next section presents the literature review, while in the third section, we present sample, model, and variables. In section 4, we present results of the data analysis, while in section 5 we discuss the findings and implications of this study.

2. Literature Review

Tourism Destination Competitiveness

The concept of competitiveness, as broadly addressed by Porter (1990), has been extended to encapsulate a region's capacity to use more effectively its resources in the long term (Hassan, 2000). As a further extension of this concept, Dwyer and Kim (2003) consider a destination to be competitive when it is able to create and exploit a competitive advantage by producing goods and services of high intrinsic value for tourists, thus maintaining and possibly improving its market position over time (D'Hautesserre, 2000). Implementing the right strategy influences the economic condition of sectors related to the tourism industry (Dimoska and Trimcev, 2012).

Although most studies have long used tourism-related indicators to measure competitiveness, the relevance of various factors incorporated into those indicators have been differentially weighted. As a result, a number of researchers have sought to empirically and reliably measure destination competitiveness. For instance, Kozak and Rimmington (1999) considered quantitative outputs derived from competitiveness (e.g., numbers of tourists, revenues from tourism) as well as qualitative metrics such as tourists' preferences. Crouch and Ritchie (1999) used the economic, social, and environmental conditions offered to residents as indicators of destination competitiveness. Similarly, Mihalič (2000) stressed the role of natural features such as scenery, landscape, water, air, and species diversity in promoting destination competitiveness. Similar to Crouch and Ritchie's framework, Bernini (2009) highlighted the four components that benefit a tourism destination: demand conditions (quality of products), local factor conditions (environmentally related resources), tourism-related and supporting industries (the actors), and government policy (i.e., infrastructure).

Other studies have analyzed the effectiveness of the items that comprise tourism indicators to measure destination competitiveness. Navickas and Malakauskaite (2009) identified several classes of indicators related to tourism competitiveness: price competitiveness, infrastructure development, ecology, technological advancement, human resources, market openness, human tourism indicators (i.e., the number of tourists over number of local residents), and social development.

The database of tourism indicators is populated with primary data drawn from both national and international institutions. Kozak and Rimmington (1998, 1999) asserted that the evaluation of tourism sector competitiveness must be implemented by collecting, systematizing, and analyzing primary data derived from opinion polls and tourist surveys. In contrast, Navickas and Malakauskaite (2009) used secondary data provided by Nottingham's Christel DeHaan Tourism and Travel Research Institute (TTRI) and the World Travel and Tourism Council (WTTC) to explore relevant issues in this domain.

Tourism Destination Competitiveness and Economic Development

In another line of research, studies have focused on the positive association between tourism destination competitiveness and the economic development of the countries in which those destinations are located. Balaguer and Cantavella-Jordá (2002) applied the Johansen technique to examine possible relationships among Spanish economic growth, international tourism income, and external variables related to competitiveness. Their analysis demonstrated the existence of a long-run, stable relationship between economic growth and tourism expansion.

Through a multivariate causality analysis, Dritsakis (2004) similarly confirmed the relationship among three elements, international tourism income, real exchange rate, and economic growth, in Greece. Fayissa et al. (2008) used panel data from 42 African countries between 1995 and 2004 to explore tourism's effects on economic growth. They found that income generated by the tourism industry contributes to economic growth through increases in investments in physical and human capital.

Research by Schubert et al. (2011) further corroborated the findings of previous researchers, showing that tourism is positively related to economic growth; investment in infrastructure, research and development, and human capital; diffusion of technical knowledge; and competition between firms.

While this line of research has done much to illustrate the relationship between tourism and macroeconomic indicators, other works have analyzed the causal relationships between economic conditions and tourism firm performance. Chen (2007) and Tang and Jang (2009) found that economic growth can significantly strengthen the sales performances of hotels, airlines, and restaurants, while Chen (2011) demonstrated that inbound tourism expansion directly influences hotels' profitability. Molina-Azorin et al. (2010) asserted that firm performance in the tourism industry is primarily affected by two factors: location and inherent firm characteristics.

If tourism competitiveness is positively associated with economic growth and economic growth is positively associated with firms' performance, it follows that investment in tourism competitiveness should improve firms' performance. Therefore, this study aims, as a first, to investigate whether (a) a regional competitiveness index is able to identify differences among regions and, then, (b) if there is any relationship between regional competitiveness and hotel profitability.

3. Methodology

Data Collection

This study is based on a sample composed of all Italian companies operating in the hotels and similar accommodations industry (i.e., Ateco2007 code: 55.10.00) with (a) the availability of profitability ratios (i.e., ROS, ROA, and EBITDA margin) for 2005 (normal year) and 2009 (crisis year); (b) simultaneous presence of accounting data, required by the regression model mentioned later, for both 2005 and 2009 (i.e., in order to have a stable sample); and (c) no negative values for shareholders' equity and revenues during both years.

From the initial sample comprising 11,767 observations, the refining criteria listed above produced a final sample of 3,731 observations. Data, in order to reduce the effects of outliers, have been winsorized at the 1 percent level.

Econometrical Methodology

The relationship between regional competitiveness and hotel profitability has been investigated through the following multiple ordinary least squares (OLS) regression (extended version of the one proposed by MacasNunes et al. in 2009):

$$\begin{aligned} Prof_{i,t} = & \beta_0 + \beta_1 Size_{i,t} + \beta_2 Rev_{i,t} + \beta_3 Liq_{i,t} + \beta_4 Fixed_{Ci,t} \\ & + \beta_5 Sol_{i,t} + \beta_6 C_{Score_{i,t}} + e_{i,t} \end{aligned}$$

where $Prof_{i,t}$ are the ROS, ROA, and EBITDA margin calculated as earnings before interests and taxes (EBIT) over the total value of revenues and assets and EBITDA over the total value of revenues; $Size_{i,t}$ is the natural logarithm of total assets; $Rev_{i,t}$ is the natural logarithm of total revenues; $Liq_{i,t}$ is the liquidity ratio calculated as current asset divided by current debt; $Sol_{i,t}$ is the solvency ratio expressed as the percentage of equity over total assets; $Fixed_C_{i,t}$ is the ratio between fixed costs (i.e., calculated as the value of revenues less the value added) and total revenues; $C_Score_{i,t}$ is the competitiveness score calculated as the sum of the 18 pillars listed in Table 6.1, while $e_{i,t}$ is the error, which is assumed to have a normal distribution.

Performance indicators used in the hospitality industry are operational, operational and financial, and financial performance (Sainaghi, 2010; Tavitiyaman et al., 2012); the latter groups have been selected due to the unavailability of operational indicators. Some firm performance indicators include stock price, earnings per share (EPS), sales and earnings growth, gross profit margin, profitability ratios (return on equity (ROE), return on assets (ROA), return on capital employed (ROCE), and return on sales (ROS), occupancy rate, and market share. Of these indicators, profitability ratios are the most widely used (Molina-Azorín et al., 2009) as they are best suited for comparing firms (Wagner, 2005).

Before running the regression analysis, a clustering procedure—based on the Ward method—tested the goodness of the competitiveness score created. The procedure's output confirmed that the competitiveness indicator used in this study is able to capture the intrinsic differences existing among Italian regions (see "Results" section).

Several studies have employed cluster analysis and multiple regression analysis to test hypotheses; Carmona-Moreno et al. (2004), Cohen et al. (1995), and Edwards (1998) performed a cluster analysis to identify groups with clear, dominant characteristics while multiple regression analysis has been similarly used in several studies (see Christmann, 2000; Cordeiro and Sarkis, 1997; González-Benito and González-Benito, 2005; Hart and Ahuja, 1996; King and Lenox, 2002; Klassen and Whybark, 1999; Link and Naveh, 2006; Melnyk et al., 2003; Russo and Fouts, 1997; Wagner, 2005).

Competitiveness Score

Generally, there are three approaches to building a model of tourism destination competitiveness (TDC). The first derived from early studies related to destination attractiveness (Bramwell and Rawding, 1996; Chon et al., 1991), the second is based on Porter's (1990) framework (e.g., De Holan and Phillips, 1997), while the third combines the theories of comparative and competitive advantages (Crouch, 2011; Crouch and Ritchie, 1999, 2006; Ritchie and Crouch 1993, 2003). This leads to the identification of five determinants of competitiveness: supporting factors and resources; core resources, and attractors; destination management; destination policy,

planning, and development; and qualifying amplifying determinants (Ritchie and Crouch, 2000).

Furthermore, the competitiveness monitor (CM) was developed in 2009 as a result of cooperation between the TTRI and the WTTC. The CM was developed on the basis of competitiveness indicators identified by Navickas and Malakauskaite (2009). Because an infinite number of external factors can be incorporated into the model, it has been lauded for its flexibility. The original CM index comprises eight categories: human tourism indicators (i.e., the number of tourists over the number of local residents), price competitiveness, infrastructure development, environment, technological advancement, human resources, market openness, and social development.

In this study we have adopted this framework in order to create a regional competitiveness index; information is collected directly from the INIS data warehouse and other authoritative data warehouses, such as Banca d'Italia (i.e. G5) and Osservatorio Nazionale del Turismo (i.e. E1 and F1).

In order to calculate the total index score, the World Economic Forum Travel and Tourism method (2013) has been applied, that is, all data have been converted into a 7-point scale (i.e., 1 being the lowest result and 7 the highest) using the following formulas:

$$6x \left(\frac{\text{country_score} - \text{sample_min}}{\text{sample_max} - \text{sample_min}} \right) + 1 \quad (\text{a})$$

$$-6x \left(\frac{\text{country_score} - \text{sample_min}}{\text{sample_max} - \text{sample_min}} \right) + 7 \quad (\text{b})$$

If a higher value indicated a positive outcome, formula (a) was used. If a higher value indicated a negative outcome (i.e., hotel and restaurant prices, energy consumption, population and education index), the scale was reversed, and formula (b) was used. As such, the higher the values of formulas (a) or (b), the higher the overall competitiveness scores. The resulting framework is indicated in Table 6.1, while the results of the competitiveness score (both 2005 and 2009) are reported in Table 6.2.

As shown in Table 6.2, most regions' 2009 competitiveness scores were similar to their 2005 scores, that is, the scores remain steady for infrastructure and technological indicators, which are quite stable over time. However, many regions including Campania (8.18%), Aosta Valley (3.28%), Piedmont (2.67%), and Sicily (1.36%) demonstrated growth over the period. In contrast, Calabria (-8.62%), Trentino Alto-Adige (-7.89%), Sardinia (-7.45%), and Umbria (-4.77%) experienced the largest declines.

Table 6.1 Composition of Competitiveness Index of Tourism Destinations

Categories	Pillars	Formula	Description
Price competitiveness indicators (<i>A</i>)	Hotel and restaurant prices	<i>A1</i> (b)	Price of hotels and restaurants
Infrastructure development indicators (<i>B</i>)	Road index	<i>B1</i> (a)	No. of km per 1,000 km ² of surface area
	Railroad network	<i>B2</i> (a)	No. of km per 100 km ² of surface area
	Airline communications	<i>B3</i> (a)	No. of passengers on domestic and international flights per region
	Public service transportation	<i>B4</i> (a)	No. of public transport network per 100 km of local surface area
Ecology (environment)-related indicators (<i>C</i>)	Energy consumption	<i>C1</i> (b)	No. of kWh per resident
	Population	<i>C2</i> (b)	No. of residents
	Other related indicators	<i>C3</i> (a)	Percentage of urban forests in local surface area per region
Human resource indicators (<i>D</i>)	Education index	<i>D1</i> (b)	No. of residents who almost obtained a diploma in the population
Human tourism indicators (<i>E</i>)	Tourism participation index	<i>E1</i> (a)	No. of tourists over number of local residents
Market openness indicators (<i>F</i>)	Tourism and trade openness	<i>F1</i> (a)	Percentage of tourist expenditure in GDP
Technological advancement indicators (<i>G</i>)	Impact of R&D on GDP	<i>G1</i> (a)	Percentage of research and development expenditure in GDP
	Internet index	<i>G2</i> (a)	No. of computers with active access to the World Wide Web
	Phone index	<i>G3</i> (a)	No. of phone lines per 100 households
	Mobile index	<i>G4</i> (a)	No. of mobile phone users per 100 households
	High-tech export	<i>G5</i> (a)	Value of high-tech products exported
Social development indicators (<i>H</i>)	Social development index	<i>H1</i> (a)	Fruition of mass media
	TV sets	<i>H2</i> (a)	No. of television sets per 100 households

Table 6.2 Total Competitiveness Scores

Region	Competitiveness Score 2005	Competitiveness Score 2009	Δ Score (%)
Abruzzo	66.33	65.93	-0.591
Basilicata	47.01	47.09	0.163
Calabria	50.74	46.36	-8.629
Campania	55.45	59.99	8.184
Emilia-Romagna	66.69	66.71	0.036
Friuli-Venezia Giulia	71.31	71.43	0.168
Lazio	81.54	81.74	0.241
Liguria	81.38	81.42	0.052
Lombardy	77.08	75.09	-2.585
Marche	64.37	64.63	0.399
Molise	49.87	49.65	-0.439
Piedmont	67.98	69.80	2.671
Apulia	43.60	42.36	-2.847
Sardinia	49.23	45.56	-7.457
Sicily	47.18	47.82	1.360
Tuscany	71.10	70.26	-1.183
Trentino-Alto Adige	71.58	65.93	-7.894
Umbria	64.76	61.67	-4.778
Aosta Valley	71.85	74.21	3.282
Veneto	65.91	65.58	-0.496
Total	67.09	66.61	-0.671

4. Empirical Results

Descriptive Results

Table 6.3 presents the descriptive statistics of the variables for the firms in 2005 and 2009.

As reported in Table 6.3, volatility is quite stable over time; in other words, the standard deviations of each variable in 2005 are quite similar to those in 2009. This indicates that our data selection criteria created a relatively homogeneous sample.

Because of the financial downturn, the mean of all ratios decreased between 2005 and 2009. Most notably, the mean score of ROS in 2009 is negative (-3%), however, with a median value of 3 percent, while ROA and EBITDA margin decreased respectively by 2 and 3 percent. Furthermore, the median value (less distorted than the mean value) shows that the value of the assets, revenues, solvency, and fixed costs increased over time. That is, the total value of revenues increased along with the impact of fixed costs, whose increase was less than that of the revenues; notwithstanding this, profitability ratios decreased over time to become negative (mean value) for return on sales.

Table 6.3 Descriptive Statistics

2005	Obs	Mean	Std. Dev.	Min	Median	Max
Total assets ^a	3731	412.0577	1320.116	1.1428	145.6052	39645.27
Total revenues ^a	3731	182.4848	873.5201	0.0001	68.8881	37066.44
Liquidity ratio ^b	3731	1.055548	1.264925	0.03	0.63	6.85
Solvency ratio ^b	3731	0.2686623	0.2270676	0.0040301	0.2078287	0.8785396
Fixed_Costs ^b	3731	0.5520882	0.1754228	0.1404943	0.5327843	1.200972
ROA ^b	3731	0.0375414	0.0842297	-0.2494046	0.0302719	0.3413386
ROS ^b	3731	0.0414492	0.1971279	-1.023217	0.0571717	0.5330444
EBITDA margin ^b	3731	0.1762914	0.2118944	-0.739381	0.1626841	0.8529671
Comp_score	3731	67.08881	11.27637	43.59777	67.98492	81.54498
2009	Obs	Mean	Std. Dev.	Min	Median	Max
Total assets ^a	3731	635.1817	2275.002	0.7753	192.934	62294.82
Total revenues ^a	3731	189.688	931.8021	0.0001	72.875	43854.3
Liquidity ratio ^b	3731	1.039373	1.30167	0.02	0.61	7.49
Solvency ratio ^b	3731	0.330424	0.255229	0.005895	0.279253	0.919907
Fixed_Costs ^b	3731	0.588394	0.2733	0.1319	0.548427	2.436189
ROA ^b	3731	0.005113	0.090548	-0.36042	0.012621	0.28932
ROS ^b	3731	-0.03267	0.333189	-2.20683	0.030596	0.564075
EBITDA margin ^b	3731	0.119341	0.302754	-1.67031	0.133163	0.855532
Comp_score	3731	66.61343	11.23455	42.35655	66.71152	81.74189

^a Variables are not expressed as a natural logarithm; rather these are expressed in 1/10.000 of €.

^b Variables winsorized at the 1st and 99th percentiles.

Table 6.4 displays the correlation coefficients among the dependent variables, the total competitiveness score, and its constituent pillars for 2005 and 2009.

In 2005, there was a strong correlation between competitiveness and ROA and ROS; on the contrary, competitiveness had a weak correlation with the EBITDA margin. Of the profitability ratios, ROA was more highly correlated with competitiveness as compared to the ROS; moreover, these ratios demonstrated strong positive correlations with infrastructure development, technological advancement, and social development, albeit at different levels of statistical significance. It is also notable that the dependent variables are highly correlated with the educational index and environmental indicators. The educational index, which indicates the quality of the labor force, has been widely analyzed. This study shows that the education level of a workforce is highly correlated with the workforce's capacity to produce high-quality goods and services (Navickas and Malakauskaite, 2009). The correlation between the dependent variables and environmental indicators is similarly critical. Many researchers have demonstrated that environmental reputation can improve competitive advantage (Mihalič, 2000; Molina-Azorín et al., 2009; Salama, 2005). In contrast, the profitability ratios are negatively correlated with hotel and restaurant prices and population density.

Table 6.4 Results of Correlation Analysis

	Panel A—2005			Panel B—2009		
	ROA	ROS	EBITDA_M	ROA	ROS	EBITDA_M
Competitiveness score	0.1144***	0.0792***	0.014	-0.0497***	-0.0228	-0.0765***
Hotel and restaurant prices ^a	-0.1347***	-0.0732***	-0.0604***	0.0815***	0.0574***	0.0546***
Road index	0.0668***	0.0274*	0.0033	0.0365**	0.0188	-0.0023
Railroad network	0.087***	0.0421**	0.0087	-0.067***	-0.027*	-0.0566***
Airline communications	0.1221***	0.0722***	0.0355**	-0.1048***	-0.0714***	-0.0989***
Public service transportation	0.0179	0.0174	0.0033	-0.0111	-0.0022	-0.0025
Energy consumption ^a	0.0657***	0.0171	0.041**	0.0146	0.0022	0.021
Population ^a	-0.0546***	-0.0503***	-0.0193	0.1214***	0.061***	0.0838***
Other related indicators	0.0896***	0.072***	0.0365**	0.0267	0.0248	-0.0138
Education index ^a	0.1149***	0.0726***	0.0161	-0.0309*	-0.0277*	-0.0763***
Tourism participation index	0.0065	0.0135	0.0151	0.0216	0.0083	0.0039
Tourism and trade openness	0.0282*	0.0289*	0.0228	0.0002	-0.0037	-0.0275*
Impact of R&D on GDP	0.1118***	0.0676***	0.0437***	-0.0779***	-0.0294*	-0.0617***
Internet index	0.0365**	0.0288*	-0.0112	-0.0616***	-0.0318*	-0.0746***
Phone index	0.0288*	0.0499***	-0.0238	-0.0346**	-0.0002	-0.0549***
Mobile index	0.0605***	0.0467***	-0.0093	-0.0522***	-0.0171	-0.0656***
High-tech export	0.0809***	0.061***	0.0214	-0.1151***	-0.0693***	-0.0972***
Social development index	0.0146	0.0211	-0.0179	0.0024	0.009	-0.0159
TV sets	0.0538***	0.0446***	-0.0196	-0.0395**	-0.0069	-0.0583***

* Significant at 10% level (two-tailed); ** Significant at 5% level (two-tailed); *** Significant at 1% level (two-tailed). ^aPillars use (b) formula. *N.Obs* 3,731.

Comparing these results with the ones obtained in 2009 suggests that an event that occurred between 2005 and 2009 affected salient correlation values. This result is not entirely unexpected, as the hotel sector is a cyclical industry highly influenced by macroeconomic conditions (Bodie et al., 2008). However, between 2005 and 2009, most of the correlation coefficients become negative (statistically significant); in 2009, especially, the EBITDA margin increases in statistical significance in almost all of the 18 pillars.

Cluster Analysis

Cluster analysis is a useful tool for identifying natural associations among sample units. Similar to factor analysis, which is used in the Tourism Destination Competitiveness research (Gooroochurn and Sugiyarto, 2005; Huang et al., 2006; Spencer and Holecek, 2007; Zhang et al., 2011), this method is an exploratory data analysis tool that can distinguish between variables based on their similarity; its strength rests in its association of units on the basis of distance between variables and not on the basis of variation patterns. Through Ward's minimum variance algorithm applied over the 18 pillars reported in Table 6.1 and the aggregate score (it is well recognized that this clustering method has the best overall performance [Milligan, 1981] and possesses the lowest root mean square standard deviation among the other clustering methods), the procedure made clusters of the Italian regions (during a normal year) as follows:

1. Emilia-Romagna, Tuscany, Marche, Umbria, Veneto, Abruzzo, Friuli-Venezia Giulia and Piedmont
2. Trentino-Alto Adige and Aosta Valley
3. Lazio, Liguria and Lombardy
4. Calabria, Apulia, Sicily, Basilicata, Molise, Sardinia, and Campania.

The first group comprised regions famous for their cultural heritage. The second and the fourth regions are well-known for being winter and summer tourism destinations, respectively, while the third one, comprising only Lombardy, Liguria, and Lazio, is a well-known destination for business tourism (i.e., highest values of competitiveness). This clustering scheme corroborated the claims of Bonini (1993), who suggested that Italy's overall attractiveness as a tourism destination is related to the variety of experiences the country offers (e.g., history, art, culture, and religion tourism; seaside tourism; mountain tourism; and hot springs and spa tourism). That is to say

the great attractiveness of Italy is not simply based on its history and culture, but on the variety of tourism products that the country offers. Unlike other international regions that generally offer one or two different types of tourism, Italy, as suggested by Bonini (the descriptive information used in this part of the paper comes mainly from Bonini), is perceived all over the world as a multiopportunity leading destination offering the following: history, art, culture and religion; seaside tourism; mountain tourism; hot springs and spas (Formica and Uysal 1996, p. 324).

The principal advantage of performing a cluster analysis on the regions of Italy is that it reveals the unique characteristics of each cluster, thus allowing us to understand similarities between regions that have the same intrinsic characteristics and hotel performance (see Table 6.5).

The first cluster comprises regions with an average score of 67.7 (third in rank after winter and business clusters). It has on average the highest values of social development and is second in terms of environmental and infrastructural factors.

Table 6.5 Results of Cluster Analysis

	Panel A—Mean Value 2005				Panel B—Rank among Clusters			
	Cultural	Winter	Business	Summer	Cultural	Winter	Business	Summer
<i>N. Obs</i>	1522	201	1091	917	1522	201	1091	917
ROA ^b	3.08%	3.04%	5.50%	2.95%	2	3	1	4
ROS ^b	3.59%	5.34%	6.29%	2.25%	3	2	1	4
EBITDA_M ^b	16.15%	20.68%	18.72%	18.11%	4	1	2	3
Hotel and restaurant prices ^a	4.216	4.489	2.298	3.427	2	1	4	3
Road index	3.029	2.393	3.618	2.747	2	4	1	3
Railroad network	4.180	1.689	5.260	3.867	2	4	1	3
Airline communications	1.822	1.010	6.301	1.877	3	4	1	2
Public service transportation	1.818	2.265	2.712	1.927	4	2	1	3
Energy consumption ^a	3.100	2.829	4.046	5.270	3	4	2	1
Population ^a	4.820	6.508	2.790	4.433	2	1	4	3
Other related indicators	3.003	3.189	3.522	2.097	3	2	1	4
Education index ^a	4.445	4.156	5.991	1.738	2	3	1	4
Tourism participation index	1.986	5.706	2.133	1.148	3	1	2	4
Tourism and trade openness	2.366	6.944	2.373	1.528	3	1	2	4
Impact of R&D on GDP	3.669	2.380	5.596	2.923	2	4	1	3
Internet index	5.164	6.044	6.219	3.477	3	2	1	4
Phone index	6.205	5.376	5.822	2.528	1	3	2	4
Mobile index	5.833	6.738	6.034	4.139	3	1	2	4
High-tech export	1.834	1.022	5.272	1.045	2	4	1	3
Social development index	4.816	6.927	4.913	2.484	3	1	2	4
TV sets	5.427	1.944	4.755	3.419	1	4	2	3
Com. Score	67.734	71.612	79.656	50.075	3	2	1	4

^aPillars use (b) formula.

^bVariables winsorized at the 1st and 99th percentiles.

The winter cluster is ranked first in terms of price indicators, market openness, and tourism participation but ranks low with respect to technological indicators. On average, the business cluster ranks first with respect to technological indicators, profitability ratios, infrastructure indicators, and overall competitiveness but

ranks lowest in terms of price and ecological factors. Finally, despite high rankings in terms of environmental indicators and pricing, the summer cluster obtains the lowest results among the clusters overall.

The cluster analysis output reveals the characteristics of the grouped firms as well as elucidates the relationships between some elements of the competitiveness index and the profitability of the regions (grouped for similar characteristics); therefore, by looking at the clustering procedure, it can be concluded that the competitiveness indicator used in this study is able to capture differences existing among the different regions in Italy.

Regression Analysis

Table 6.6 reports analysis output; panel A and panel B present, respectively, 2005 and 2009 regression results.

As reported, competitiveness positively influences the entire set of dependent variables in 2005 (i.e., competitiveness seems to be a valid predictor of ROA, ROS, and EBITDA margin). The regression model is not affected by multicollinearity since the highest variance inflation factor (VIF) for each variable is less than 2 (i.e., lower than the threshold of 5 as supposed by Hair et al., 2009).

Results show that the competitiveness coefficient is consistently significant for ROA, ROS, and EBITDA margin at the 1 percent level of significance suggesting that profitability ratios are consistently correlated with competitiveness. That is, the higher the competitiveness the higher the level of profitability. Moreover, the level of revenues, liquidity, and solvency has a positive correlation with hotel profitability, while size and fixed costs are negatively correlated. This means that the higher the liquidity, the revenues, and the value of shareholders' equity over total assets (only for ROA), the higher the profitability, while, on the contrary, the higher the size and fixed costs, the lower the profitability.

Panel B, on the same table, highlights that two years after the outbreak of the financial crisis (i.e., in the year 2009) competitiveness still positively influences profitability ratios, in particular, return on sales and EBITDA margin ($p < .01$). On the contrary, it becomes negative with respect to ROA ($p < .10$). Moreover the rest of coefficients are the same as those reported in Panel A, that is, revenues, liquidity, and solvency (only for ROA) have a positive coefficient while fixed costs and size have negative values.

Nevertheless, the negative results of the ROA reported in 2009 are mainly due to the intrinsic characteristics of the hotel industry. In other words, the *hotellerie* is a cyclical industry affected by macroeconomic conditions (Bodie et al., 2008); the high portion of fixed costs associated with hotel management makes firms extremely sensitive to business conditions and economic downturns (Chen, 2010), regardless of changes in local destination competitiveness. Hence, it is our opinion that hotel profitability during economic downturns can be significantly affected by hotel managers' price discount policies; we believe that the higher the industry competition, especially during economic downturns, and the higher the price war, the lower is the profitability. Although hotels may generate revenues, their income

Table 6.6 Regression Analysis Outputs

	Panel A			Panel B		
	Model (1)	Model (2)	Model (3)	Model (1)	Model (2)	Model (3)
	ROA	ROS	EBITDA	ROA	ROS	EBITDA
Competitiveness score	0.000573*** (5.55)	0.00126*** (5.18)	0.00137*** (6.12)			
Size	-0.0318*** (-19.49)	-0.0405*** (-10.50)	0.0166*** (4.97)			
Revenues	0.0321*** (19.81)	0.0439*** (9.35)	-0.0328*** (-8.16)			
Liquidity ratio	0.00540*** (5.48)	0.0106*** (3.87)	0.00784*** (3.42)			
Fixed Costs	-0.179*** (-19.81)	-0.727*** (-26.63)	-0.896*** (-39.23)			
Solvency ratio	0.0330*** (6.21)	-0.0575*** (-4.55)	-0.0310*** (-2.72)			
Competitiveness score				-0.000193* (-1.73)	0.000862*** (2.73)	0.000655*** (2.70)
Size				-0.00980*** (-5.38)	-0.0590*** (-15.57)	0.0118*** (4.68)
Revenues				0.00680*** (3.69)	0.0590*** (12.08)	-0.0317*** (-9.41)
Liquidity ratio				0.00491*** (4.70)	0.0103*** (3.94)	0.0112*** (5.35)
Fixed costs				-0.124*** (-14.89)	-0.959*** (-52.61)	-0.990*** (-85.32)
Solvency ratio				0.0285*** (5.48)	-0.0459*** (-3.30)	-0.0424*** (-3.89)
Constant	0.101*** (5.44)	0.345*** (7.84)	0.785*** (19.60)	0.126*** (6.00)	0.537*** (10.30)	0.919*** (22.88)
<i>N. Obs.</i>	3731	3731	3731	3731	3731	3731
Adj. <i>R</i> ²	0.272	0.411	0.569	0.167	0.687	0.744
F	111.1	130.4	415.4	46.14	532.9	1394.5

The table presents the results of the OLS regression. Panels A and B present the regression outputs for 2005 and 2009, respectively. Models 1, 2, and 3 estimate regression coefficients with the same least squares estimation method, but the dependent variables are ROA, ROS, and EBITDA margin, respectively. The dependent variables are calculated as follows: ROA is computed as earnings before interest and taxes (EBIT) divided by total assets. ROS is calculated as EBIT divided by total revenues, while EBITDA margin is the ratio between the EBITDA value and revenues. The independent variables are calculated as follows: Size is the natural logarithm of total assets. Revenues are the natural logarithm of total revenues. Liquidity ratio is the ratio between current asset and current debt; fixed costs is the ratio between fixed costs (difference between revenues and value added) over total value of revenues while solvency ratio is the ratio between book value of equity over total assets. All variables (except the competitiveness score) are winsorized at 1st and 99th percentiles to avoid outliers' effect. Standard errors are corrected for heteroskedasticity using White's (1980) correction. *T*-Statistics are reported in parentheses. *Significant at 10% level (two-tailed); **Significant at 5% level (two-tailed); ***Significant at 1% level (two-tailed).

flows are a consequence of price reductions resulting from an inefficient use of assets to generate earnings. Therefore, in accordance with Dwyer et al. (2010), despite increase in revenues, their profitability is negatively affected.

5. Conclusion and Discussion

The primary goal of this study was to explore the effect of regional competitiveness, measured as the sum of the 18 elements listed in Table 6.1, on the profitability of the Italian hotel industry. Our competitiveness indicator has been tested through to ensure that the competitiveness index was suitable for the Italian context. Cluster analysis results reveal a perfect grouping of Italian regions based on their significance as tourism destinations as measured by the index's 18 pillars. Hence, this procedure allows us to elucidate the relationship between some elements of the competitiveness index and profitability in different contexts.

Regression results suggest that competitiveness positively influences profitability ratios of hospitality firms, indicating that an increase in competitiveness generates a parallel increase in profitability. This is also true during an economic downturn, that is, competitiveness positively affects return on sales and EBITDA margin and negatively the return on assets. The coefficients measured reveal that competitiveness, based on our competitiveness indicator, positively influences hotels' profitability before and after the outbreak of the financial crisis. In other words, this corroborates our initial idea that the higher the regional competitiveness the higher the profitability of firms that operate in the region. Nevertheless, we believe that hotel managers' price discount policies can significantly affect earnings during an economic downturn. In fact, Table 6.3 reports two interesting results. On the one hand, there is an increase (mean and median values) in revenues, much higher than the increase in fixed costs, while, on the other hand, there is a decrease in all the profitability ratios. It is our idea that the higher the industry competition, especially during economic downturns, and the higher the price war, the lower is the profitability. Although hotels may generate revenues, their income flows are a consequence of price reductions.

Nevertheless, taken together, our results support the need for local authorities to increase local competitiveness to generate long-term destination attractiveness. In particular, even if the high rate of fixed costs in the hotel industry makes firms extremely sensitive to business conditions and economic downturns (Chen, 2010), regardless of changes in local destination competitiveness, the hotel industry is highly dependent on competitiveness, and an increase in competitiveness would increase hotel profitability (Hu and Wall, 2005; Mihalič, 2000).

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Chapter 7

The Role of Institutions in Interorganizational Collaboration within Tourism Regions

The Case of Poland*

Katarzyna Czernek and Wojciech Czakon

1. Introduction

The new institutional economics (NIE) developed in 1960s and 1970s as a continuation of traditional institutionalism at the turn of the nineteenth and twentieth centuries. Its representatives are, among others: Williamson (1981), Jensen and Meckling (1976), Fama and Jensen (1983), and North and Thomas (1973, 1995). The approach adopted by NIE is different from neoclassical economics (Pejovich, 1999; Williamson, 1981), according to which entities when making a decision follow a utility maximization policy. In this orthodox thinking represented by neoclassical economics, factors such as mentality, habits, and value systems of the entities do not matter. On the contrary, according to NIE many noneconomic determinants influence entities' behavior. In this approach, an entity and its rationality are embedded in their social, historical, and cultural contexts. Contexts are created by formal institutions (i.e., different types of legal rules) and informal ones (such as values, traditions, customs, habits, culture, morality, and so on) rooted in the cultural heritage of a particular community. Representatives of NIE stress that formal institutions exist and operate within informal ones, being a historical heritage of a particular nation.

Moreover, according to the NIE representatives a mechanical transferring of formal institutions, which proved to be useful in some market economies, can fail in areas where there is no favorable ground for their development, that is, where there are no favorable informal institutions like culture, favorable private ownership, entrepreneurship, trust, and so on (Pejovich, 1999). Mismatching of these two groups of institutions entails excessive transaction costs and, according to NIE

representatives, explains some problems with adjustment of transformation system societies to new conditions (North, 1995). These problems concern a country such as Poland too, where a planned economy has been replaced with a market system in 1989.

The tourism literature stresses that these adjustment problems in transition-economy countries hamper many development processes (e.g., Gołembski and Niezgodą, 2014; Majewska, 2012; Reed, 1997; Timothy, 1998; Tosun, 2000; Yuksel and Yuksel, 2005). One of these processes can be collaboration in a tourist destination (Araujo and Bramwell, 2002; Bramwell and Sharman, 1999; Ladkin and Bertramini, 2002; Roberts and Simpson, 2000; Zmysłony, 2014). This collaboration is understood here as a form of voluntary action, where autonomous stakeholders engage in interactive processes, using common rules, norms, and structures to act and decide on issues connected with tourism development in a region (Wood and Gray, 1991). Collaboration can be inter- and intrasectoral as in public, private, and nonprofit sectors. Joint activities may entail: consultations, infrastructure projects, or joint marketing activities in a tourist region. Identifying factors that hamper cooperation is a very important issue, as scholars increasingly view collaboration as a way to achieve a competitive advantage for a tourist destination (Crotts et al., 2000; Fyall and Garrod, 2005; Kylanden and Mariani, 2012; Mariani et al., 2014; Mariani and Kylanden, 2014).

Problems with developing collaboration in tourist destinations in post-transformation countries were mentioned by some authors (e.g., Araujo and Bramwell, 2002; Bramwell and Sharman, 1999; Gołembski and Niezgodą, 2014; Ladkin and Bertramini, 2002; Majewska, 2012; Timothy, 1998; Tosun, 2000, Zmysłony, 2014). However, several theoretical and empirical reasons justify the need to further study this issue.

First, regarding decades that have passed since the beginning of economy transition in many Central and Eastern European countries, it is interesting to determine whether, and how, changes initiated years ago can have an influence on contemporary development processes (Hare and Turley, 2013; Rovelli and Zaiceva, 2013, Sýkora and Bouzarovski, 2012). It concerns especially tourist collaboration since there is a severe lack of this kind of research.

Second, previous works on tourist destinations in post-transformation countries usually keep collaboration barriers out of primary concern (Araujo and Bramwell, 2002; Gołembski, Niezgodą, 2014; Majewska, 2012; Tosun, 2000; Zmysłony, 2014). Among these barriers scholars mention: undeveloped market mechanism, low level of trust and human resources, financial shortages in local territories, entities' short-term instead of long-term orientation, public sector resistance to pass some of its tasks to the private ones, etc. (e.g., Araujo and Bramwell, 2002; Gołembski and Niezgodą, 2014; Roberts and Simpson, 2000; Reed, 1997; Zmysłony, 2014). As the research results show, a lot of those barriers stem from ways of thinking and attitudes fixed in the former economic and political system (Tosun, 2000; Yuksel and Yuksel, 2005). Thus, special attention should be paid to them.

Third, there are some theories that can be useful to show and understand these barriers (e.g., actor-network theory or the new economic sociology) and in some works on tourism these theories have been implemented (Czernek, 2014; Jack and Anderson, 2002; Van der Duim et al., 2013). However, there are only very few

papers in tourism literature, where authors approach collaboration barriers using formal and informal institutions in the NIE. Still this concept application can be very useful. It can help to identify collaboration barriers in tourist destinations in transition countries. It also allows one identify sources and effects of those barriers on tourism collaboration, allowing one explain why elimination or reduction of those barriers is not an easy and short-term task. It is also essential for successful management of tourist development in destinations.

Hence, the aim of this chapter is to identify tourist collaboration barriers resulting from a maladjustment of formal and informal institutions. The authors use a tourist region created by five municipalities located in the south of Poland: Szczyrk, Wisła, Ustroń, Brenna, and Istebna, as a focal case to develop their argument. The chapter consists of five parts. After this first one (Introduction), a theoretical background of the NIE is presented. In this part a survey of the research on tourism collaboration in post-Communist countries is conducted and the transition in Poland and its influence on cooperation in tourist regions is analyzed. In the third part, the research methodology is presented. In the fourth part, the authors analyze the research results. The last part of the chapter is the conclusion and a discussion with reference to the presented empirical results.

2. Theoretical Background

The New Institutional Economics and the System Transformation

North (1981), one of the main NIE representatives, claims that by referring only to neoclassical economics, we do not understand the dynamics of the contemporary world. According to North and Thomas (1973), the key role in economy is played by institutions. By analyzing socioeconomic changes in Europe and the United States, North (1981) assumes that an institutional structure frames economic results achieved in different countries. According to this view, formal institutions usually coexist with informal ones. The second group of institutions raises the efficiency of the first, or hampers it. This is because introducing formal rules often demands changes in perception, rejection of mites, dogmas, ideas, and ideologies, among others. All of them influence ways of thinking and result from long-term learning processes. Therefore, North (1981) established the “path-dependency” concept, assuming that the past has a paralyzing influence on the present and the future. According to him, we cannot understand today’s choices (and describe their role in modeling economic achievements) without a reconstruction of the incremental evolution of institutions (Chmielewski, 2011; North, 1981).

Moreover, North (1995, p. 31) claims that a change in institutions and a change in the system of beliefs are conditions for actors’ efficiency since the so-called actors’ mental models shape their choices. According to institutionalists, mental models play a very important role, as they bind together different types of institutions and affect entities’ activities by hindering or stimulating them.

In this way, the process of institutional change does not end with changing the formal rules and implementing new organizations. For a successful change, an effective and coherent informal institutions system should be established. Thus a rapid, revolutionary, and discontinuous change of formal rules is often not consistent with the change of informal institutions as it is an incremental and long-term process. This inconsistency leads to resistance and tensions and explains why a radical change of institutional rules usually does not bring expected results (Chmielewski, 2011).

These resistances and tensions result in higher transaction costs, capturing the value of exchange and insurance, creating protecting regulations, and guaranteeing and complying with the signed agreements (Williamson, 1981). They depend on the institutional structures of a particular society. Thus, implementing in different societies the same formal rules does not necessarily lead to the same effects. In other words, formal rules cannot be mechanically transferred to other countries because informal institutions existing in these countries cannot be adjusted to the rules of new formal institutions.

The problem maladjustment between the formal and informal institutions is particularly seen in the case of the economies of Central and Eastern European countries. As a result of the fall of the Communist regimes in 1989, a large part of formal institutions was removed, and a host of informal institutions survived. Their relative durability made it difficult to implement and obey new formal rules and they finally hampered the effectiveness of acting in many business areas.

Implementing formal rules of a market economy and a liberal democracy called for an ethos based on individualism, which consists of personal responsibility, acceptance of competition and free market distribution, the readiness to take risks, and a high level of entrepreneurship (Pejovich, 1999). On the other hand, the more an inclination to collectivism, egalitarianism, and paternalist welfare in a post-Communist society, the harder and longer is the process of adaptation to capitalist rules (Pejovich, 1999). In these societies, wealth accumulation is often perceived with suspicion, and profits from businesses are considered a result of unfair wealth redistribution rather than a reward for creative efforts. Moreover, in countries that underwent the process of a system transformation, often two conflicting elements coexist—on the one hand enormous expectations from authorities, a lack of personal responsibility and a sense of passivity and helplessness, and on the other, a low level of law and state authority and a lack of trust in it (Pejovich, 1999; Rychar, 1996; Ziółkowski, 1995).

The researchers of societies that underwent a system transition process stress that private entities in such societies are oriented at socioeconomic aims, often accompanied by inappropriate recognition of the reality and by an inability to find proper tools to achieve those aims (Araujo and Bramwell, 2002; Roberts and Simpson, 2000; Tosun, 2000). It reflects a lack of knowledge of the economy, an impatience, and a perspective reduction—the tendency to short-term perception of business activities taken instead of long-term thinking. Their subjective rational behavior—on the level of current individual interests—is often irrational when one takes into account the level of the whole society and benefits occurring in the long term (Ziółkowski, 1995).

Because of the mentioned determinants, the NIE representatives claim that in post-Communist transition countries, economic development entails higher (compared to the countries of developed market economy) transaction costs (Chmielewski, 2011; North, 1981; Pejovich, 1999). These costs are expressed as administrative costs of business activity (time consumed on registering business activity, getting a title-deed to the land, a number of procedures, awaiting time for different types of permissions, etc.). Relatively high transaction costs are also expressed in ownership and agreements enforcement due to political uncertainty or bureaucratic inefficiency .

The features typical of societies functioning in a market economy system and post-Communist transition countries are presented in Table 7.1. They create a conceptual framework for further considerations.

Table 7.1 Characteristics of Societies Functioning in a Market Economy System and Post-Communist Transition Societies

No.	Societies Operating in Market Economy System	Post-Communist Transition Societies
1.	<i>Entrepreneurs' satisfaction with fulfilling their own needs; individual and social activities; short-/long-term perspective orientation</i> Relatively high entrepreneurs' satisfaction with the level of own needs fulfillment; rather strong orientation towards social aims connected to long-term perspective of acting	Relative low level of entrepreneurs' satisfaction with own needs fulfillment; orientation mainly on individual activities giving fast, measurable profits (short-term perspective of acting)
2.	<i>Acceptance of competition and free market results; personal responsibility; claiming attitudes towards authorities</i> Relatively high level of acceptance of competition and results of free market division; a sense of personal responsibility and the lack of claiming attitudes towards authorities	Low level of acceptance of competition and results of free market division; low level of sense of personal responsibility—claiming attitudes towards (state/regional/ local) authorities
3.	<i>Trust in society</i> Relatively high (culture of trust domination)	Relatively low (culture of distrust domination)
4.	<i>Readiness to taking risk and entrepreneurial activities</i> Relatively high	Relatively low
5.	<i>Transaction costs</i> Relatively low costs of e.g. running business activity, being a result of legal rules improved and functioning for a long time	Relatively high, for instance, connected to imperfect rules of law

Source: Own work based on: Pejovich, 1999; Ziolkowski, 1995; Marody, 1992; Szacki, 2002; Mokrzycki, 1993.

Transition in Poland and Its Influence on Cooperation in Tourist Regions

In the years from 1945 to 1989, Poland constituted a typical centrally planned economy. After the Round Table Talks (February–April 1989) and the first semifree parliamentary elections (June 1989), Poland was the first Central European country to start thorough institutional reforms. The introduction of the democratic system, the transition from a state-controlled economy to a free market one, and the undertaking of far-reaching, drastic, in some cases, reforms have been the driving force behind the new Polish economy (Janc et al., 2013).

In the initial stages of market transformation during the early 1990s, the greatest deficiencies of the institutional and legal infrastructure comprised (Kowalski et al., 2010): the lack or underdevelopment of some areas of commercial law, the low quality and instability of commercial law, political disturbances and influences in the area of law enforcement, and the general low efficiency of law enforcement.

The basis for the economic transformation in Poland had been reforms, which resulted, among other things, in the liberalization of domestic prices, in the reduction of pay controls in state enterprises, harder financial and budgetary policy toward the existing companies, and significant reduction of social benefits and budget subsidies (Janc et al., 2013).

Since 1992, the macroeconomic situation has been gradually improving; all the tasks were realized immediately and simultaneously but they had a dramatic effect on citizens (a rapid decline in the standard of living, much lower incomes, high inflation, and a growing uncertainty). For this reason, it was perceived as the typical example of a “shock therapy” (Janc et al., 2013).

Thus, even though over the course of time, progress in these areas has been recorded, the institutional and legal frameworks still lag behind the standards of highly competitive, developed market economies. Between 1990 and 2008, the results obtained in Poland indicate stagnation or even deterioration of many aspects of the legal environment in which enterprises operate. This state of affairs negatively impacts the level of transaction costs, investments, and the growth of the financial market, and, in so doing, lowers the pace of economic growth (Kowalski et al., 2010: 7). Although it illustrates the results of institutional maladjustment in Poland, at the same time it is stressed that Polish economy transformation was done in a better manner than in other neighboring European countries (Kowalski et al., 2010).

As a result of the Communist system in Poland some specific attitudes and expectations (presented earlier in Table 7.1), which influenced (and to some extent still influence) people’s decisions and activities, can be mentioned. Some authors researching these attitudes in Polish society identified, among others, an unequivocal trust crisis in the new political and economic institutions and to the establishment, and also a lack of trust in fellow citizens (only 11% of Poles claim that majority of people are trustworthy Czapiński and Panek, 2013). The research also points at a strong (at the beginning of the 1990s and existing till now among many Poles) sense of threat and uncertainty perceived, often resulting in selfish activities for personal gains replacing those aimed at the common good (Czapiński and Panek, 2013; Mokrzycki, 1993).

Sztompka claims that formation of these specific attitudes in Poland was a result of uncertainty and risk (e.g., fear of losing a job, an increase in competition), massive and fast changes in the law, a deficiency in the different types of control units, immaturity among the political elite, and the unfulfilled expectations brought on by fast and tangible changes resulting from the transformation of the economy (Sztompka, 1997, 1999).

The above-mentioned attitudes dominated Poland mainly at the beginning of the process of transformation—in the 1990s (Rychard, 1996); today spontaneous and inducted actions counteract these attitudes. However, as some research shows, these positive changes are still in a state of progress and have not included the whole of Polish society. The fact that among Poles, especially of among the middle-aged and the older generation, some mechanisms (mental models) typical of the former system have remained, reflecting on decisions made and activities undertaken in a number of areas, including tourist collaboration.

In Poland, collaboration in the tourism sector started to develop mainly at the beginning of system transformation; however, most of the cooperation forms (local/regional tourist organizations, local activity groups, euroregions, municipal agreements, and unions, etc.) were established at the beginning of 2000. They were connected to the new legal acts that regulate establishing different forms of collaboration. Right from the beginning of the system transformation, tourist services have been attributed not only a social role (physical and psychical strength regeneration) but also an economic one (generating economic benefits for tourist destinations and its entities). Moreover, establishing a lot of new partnerships was connected to Poland's official entrance into the European Union (in 2004), which often grants funds only when there is a formal agreement signed by potential beneficiaries (Zapata and Campos, 2014).

Still, as previous research shows, in Poland, like in other post-Communist transition countries (e.g., Romania, Bulgaria, Latvia, Czech Republic, or Slovakia) conditions of such a collaboration, to a high extent, were deemed unfavorable. Many forms of such a collaboration fall even before their aims are achieved. Often when funds for their activity run out, the entities engaged in collaboration are not able (because of the lack of knowledge and experience) to gain other funds single-handedly (Czernek, 2013). It is stressed that tourist collaboration barriers in post-transformation countries include red tape (Tosun, 2000), lack of trust and leadership (Roberts and Simpson, 2000; Zmysłony, 2014), human resources and financial problems of local governments (Araujo and Bramwell, 2002, Gołembski and Niezgodna, 2014; Majewska, 2008, 2012), infrastructure underdevelopment (Tosun, 2000), entrepreneurs' short-term activities oriented toward fast economic gains (Araujo and Bramwell, 2002; Roberts and Simpson, 2000), public sector fears of passing some of its competences to the private entities, and the lack of know-how to manage collaboration (Czernek and Piotrowski, 2014; Timothy, 1998; 1999; Reed, 1997; Yuksel and Yuksel, 2005; Zapata Campos, 2014).

For example, Roberts and Simpson (2000), in identifying the key success factors for partnership initiatives in post-Communist countries like Romania and Bulgaria, mention that typical of these countries is a short-term orientation of entrepreneurs and a misperception of the mutual benefits of collaboration, and their translation on each partner's individual activity. They also mention problems with trust building,

a high level of bureaucracy, and unjustified competition in areas where collaboration should occur. The research conducted by these authors in 1994–1999 with the use of ethnographic approach (interview and participant observation method) indicates that the processes of positive change in attitudes and behaviors—regarding their influence on collaboration—happen rather slowly. Thus, one cannot expect positive results of collaboration in a short time, but rather in a long-term perspective.

Moreover, Roberts and Simpson (2000), in agreement with Timothy (1998, 1999) and Tosun and Jenkins (1998), stress that in some regions collaboration barriers are a result of the lack of experience in collaboration. For instance, solutions adopted in developed countries cannot prove correct in less developed countries because of their different socioeconomic, cultural, administrative, and political conditions.

Tosun (2000), on the other hand, identifies groups of barriers being operational, structural, and cultural in character, making it difficult for a local community to take part in activities favoring socioeconomic development (including tourism development collaboration) in developing countries. The author mentions centralization of power, a high level of bureaucracy, limited democracy, and a lack of experience in collaboration as these factors.

On the other hand, Araujo and Bramwell (2002) identify a number of collaboration barriers in one of the regions in Brazil—the country where for several years, dictatorship was dominant. When the process of democratization of social life began, the country was going through a socioeconomic crisis, manifesting in unemployment, low salaries and poor infrastructure, corruption, environment degradation, and so on. Under such circumstances, tourist collaboration was limited by financial problems and lack of engagement of private sector entities. The sector was concentrated on its own activity and was afraid of costs connected to collaboration without perceiving its long-term positive effects. Williams and Balaz (2000) point to similar problems when mentioning—bordering Poland—the Czech Republic and Slovakia.

Despite some previous literature on collaboration barriers in post-Communist transition countries, there is a shortage of papers on this issue being the main subject of analysis. Accessible, although limited, research on this topic shows that quite a large part of these barriers lie in the mental makeup and attitudes of people who were part of the former economic and political system (Gołembski and Niezgodna, 2014; Majewska, 2012; Reed, 1997; Timothy, 1998, 1999; Tosun, 2000; Williams and Balaz, 2000; Yuksel and Yuksel, 2005; Zmysłony, 2014), resulting in a maladjustment of formal and informal institutions. Formal institutions like democracy and market mechanism favor collaboration because they stimulate collective actions that serve the common good and allow generating higher economic benefits, thanks to a synergy effect or generating the same effects at the lower costs. On the other hand, forming informal institutions such as a culture of trust, tradition, and values during collaboration is essential for formal institutions to play their role properly. The role of informal institutions and their coherence with formal ones is even more important in tourist regions because collaboration here is based on direct and frequent partners' contacts. Moreover, Poland, as a country where the system transformation process was first started in the Central and Eastern Europe region, is a good example for such an analysis. All of this justifies using the NIE output to conduct an analysis of tourist collaboration determinants.

3. Methodology

The aim of the chapter is to identify tourism collaboration barriers resulting from maladjustment of formal and informal institutions in Poland during the process of system transformation. In this chapter, qualitative methodology for data collection and analysis was used as the most appropriate method to achieve the established scientific aim. The qualitative methodology has many advantages: it enables researching little-known phenomena, provides a comprehensive outlook on the complexity of the considered issue, enables conducting research in the natural environment of the researched entities, and makes possible purposive sampling and inductive data analysis (Gephard, 2004; Miles and Huberman, 2000; Siggelkow, 2007; Suddaby, 2006).

In this research, a multiple case study methodology was used. Several cases (municipalities forming a region) were used to explore a problem. In this kind of sample, analytical, instead of statistical, generalization is possible. It means that the researcher is interested in drawing some general conclusions by uncovering patterns or theories that help explain a phenomenon rather than generalizing about population based on a random sample (Eisenhardt and Graebner, 2007; Miles and Huberman, 2000).

A region comprising five small municipalities (Brenna, Istebna, Szczyrk, Ustroń, and Wiśla) was selected. The region is located in the Beskidy Range in the south of Poland, about 100 km from larger cities (e.g., Cracow). Since it has a unique mountain landscape and many anthropological tourist attractions, it is a well-known mountain destination for winter and summer activities.

The research was conducted from July 2008 to October 2010 (the first stage) and from July till September 2013 (the second stage). Its aim was to identify different types of determinants of intra- and intersectoral cooperation (in the public, private, and nonprofit sector; see Czernek, 2013). To achieve this aim, the researcher analyzed different forms of tourist cooperation in the chosen region. Some of them were of utmost importance. The “Beskidzka 5” was a cooperation agreement established in 2004 between the five municipal authorities. Its aim was to promote the region as an attractive tourist destination. Another one was the “Tourist Organization in Beskids,” comprising private entrepreneurs from Brenna and Ustroń, aimed at promoting the area and its businesses in those municipalities. Representatives of the second organization wanted local authorities of each of the five municipalities to join their initiative and to create from “Beskidzka 5” and “Tourist Organization in Beskids” one organization. However, local authorities did not agree to that proposal. The reasons will be presented in the further discussions.

During the first stage of the research unconstrained in-depth interviews with an open list of information needs were used. The aim of the research required that interviewees should be allowed to express their opinions freely. They were generally asked with whom and why they cooperate and what are factors stimulating and hindering this cooperation.

The interviewee selection was purposeful but connected using the snowball technique (purposefully identified interviewees were asked to indicate other potential

interlocutors). To increase the level of validity, a triangulation technique was used to cross-examine results obtained with several methods (Mason, 1996). Therefore, observation and document analysis (legal acts, documents of the local governments, partnership documents—strategies, reports, etc.) were also performed.

At this stage, there were interviews conducted with 63 interlocutors. Ten interviewees represented the public sector (local government units responsible for tourism development in each of the “Beskidzka 5” municipalities and the mayors of the five municipalities). Thirty-six interviewees represented the private sector from the five municipalities. The research covered accommodation with complementary services, tourist attractions, souvenirs, inbound tourism intermediaries, and different types of catering firms. The remaining interviewees were representatives of non-governmental organizations, for example, chairpersons of significant organizations involved in tourism development in the region.

During the second stage of the research, structured interviews with 47 private tourist entrepreneurs from Wisła were conducted. The interviewees were members of Wisła Tourist Organization, and they were asked (in a few open questions) why they decided to join the organization and whether they collaborated on an individual level with some of the organization members.

The analytical process of interview data followed the approach of three concurrent flows of activity: data reduction, data display, and verification (Miles and Huberman, 2000). Data reduction consisted in its transcribing and creating case cards for each of the interlocutors. Subsequently, appropriate units of analysis were defined. The units were then sorted into relevant categories that were used to describe the features of market and post-Communist society (see Table 7.1). At this stage properties of each category were defined in order to justify inclusion of each unit into a particular category. In the coding process, Atlas.ti v. 5.0 software application was used. The mentioned activities allowed displaying the data. The last step was the interpretation of the results supported by NIE theory.

4. Results

Research analysis allowed to identify different barriers of inter- and intrasectoral cooperation in the research tourist region. These barriers are presented in Table 7.2. They are shown with the reference to the features of societies operating in market and post-Communist conditions.

Entrepreneurs’ Satisfaction with Fulfilling Their Needs, Individual and Social Activities, and Time Perspective (Short vs. Long Term)

Researched entrepreneurs complained that the level of satisfaction with their individual business activity was far from the one they had when they started their business. Thus, they stressed that were rather focused on short-term, quick, individual, and measurable effects, and not on activities serving the whole local community (e.g., taking part in different forms of collaboration). This kind of collaboration is

Table 7.2 Cooperation Attitudes Presented by the Researched Entities

No.	Types of Attitudes
1.	<i>Entrepreneurs' satisfaction with fulfilling their own needs; individual and social activities; short-/long-term perspective orientation</i> <ul style="list-style-type: none"><li data-bbox="239 328 985 407">• Entrepreneurs were focused on short term, quick, individual and measurable effects, not on the activities serving the whole local community (like, taking part in different forms of collaboration)<li data-bbox="239 411 1000 463">• Private entities often did not see translating of potential collaboration benefits into their own individual gains<li data-bbox="239 467 1018 575">• Entrepreneurs were generally not satisfied with fulfilling their own needs. Thus they aimed firstly at satisfying individual needs, connected with fast profit achievement. They were not enough focused on acting in the public interest (e.g., in a form of partnership structures)
2.	<i>Acceptance of competition and free market results; personal responsibility; claiming attitudes toward authorities</i> <ul style="list-style-type: none"><li data-bbox="239 640 1024 725">• A lot of entrepreneurs were not accepted by the local community as potential leaders triggering and coordinating activities that served municipal development (e.g., collaboration)<li data-bbox="239 728 965 830">• At the same time there was a relatively low level of personal responsibility and high level of claiming attitudes presented by entrepreneurs towards local authorities—it negatively affected potential and actual public-private collaboration
3.	<i>Level of trust</i> <ul style="list-style-type: none"><li data-bbox="239 874 1000 980">• There was not enough trust between entrepreneurs to start and continue collaboration (e.g., in a form of: creating common packages, joint price reductions, making collective orders, conducting common marketing research and exchanging client data bases)
4.	<i>Readiness to taking risk and entrepreneurial activities</i> <ul style="list-style-type: none"><li data-bbox="239 1024 1006 1104">• Rather low readiness to take a risk of collaboration (entities were afraid of high costs of cooperation and, at the same time, high level of uncertainty—for example because of weather conditions)<li data-bbox="239 1107 985 1160">• The fears of collaboration were noticeable especially in less developed tourist municipalities<li data-bbox="239 1164 1006 1243">• A lack of knowledge, unfavorable previous collaboration results and lack of entities who would initiate and coordinate collaboration additionally increased the level of perceived cooperation risk<li data-bbox="239 1247 1000 1351">• Local authorities were afraid of sharing some of their duties (connected to tourist promotion) with the private sector. It hampered potential public-private cooperation and made that entrepreneurs perceived local authorities as ineffective ones
5.	<i>Transaction costs</i> <ul style="list-style-type: none"><li data-bbox="239 1395 1000 1525">• Private and public sector representatives complained that legal domestic regulations (especially high level of red tape) often hampered their daily operating. It generated higher transaction costs connected to much time spent on starting up and developing business activities including collaboration projects. It did not favor potential public-private collaboration.

Source: Own work.

usually long term in character, and its effects are uncertain and difficult to measure. These features strongly limited entrepreneurs' engagement in it. Private entities also presented unwillingness to such cooperation as they did not see the potential regional benefits translating into individual gains. In the words of an entrepreneur from Szczyrk:

As an effect of partnership activities there were formed initiatives that do not have a direct influence on restaurant activity. These have only indirect impact—there will be more clients or people will be more satisfied with their stay in the region. But it doesn't bring direct benefits, doesn't translate into financial matter.

Therefore, in the researched region, private entities aimed first at satisfying their individual needs to bring about quick profits. Only then they thought about acting in the public interest (for the municipality or region). This was confirmed by the words of the representative of "Tourist Organization in Beskids, which was a form of private sector collaboration:

Tourist Organization in Beskids at this moment is aimed at commercial activity, to make it useful for their members and to allow the association as such to remain and develop. If it allow[s] to generate some money, then this money will be spent on broader promotion of the whole region, without this commercial look. But to do so, our first needs must be fulfilled.

As a result, entities interested in social activity, serving municipal or regional socio-economic growth (e.g., being a member of a non-profit organization) were rather in a minority. One of the local associations' chairperson said:

We perfectly realize that without the engagement of those people, without their positive opinion, nothing can be done (. . .). However, the problem is—perhaps the biggest one—how to engage those people. We try. This is a problem [not only] in Brenna, but in other places in Poland and in the world as well. The group [is of] 30 people who are really engaged, usually entrepreneurs, who want to do something, but that's all. And what's next? We are not going to live to a time when around those 30 people are 500 or 600 who think similarly, are engaged, and who know the case and really want to do something.

The Acceptance of Competition and Free Market Results, Personal Responsibility, and Claims Making Attitudes

The entities that were researched often did not accept the results of market redistribution, which created a negative atmosphere for collaboration within the private sector. It manifested in interviewees' statements, stressing that relatively richer people are still not fully accepted in Poland and that there still exists the culture of distrust, envy, and jealousy toward those who are doing better:

What kind of cooperation? Since we hate one another because he has, but I don't. Envy and jealousy—this is everywhere, in the whole Poland, not only here. But these are human features.

Entrepreneurs also mentioned that they were not accepted by the local community as potential leaders to serve municipal development, including tourism. They were often perceived as a group of a higher social status, which managed to achieve financial success at the expense of others or by committing frauds. This was also confirmed by the head of one of the researched municipalities, a mayor, whose one more term in office helped him carefully observe the local community:

There are actually a few larders who created and built something, they achieved some potential, but they, at least for now, by the majority of community will be perceived as rather those bad, because they somehow managed [to succeed], not as those good ones (. . .). But they [local community] don't understand, and that's the whole trick—to raise their consciousness to the level where they allow thinking in the same categories like those entrepreneurs, those richer ones. Because this is them who create a potential.

At the same time there was a noticeable high level of claims making by entrepreneurs toward local authorities. These concerned mainly different types of stimulants for investors and entrepreneurs' expectations that the authorities will be more engaged in financing infrastructure investments. Simultaneously entrepreneurs did not take into consideration some legal limitations or, emphasized by local authorities, financial problems in municipalities. It negatively affected potential and actual public-private collaboration, which was confirmed by one of the mayors:

For sure some features of the former system still have an impact on people's thinking (. . .). In Wisła there were many holiday facilities owned by coal miners. Their managers' sole task was to look after the guests who were sent over by their respective employers, so they did not have to bother about marketing—this was done by those outside entities that recruited their own clients for majority of the facilities. Today the managers' attitudes have changed but some elements of the former mentality have survived. Some people expect local authorities to organize everything, provide attractions, and fill the facilities with clients. This, I guess, is the most important obstacle in relations between local government and entrepreneurs.

Trust in the Region

The research revealed many statements demonstrating that there was not enough trust between entrepreneurs to start and continue collaboration. It concerned both collaboration in a form of partnership organizations (mainly aimed at tourist promotion in the municipality and region) and between individual entities, for example, in the form of exchange of promotional materials between complementary services. This kind of collaboration would attract higher number of tourists to the municipality and region and would provide higher satisfaction during their stay in the destination.

However, a low level of trust in the researched region hampered such collaboration. For example, a lot of interviewees did not agree to put their promotional leaflets in other entities' seats as they were afraid that their leaflets would be put in a different

place than agreed on or that they would even be destroyed. As a source of such fears the interviewees saw a lack of trust in entrepreneurs. It was a cause of concern with regard to the course organized, as the results of collaboration were based on

- creating common packages (by merging different entrepreneurs' complementary offers) to diversify the offer for tourists,
- having joint price reductions,
- using joint purchase strength in making collective orders,
- conducting common marketing research, and
- exchanging client data bases.

It was confirmed by the exemplary entrepreneurs' statements:

Conducting joint research (. . .) yes, if it's with the municipal office, then we would agree. With private entrepreneurs—I'm afraid that the data would be used somewhere outside.

Collective data base . . . I'm afraid that the data would be lost.

The lack of trust between entrepreneurs was confirmed by the animators of the project "Tourist Network in Beskids" within which "Tourist Organization in Beskids" was established. In their opinion building trust was one of the crucial tasks of this initiative. This trust was to be built during the organized seminars. The animator mentioned that the beginning of this process was very difficult, but over time the level of trust increased:

Interviewee: When it comes to building trust at these meetings—in the beginning [it] was unfriendly, these meetings were like guerrilla warfare. For example, they treated one another as competition which takes over their customers. When someone prospered better, then [it] was negatively perceived.

Researcher: How did it start to change?

Interviewee: A lot was contributed by the lecturers who were speaking about: trust building, experiences exchange, alleviating cut-throat competition and that competition is necessary because it is a trigger of development, but not the unfair one. They encouraged cooperation, presented good practices and examples, and talked about their countries—that it [trust building] took a long time there as well.

Readiness to Taking Risk and Entrepreneurial Activities

Since, as mentioned earlier, collaboration effects are uncertain and show up usually over a long term, the interviewees had a lot of concerns about undertaking joint activities. This was especially regarding those who were lacking experience and knowledge about positive examples of collaboration and related only to formal collaboration in the form of partnership structures. Its risk was perceived as lower when some other private entities decided to join and when it was supported by local authorities. The risk connected to collaboration made, for example, the entities' resist introducing, in 2008 when the research was started, joint price ski tickets.

This kind of investment would entail, first, high costs, and, second, its returns would highly depend on weather conditions. The fears of such a collaboration were noticeable especially in less developed tourist municipalities, such as Istebna and Brenna. It was confirmed by the representative of the Istebna municipal office:

In Wisła and Ustron there are large pensions and tourism develops longer there. Thus, local community is used to tourists, [and] there is a higher consciousness than we have here. And there has been some collaboration of private entities with municipal office. It's much more simple there (. . .). And here, in our municipality, such a collaboration is lower, there are higher fears. That's how I see it. They want it, but are still afraid. This is such a mentality that private entities want generally something for themselves.

It must be also stressed that not only lack of knowledge but also unfavorable collaboration experiences led to losing faith in its positive results and increased the level of perceived cooperation risk:

Every half a year a new organization is established, in Wisła or in the region generally, and it has very different aims, which look beautiful in the statutes (. . .). It all lasts half a year, one year or two, and when nothing happens people come to the conclusion that it made no sense and then another new organization is created.

At the same time entrepreneurs complained that the region lacks entities who initiate and coordinate collaboration. Although, as mentioned, entrepreneurs were eager to engage in cooperation when local authorities supported it, those authorities were rather rarely perceived as unambiguous leaders in their municipalities (similar to the rich entrepreneurs mentioned before, who had some potential to be leaders, but did not have enough respect in the local community).

The fear of collaborative risk taking was also demonstrated by local authorities. An example can be doubts of local authorities whether to join "Tourism Organization in Beskids" and councilors queries regarding a membership in "Beskidzka 5." In Szczyrk the councilors made a decision that the city should join this municipal agreement, but it happened only after long-term persuasion (by the person dealing with tourist promotion in the city) that this kind of collaboration is practiced for a long time in highly developed countries. Local authorities, however, did not agree to join the "Tourism Organization in Beskids," which was a form of private sector cooperation, since they were afraid of sharing some of their duties (connected to tourist promotion) with BOT. The mayors claimed that entrepreneurs were not able to perform those tasks as good as the locals. It led to unfavorable public-private relations in all five municipalities. As a result, entrepreneurs perceived local authorities as ineffective and of little use to entrepreneurial ones.

Transaction Costs

Private and public sector representatives complained that legal domestic regulations often hampered their daily operations. It generated higher transaction costs connected, for example, to obtaining an investment permission or an investment

implementation. It was especially stressed by entrepreneurs who had experience in doing business abroad, for example in Germany or Austria. They claimed that the level of red tape in Poland was much higher than in those countries and that local authorities in Poland did not fully use legal possibilities to stimulate local entrepreneurship. It also did not favor potential public–private collaboration. For instance, entrepreneurs complained that local authorities did not use any stimulants of private business activity like: tax reliefs, tax exemptions, putting the investment offers into the trade catalogues, or selling (when possible) municipal land to private entrepreneurs on preferential terms. In contrast, public sector representatives claimed that most of limitations in this area were the results of legal deficiency and because decentralization in Poland was still not fully carried out. It was confirmed by one of the mayors:

What kind of self-government are we!? I'm sorry but what can I do? I'm allowed to set the council tax rate but its top and bottom limits are pre-determined (. . .). If I want to grant a tax exemption it is written down for whom I can, or cannot do it. This is all extremely regulated. These are sometimes very illogical things and by no means refer to the economy and management.

Public sector representatives also complained that according to the law they could not obtain a building permit at the municipal level. It extended the whole investment process and its costs (e.g., of transport to the offices located far away from an investment). Some private entities often blamed local authorities that permit procedures lasted too long. It was also expressed by the mayor of one of the researched municipalities:

Legal rules demand a long time. And if this time could have been shortened, then this investment process could be shortened as well. Today this pre-investment process lasts 3–4 times longer than an investment per se or even 10 times longer, and year after year much less depends on municipal office (. . .). At this moment we are only law executors, the law that was created formerly and we can forget about self-government.

This legal deficiency resulted in higher transaction costs connected to much time spent on starting up and developing business activities. It led to unfavorable public–private relations, which did not serve potential collaboration.

5. Discussion and Conclusions

The analysis conducted allowed to achieve the aim of the chapter, that is, to identify barriers of collaboration stemming from maladjustment of informal and formal institutions in Poland during the process of system transformation. Based on the research conducted, a number of collaboration barriers can be identified:

- the lack of entrepreneurs' broader and long-term thinking limits collaboration, which usually gives positive results in the long term,
- entrepreneurs' adaptive—not proactive—attitudes toward collaboration,

- claims making toward local authorities, which leads to collaborative unfavorable public–private relations,
- low level of social capital and trust, limiting the willingness to start collaboration,
- financial constraints in local governments hindering collaboration initiatives that are money- and time-consuming,
- public sector fears to pass some of the tasks to the private entities,
- law deficiency increasing the risk and uncertainty of starting collaboration,
- the lack of leadership or low level of acceptance of existing leaders,
- a high level of bureaucracy—a number of regulations increasing costs of collaboration and leading to unfavorable public–private relations.

These findings confirm conclusions from the previous research according to which a number of identified barriers of collaboration is a result of the way of thinking and attitudes preserved in the former economic and political system (Araujo and Bramwell, 2002; Brohman, 1996; Briedenhann and Wickens, 2004; Golembki and Niezgodna, 2014; Hall, 2001; Ladkin and Bertramini, 2002; Majewska, 2013; Reed, 1997; Roberts and Simpson, 2000; Timothy, 1998, 1999; Tosun, 2000; Zmysłony, 2014).

However, conclusions from the research not only serve to understand the barriers but also allow to broaden previous knowledge based on the reasons for those barriers, that is, a maladjustment of formal and informal institutions, a specific feature of post-Communist societies. That is, the research results showed that to the formal institutions that favor collaboration, the informal ones—determined by human way of thinking—have not managed to adjust yet. With reference to this statement it can be said that system transformation in Poland at the turn of the 1980s and 1990s, consisting in introducing formal institutions in the form of market economy and democracy, undoubtedly can be regarded as favoring formation of different types of collaboration in tourist regions. Introducing market mechanisms entailed, for example, aspiring toward effective activity undertaking, while collaboration can serve improvement of effectiveness of activities of single entities and the whole society as well. Also democratization of social life strengthens collective spontaneous activities, which favor collaboration, including common good building. However, to those formal institutions like market economy and democracy, a human way of thinking, presented by the research interviewees, was not adjusted complementarily. It means that in Poland where the ethos is based on individualism, personal responsibility, acceptance of competition and results of free market division, a culture of trust, readiness to risk taking, and a high level of entrepreneurship are still not developed enough. Long entrepreneurial experience and time is needed to build such attitudes. The result of such a situation is a high level of transaction costs of running a business activity.

Hence, the conducted research allows the authors to formulate a hypothesis, which should be further verified in future quantitative and qualitative research:

The introduction in Poland of formal institutions (democracy and market economy) has not been coupled with concurrent changes in informal institutions (determined by models of thinking and rooted in values, customs, history, etc.). It constitutes a very important barrier to collaboration in Polish tourist regions.

The research shows that only with a change in peoples' way of thinking a change in informal institutions is possible. Then, collaboration in Polish tourist regions will be less difficult and less costly. As the research conducted in 2013 (July–September) showed, the way of thinking of the entities in the researched region is changing and it is visible, but it is a slow process. As institutionalists say, human models of thinking are the most difficult to change and this process takes a very long time. Thus, as experiences of other countries show, to change a way of thinking, time is needed—at least several or even several dozens of years. There is a need for human and social capital change by, so-called, experiential learning—workshops and training, showing positive examples of collaboration, sharing collaboration experience, and presenting its benefits are needed.

The use of the concept of formal and informal institutions in the NIE to tourist collaboration analysis can also lead to applicable conclusions for other countries, not only for Poland. Despite that, in many countries in Eastern Europe the process of political and economic transformation is nearing an end; however, in some Balkan countries and in many African ones (where the so-called Arab Spring started), this process has only just begun. What is essential to note is that many of these countries are important tourist destinations, for instance, Egypt, Morocco, and Tunisia in Africa or Albania in Europe. Polish experiences can, at least to some extent, be helpful in planning and analyzing changes occurring in the mentioned countries, including the analysis of collaboration processes in tourist regions located there.

Finally, it should be stressed that the conducted research, despite its utility, was of explorative character and the analyzed sample was not representative. The possibility of generalization is therefore limited. The qualitative character of the research also does not allow presenting some of the results (e.g., transaction costs) in a quantitative manner. It allows only describing those costs, which can be another limitation of the research. However, the authors believe that the presented empirical results constitute a good starting point for future profound research being of qualitative and quantitative character as well.

Note

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Chapter 8

The Role of Partnerships in Staging Tourist Experiences Evidence from a Festival

Marcello M. Mariani

1. Introduction

In today's economy, companies and organizations are more and more interested in staging memorable experiences for their customers rather than merely delivering services (Pine and Gilmore, 1998). This trend is even more evident when it comes to the travel and tourism industry (Aho, 2001; Chhetri et al., 2004; Cho et al., 2002; Coghlan et al., 2012; Fairweather and Swaffield, 2001; Han and Back, 2007; Jewell and Crotts, 2001; Kim and Jamal, 2007; McIntyre, 2007; Quadri-Felitti and Fiore, 2013; Ritchie and Hudson, 2009; Snepenger et al., 2004; Trauer and Ryan, 2005; Wang, 1999).

However, despite the growth in the total number of tourism articles published by each major tourism scholarly journal over the last 15 years, no substantial increase in experience-related articles has been found: accordingly "experience-related research remains under-represented in the tourism literature" (Ritchie et al., 2011: 431).

Furthermore, most of the studies conducted so far have tackled how individual companies and organizations can try to stage memorable experiences, almost neglecting how destinations or even aggregations of destinations can themselves stage memorable experiences. More specifically, extant literature has overlooked the role of partnerships between destination management organizations (DMOs) in developing novel tourism products able to trigger compelling tourist experiences.

Building on the Pink Night festival case, this chapter bridges this gap, as we show that partnerships involving different local DMOs can be crucial in order to stage events taking place in a wide geographic area including different administrative

units and empower the absorptive capability of the tourist experience. Last but not least, we innovatively recognize how partnerships between DMOs conjointly staging a tourist experience through an event could modify the comprehensive image held by tourists of the wider tourist area involved in the event itself, thus contributing to rebrand the individual destinations themselves. Unlike the ethnographic study carried out by Giovanardi et al. (2014) on the Pink Night festival, this study sheds light on the importance of the DMOs and their cooperation in order to develop a complex creative tourism product. In order to achieve the aforementioned objective, the chapter is structured as follows. In section 2, we present our twofold theoretical framework drawing on (a) the experience economy framework applied to tourism and (b) the role of destination partnerships. In section 3 we describe the empirical setting and introduce the case of the Pink Night festival. In section 4, we illustrate and discuss our research findings. In section 5 we provide our conclusions and implications, describe the limitations of the analysis and outline a research agenda related to the role of partnerships among DMOs in staging memorable tourist experiences.

2. Theoretical Background

In this section we illustrate our theoretical framework, which builds on two major perspectives: (1) the experience economy framework and its meaning, importance, and application in the current economic environment, in general, and tourism, in particular; (2) the roles played by DMOs, with a focus on destination partnerships and their impact on other roles of a DMO.

Staging Memorable Experiences

Agricultural commodities have been the basis for the economy for millennia and when the United States was founded in 1776, more than 90 percent of the employed population worked in farms. Later companies started turning commodities into useful goods and this radically changed when companies learned to standardize goods and gain economies of scale, with the advent of mass production brought by Henry Ford, starting from 1913. In the 1950s most of the stock exchanges consisted of manufacturing companies: the world's biggest companies at that time were Ford, Standard Oil, General Electric, Philips, and General Motors. Today, according to the latest statistics issued by the UN International Labour Organization, service jobs have eclipsed agricultural ones for the first time in human history.¹

A quick look at the stock exchanges today would reveal an interesting picture of the services sector that has increased dramatically over time (e.g., the increasing importance that media and entertainment companies, such as Time Warner to Disney, Bertelsmann, News Corporation, and more recently Google and Facebook, have acquired over time). The travel and tourism and leisure sectors are additional good examples of industries that have developed significantly over the last 50 years (Baggio et al., 2013; Mariani et al., 2014).

Overall we can empirically observe that the basic economic offering has been shifting over time while the economy was transforming from an agrarian into an industrial and later into a service one. The aforementioned empirical observation is well captured by Joseph Pine and James Gilmore, who, in their seminal work on the “experience economy,” maintain that in the current economy, goods and services are no longer enough to foster economic growth, create new jobs, and maintain economic prosperity and that right now the service-based economy is going to be replaced by an experience-based one, where the reference economic offering is an experience that should be “staged” rather than delivered; it should be “personal” rather than “customized” and should be “revealed over a duration” rather than being “delivered on demand” (Pine and Gilmore, 1998, 1999).

As the economy evolves from an agrarian-based to a service-based one, the economic offering of companies and businesses tends to change from extracting commodities, to making goods, further to delivering services. The last stage includes staging experiences. As these offerings are more and more differentiated, their value increases as a premium price is paid for offerings able to target specific customers' need.² This progression is occurring in different fields of the economy and especially in the tourism sector.

According to Pine and Gilmore (1989), experiences can be classified into four realms according to two dimensions: the level of guest participation on the one hand and the kind of connection, or environmental relationship, that unites customers with the event or performance. Guest participation can be passive when customers do not directly affect or influence the performance or active when they affect the performance or event. As far as connection is concerned, there could be absorption—occupying a person's attention by bringing the experience into the mind from a distance—or immersion—becoming physically (or virtually) part of the experience itself.

According to the aforementioned distinctions, staging experiences are about engaging customers, not necessarily entertaining them. However, in many cases entertainment is used in the tourism sector as a way to stage memorable experiences.

Currently, more and more tourism companies (such as hotels and airline companies) and destinations are trying to differentiate themselves in order to face fierce global competition. To gain a superior competitive advantage they are increasingly investing in differentiating their products and trying to stage memorable experiences for their customers (i.e., tourists). An increasing body of literature has been developed since the seminal work of Pine and Gilmore on the tourism experiences.

Ritchie and Hudson (2009) identified five major content-based streams of tourism experience research: (1) conceptualization, namely studies that define, conceptualize, and explore the essence of the tourism experience (Aho, 2011; Chhetri et al., 2004; Coghlan et al., 2012; Galloway et al., 2008; Snepenger et al., 2004); (2) experience, behavior, and decision-making models, namely studies that seek to understand the tourist and their experience seeking, decision making, and behavior within the framework of conceptual and theoretical models (Andersson, 2007; Han and Back, 2007; Kim and Tussyadiah, 2013; Schofield and Thompson, 2007); (3) methodologies, namely studies that primarily review, or apply, specific methodological

approaches and procedures in tourism experience research (Arimond and Elfessi, 2001; Fairweather and Swaffield, 2001; Quadri-Felitti and Fiore, 2013); (4) types of experiences, namely studies that explore the nature of specific types of tourism experiences (Ballantine et al., 2011; Curtin, 2006; Galloway et al., 2008; Shipway and Jones, 2007; Tassiopoulos and Haydam, 2008); and (5) managerial concerns, namely studies that focus on the managerial aspects of designing and delivering tourism experiences (Chiou et al., 2008; Cho et al., 2002; Wu, 2007).

Despite the growth in the total number of articles published by each major tourism journal, Ritchie et al. (2011) found no substantial increase in experience-related articles. The findings suggest that, despite its fundamental importance, experience-related research remains underrepresented in the tourism literature.

Quadri-Felitti and Fiore (2013) tested the experience economy's 4Es (i.e., educational, esthetic, entertainment, and escapist experiences) through structural equation modeling and proved that the 4Es are reliable and valid for measuring rural wine tourism. Structural modeling demonstrated the dominance of the esthetic experience in predicting positive memories and destination loyalty in the wine tourism context. Education played a significant but lesser role in creating memories and satisfaction but not in destination loyalty. Although the esthetic experience's preeminence was consistent with other findings, these results contradict Pine and Gilmore's assertion that simultaneous incorporation of the 4Es is necessary.

Generally, literature on tourism experience examined in the context of, or in relation to, destination image, loyalty, and evaluation (Chi and Qu, 2008; Lee et al., 2005; Quadri and Fiore, 2013; Weaver et al., 2007) is relatively scant and to our knowledge none of the extant contributions has tackled the relationship between destination partnerships and the staging of tourism experiences. In the next section we elaborate on the concept of destination partnerships.

Roles of Destination Management Organizations (DMOs) and Partnerships

Companies and destinations in the travel and tourism industry are more and more aware of the fact that they should cooperate in order to strive to gain a competitive advantage in the present fast-changing turbulent economic environment. Globalization and the development of ICTs have not only brought about intensifying competition between actors in the tourism arena, but they have also increased the opportunities for collaboration and networking between both companies and destinations themselves.

Literature on interorganizational relationships has explored the characteristics of strategic alliances, collectives of organizations, and organizational networks (e.g., Astley, 1984; Astley and Fombrun, 1983; Barnett et al., 2000; Bresser, 1988; Contractor and Lorange, 1988; Das and Teng, 2000; Dyer and Singh, 1998; Garcia-Canal et al., 2002; Gulati, 1995; Gulati et al., 2012; Kale and Singh, 2009; Oliver, 1990; Ozcan and Eisenhardt, 2009; Powell et al., 1996; Zaheer, 1995; Reur et al., 2002; Reur and Ariño, 2007; Shah and Swaminathan, 2008; Uzzi, 1997).

Often interorganizational relationships involve the government (at different level) and private firms to form private–public partnerships (PPPs) whose major aim is to manage dependencies and increase efficiency (Siemiatycki, 2010; Vining and Boardam, 2008). The worldwide tourism sector (both in hospitality business agglomerations and in regional tourism) has recorded an increased trend to shape PPPs as they generate benefits for private companies aiming to reduce uncertainty, handle the complexity or risks of their environment and meet the skills and resource demands essential for competing in the global market (Cravens et al., 1993), foster tourism innovation by enhancing strong bonds between companies, and bridge intellectual capital between stakeholders (Nordin and Svensson, 2007). However, the aforementioned type of interorganizational relationships are beneficial for the destination as well since several private actors might behave as free-riders, not being interested in destination marketing. Moreover, the development of tourism adds value to the region (Morrison, 2013), the collaboration of public and private sectors creates synergy for the entire region and the industry (von Friedrichs Grängsjö, 2001; Palmer, 1996; Stamboulis and Skayannis, 2003), and the local authority provides vital elements to the tourism destination product, which displays typically a networked nature (Baggio et al., 2013).

In destination management a number of elements are typically involved ranging from leadership and coordination, planning and research, product development, marketing and promotion, partnership and team-building, and community relations (DCG, 2012).

While most of the extant literature has focused on the role of “marketing and promotion,” which has to do with creating the destination positioning and branding, selecting the most appropriate markets, and promoting the destination, in this chapter we focus on the role of “destination partnership,” which refers to “a synergistic relationship between a DMO and other organizations or individuals within or outside a destination” (Morrison, 2013: 191). Typically this is a deliberate cooperative arrangement resulting from pooling of effort and financial and nonfinancial resources, which generates benefits for the DMO and its partners that would not be achieved without working together.

All destination management roles can benefit from partnering. Indeed, while it was first discussed in tourism in the context of marketing and promotion (Palmer and Bejou, 1995), it is crucial also for destination planning (i.e., the process for preparing plans and strategies should be collaborative), leadership and coordination (i.e., partnering is a coordination tool through which DMOs can bring different parties together), and product development (i.e., a number of different partners can pool efforts and resources to design and develop a new tourism product).

More specifically, the impact of partnerships in tourism product development is very important for the aims of this chapter and we will show that partnerships between DMOs aimed at staging memorable experiences *de facto* contribute to product development inside a broader tourism area, which needs to be rebranded or whose lifecycle needs to be modified (Butler, 1980; 2009).

In what follows we will describe how an entertainment initiative—namely a complex creative product (Caves, 2000)—has been developed by a set of DMOs,

which have partnered and involved both public and private stakeholders in order to stage a memorable experience potentially able to impact on the wider tourist area image.

Such cases are not rare or unique: the Silk Road Programme coordinated by the UNWTO is an emblematic example bringing together 28 national tourism organizations from Italy in the West to Japan in the East with the aim of creating an internationally renowned, seamless travel experience.

3. Empirical Setting and Methodology

The Pink Night Festival of the Riviera di Romagna

The empirical setting of our analysis is the Riviera di Romagna, a coastal area of 110 kilometres located in the northern part of the Italian Adriatic coast. It is shared by the neighboring provinces of Rimini, Forlì-Cesena, Ravenna, and Ferrara and includes some 50 municipalities, extending from Comacchio in the North to Cattolica in the South (see Figure 8.1).

It started becoming an internationally renowned tourism destination since the eighteenth century for an aristocratic audience even though mass tourism developed immediately after World War II, especially with the Italian economy boom of the 1960s (Battilani and Fauri, 2009). Since then, the Riviera has remained one of the most popular tourism destinations in Italy, with 5,889,700 arrivals and 32,202,588 overnight guests in 2013, of which 3,147,464 arrivals and 15,504,706 overnight guests are in the Rimini province alone (Unioncamere, 2014).

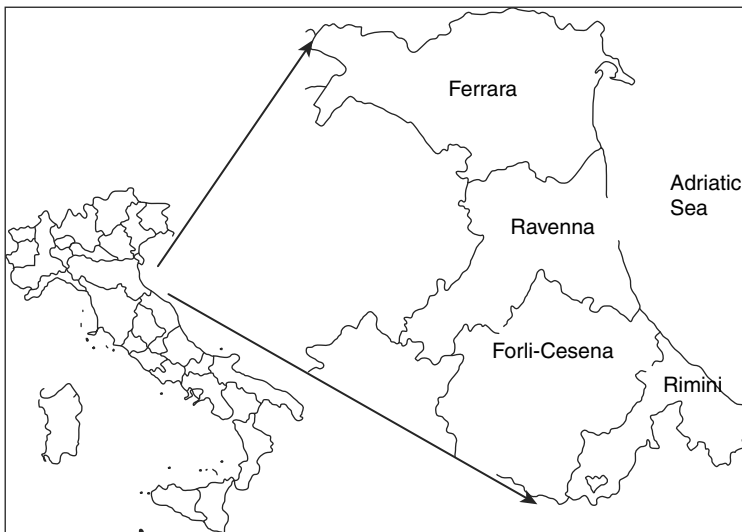


Figure 8.1 The Riviera di Romagna.

As a mature destination, mass tourism in the Riviera di Romagna was undermined during the 1980s with the eutrophication of the Adriatic Sea and the subsequent growth of algae (Becheri, 1991). As a consequence, both local tourism policymakers and entrepreneurs decided to invest on leisure, entertainment activities, and related facilities such as nightclubs and discotheques, turning Rimini in particular into the “trendy disco capital of Italy” (Battilani, 2009: 113). As a consequence, most of the destination branding of the Riviera starting from the 1980s has revolved around the idea of nightlife and transgression.

However, even this new characterization of the destination was not able to counterbalance an overall decline in tourism arrivals, and starting from the mid-2000s the tourism department of the province of Rimini launched a new product: the Pink Night festival (La Notte Rosa). The case has already been portrayed in tourism literature (Giovanardi et al., 2014) with a bottom-up approach in order to describe the role of performance by both hosts and guests in the creation of the tourism place; however, in this chapter we deploy it with a top-down approach to capture how the strategies and actions of relevant policymakers (and their partnerships) have contributed to create a complex creative tourism product (Caves, 2000) and to stage memorable tourism experiences (potentially able to portray the Riviera di Romagna as a leader in the offering of “healthy fun”).

The festival, labeled as the New Year’s Eve of the Summer, is a thematic event that takes place during the first weekend of July. It is a collection of coordinated, synchronized, and intertwined events taking place in a wide geographic area including different administrative units located on the Riviera di Romagna 110 kilometers of coastline. The event leverages the pink color, “the colour of relationships and hospitality” with a “feminine connotation” (promotional brochure, Giovanardi et al., 2014).

By leveraging the culture of hospitality of the Riviera di Romagna, the eighth edition of the festival (taking place in 2013) recorded almost 2 million participants with estimated proceeds of approximately €200 million (APT, 2013). The event offers a unique context in which to study the role of partnerships between DMOs in designing and developing a tourist experience.

Research Techniques

The research approach adopted in this analysis is mainly exploratory and builds on a case study (Eisenhardt, 1989; Eriksson and Kovalainen, 2008) with a longitudinal perspective (Pettigrew, 1990). Extensive data were gathered comprehensively by two researchers over four years (from May 2010 to April 2014) in order to shed light on the role of partnerships between DMOs in staging tourism experiences, a phenomenon whose knowledge is scant. A number of research techniques were used, ranging from interviews to analysis of archival data and observation.

Interviews

Twenty-two semistructured interviews were conducted with the key informants involved in the management and organization of the Pink Night, ranging from

representatives of the DMOs involved in planning the event to local politicians in charge of the tourism sector to individual entrepreneurs such as hoteliers and managers of restaurants, nightclubs, and discos. The aforementioned interviews lasted from 1 to 2.5 hours. The interviews covered themes related to the initiation, planning, and execution of all of the eight editions of the Pink Night (from 2006 to 2013). To code the interviews, the NVIVO software application was used. The results stemming from the interviews were discussed with interviewees, who were also invited to read a preliminary draft of this research piece.

Archival Data

We also used archival sources, published information, and sector studies released by the local and regional tourism authorities and tourism associations of the provinces and municipalities under consideration, as well as press releases, leaflets, pamphlets, and reports generated by the regional DMO and municipal DMOs about the Pink Night. Document data offered us detailed, written information and concrete examples on the partnership activities related to the Pink Night (Apt Emilia Romagna, 2006; 2013).

Observation

Three editions of the festival (2011–2013) were the object of nonparticipant observation. It concerned about 20 official and unofficial meetings and events related to the planning and decision making about the development of the event, but also included the observation of the executive part of the event. Our main reason in using the observation method was to complement the top-down perspective of planning by the local DMOs with a bottom-up perspective, which provided a fine-grained insight of meanings and values that the consumers of the Pink Night event link to the event itself (Hammersley and Atkinson, 1995; Giovanardi et al., 2014).

Data Triangulation

We combined interview, archival, and observation data to refine our case history (Jick, 1979). The process was highly iterative as we revisited all our data as new issues and features emerged within the case (Miles and Huberman, 1984). The triangulation resulting from multiple data sources reduces construct validity problems and the risk of retrospectively imposing meaning on historical events based on a certain knowledge of the outcomes (Yin, 1994).

4. Findings

This section is divided into three main subsections: the first one relates to the description of the development and the staging of the Pink Night festival. The second one tackles the experience realms involved in the festival. The third and last one builds on the importance of partnerships in staging memorable tourism experiences.

Developing and Staging the “Pink Night” Tourism Experience and the Riviera di Romagna Tourism Area Life Cycle (TALC)

As mentioned in the empirical setting section, starting from the late 1980s the Riviera di Romagna has experienced eutrophication of the Adriatic Sea and the subsequent growth of algae: this was the main trigger that led both local tourism policymakers and entrepreneurs to invest on leisure, entertainment activities, and related facilities such as nightclubs, discos, turning Rimini into the “trendy disco capital of Italy” (Battilani, 2009: 113). As a consequence, most of the destination branding of the Riviera starting from the 1980s has revolved around the idea of nightlife and transgression.

This new image and identity of the destination became particularly appealing, especially among European youngsters (especially teenagers who had successfully completed their high-school coursework), who flocked to the Riviera in order to have fun and party in the many nightclubs of the area. This trend continued until the first half of 2000 when tourist arrivals started showing a relative decline (especially from the German-speaking area), due also to the emergence of competition from other Mediterranean destinations particularly attractive for nightlife (e.g., the Balearic Islands in Spain rather than Mykonos in Greece or several other islands and coastal destinations in Egypt and Turkey).

At that time the head of the tourism department of the province of Rimini (Interviewee A) started realizing that a strategy of repositioning of the destination was necessary because the Riviera could no more preserve its competitive advantage on the youngsters market but had to fully develop its market potential, also looking at targeting others, such as families.

Drawing partially his inspiration on the traditional format of the White Night or nuit blanche (Jiwa et al., 2009), Interviewee A conceived the “Pink Night” festival as a new opportunity to reposition the Riviera di Romagna. Indeed:

This festival is an event which I decided to set up with the Rimini tourism department in 2005 and was first launched in 2006, with the objective to re-position not only Rimini, but the entire Riviera di Romagna, as relevant destinations. [...] For almost one decade, until the end of the nineties, Rimini has been associated with transgression, alcohol, drugs, and fights in night clubs, youngster dying in car accidents early in the morning after late nights in the discos. (Interviewee A, founder of the Pink Night)

As a matter of fact the event was thought as an opportunity for the municipality of Rimini and the other municipalities along the Riviera di Romagna, to

get rid of the of the stereotype of Rimini as a place for pure transgression, providing a new image of the destination as a place where everyone, not just teenagers, can enjoy and have fun, healthy fun. (Interviewee A, founder of the Pink Night)

The aforementioned words are a clear evidence of the fact that a specific DMO, the one of the municipality of Rimini, in the mid-2000s realized that the destination

needed to reposition itself and build a new destination image. In order to rebrand the destination,

We decided to advertise it [the Pink Night] as the “New Year’s Eve of the Summer,” an event which should involve everyone and should bring a smile for everyone, children, teen-agers, adults, elderly people ... (Interviewee A, founder of the Pink Night)

As is clear from these words, the idea of rebranding the destination was closely intertwined with the idea of staging a different experience for a wider audience of tourists. It was therefore necessary to find a unifying theme (Pine and Gilmore, 1999):

... we chose the pink colour as pink is the colour of genuine human relationships, of women, of children ... (Interviewee A, founder of the Pink Night)

The choice of the color has nothing to do with a gay or lesbian connotation, but is rather referred to the idea of good relationships and feelings (Giovanardi et al., 2014). This way it was possible to offer an appealing thematic experience to everyone: youngsters and adults, solo travelers, groups of friends, and families.

Today the Pink Night is a thematic event, that is, a collection of some 300 coordinated and intertwined events taking place simultaneously on the Riviera di Romagna’s 110 kilometers of coastline. All of them display a common thematic item, which is the pink color. The Riviera is now preparing the 10th edition of the event. But how was it possible to make it happen? In the next subsection we illustrate the major steps that led to the development of this event.

The Importance of DMOs Partnerships and PPPs in Staging Memorable Tourism Experiences

As for any good idea, the inception per se is not sufficient to transform it into a product, service, or experience that can be successfully commercialized. As a complex creative tourism product, the Pink Night displays several major features such as the “motley crew property,” which basically means that for a product to be taken to completion there is a need for intense and constructive collaboration between many professionals and stakeholders.

At the very beginning, the Pink Night Festival was initiated mainly to increase the number of tourists in the province of Rimini and for this reason the initiation and planning activities were carried out by the tourism department of the Province of Rimini (Agenzia Marketing Turistico Riviera di Rimini), which actually set up formal plans and rules that paved the way for the development of the product.

A steering committee (Cabina di Regia, literally a “directing facility”) comprising the most relevant public and private stakeholders of the tourism sector in the Riviera di Romagna was constituted. It includes 14 members: three members of the Union of Product Coast; three members of the regional DMO APT Servizi; and two members each for the provincial DMOs of the municipalities of Rimini, Ferrara, Ravenna, and Forlì-Cesena. The private sector is mainly represented by the Union of Product Coast, including more than 100 companies.

As is clear from the words of Interviewee B, CEO of APT Servizi:

... the objectives of the Steering Committee are to strike a balance between the different interests of the local Destination Management Organizations and professional associations willing to participate in the project. More specifically we have to: 1) determine and communicate the date of the event; 2) approve some general guidelines for all of the provinces involved (such as decorations in pink, 24 hours openings of all private and public companies during the event, pink lighting for all the roads, pink coordinated fireworks across all the municipalities at midnight, regulations related to public safety and alcohol consumption, etc.); 3) determine the budget to invest; 4) allocate competences as far as the program of events is concerned, with a reference to communication, fund-raising, sponsorship, development of tourism packages; 5) institution of the Technical Table. (Interviewee B, former CEO APT Servizi)

The strategic dimension of the cooperation was dealt with by the steering committee while for tactical purposes a coordination facility was created: the Technical Table (i.e., Tavolo Tecnico). The Technical Table is coordinated by a professional identified by the steering committee: Interviewee C, the key organizer of the Pink Night Festival:

I have been dealing with the Pink Night from the very outset when I made it happen with my then colleague [Interviewee A]. So to speak I am together with [Interviewee A] the “history” of this event and I have the control of the Technical Table. However, the planning of a synchronized set of events along a 110 km of coastline require[s] continuous dialogue and now I have understood that the more the event is capillary diffused in the other provinces, the better it is, even if coordination activities increase ... Especially we understood that domestic tourists like to change the location where they enjoy the many events and the midnight fireworks and it is a strength to have them the first year in Rimini, the second year in Ferrara and then to Ravenna and then back to Rimini ... we give them variety. (Interviewee C, Coordinator of Technical Table)

Interviewee C, the coordinator of the Pink Night, has the task of transferring the know-how accumulated by the province of Rimini to the other provinces. Indeed,

The objective is to avoid huge discrepancies in the artistic offers, in the execution of the plans of the Pink Night, with the overall aim to create a holistic image for the Riviera di Romagna.

Most of the activities related to the lifecycle of the event are carried out by the technical table, with the steering committee acting as “Overall director” and local DMOs acting as local directors (see Figure 8.2).

Interestingly, while at the beginning, for the 2006 edition, the Pink Night was staged only the first Saturday of July, later and starting from the third edition, it was celebrated on Friday and this contributed partially to increase the number of overnights. Tourism demand data for the province of Rimini during the Pink Night weekend (Friday–Sunday) seem to point to an increasing trend both in terms of overnights (+19%), and in terms of arrivals (+19%) over the last 2012 and 2013 editions. We could therefore infer that the Pink Night is contributing to increase tourism flows to Rimini (Apt Emilia Romagna, 2013).

The Experience Realms

As already mentioned in the theoretical background section, staging memorable tourism experiences means also being able to strike a good balance between their four realms, the so called 4Es: entertainment, education, esthetics, and escapism.

Basically most of the Pink Night Festival is based upon entertainment activities, which can be broken down into three main types: (1) maxi-events; (2) cultural events; and (3) diffusive protagonist events.

Maxi-events are published in the official brochure of the Pink Night and are typically musical or dancing performances staged in the major squares of the municipalities involved. They attract the highest number of attendees and tourists. The coordinated program of the Pink Night, which is designed by the technical table, implies that at least one maxi-event should be staged in each of the largest municipalities involved, with schedules that are highly synchronized thus allowing for the Pink Night to be very capillary on the territory. The Pink Night is therefore

planned over the entire night starting from 8 pm of Day 1 to the morning of Day 2 and later so that people might have a sense of the fact that the “party” is continuous. Therefore fun is distributed all over the Riviera region not only geographically but also temporally. Indeed, for the first part of the night we stage events that can be directed to the widest audience as both adults and children are present. At midnight there are fireworks which are synchronized all over the coastline. After midnight the events are instead targeting the youngsters. (Interviewee C, coordinator of the Technical Table)

Cultural events aggregate all those events that display a higher cultural profile. Typically they are related to visual arts exhibitions, classical or jazz music concert directed to a niche audience. For instance, they include “Assalti al cuore” (“Assaults to the Heart”), which is a parallel festival of Italian literature and music wherein writers, composers, musicians, photographers, and visual artists draw from the theme proposed every year a source of inspiration, *de facto* staging a kaleidoscope of words, visions, sounds. These events are held normally in places far from the coast such as the historical centres. It is clear that this represents a way to differentiate the offer of entertainment, trying to target audiences who do not like crowded places on the seaside and whose interest is “less pop and more cultural.”

Moreover, these parallel events sometimes extend beyond the Pink Night weekend as they not only entertain but also educate: indeed they contribute to educate the audience by adding to the growth of their cultural capital. These edutainment events are dedicated either to adults (with photography workshops) or to children: for example, the municipality of Bellaria-Igea Marina proposes a number of activities that leverage on drawing or singing workshops allowing for an active participation for children.

Diffusive protagonist events are staged by individual tourism operators (hoteliers, bath resorts, bars, pubs, night clubs, discos, etc.). They are not officially planned by the Technical Table but nonetheless they enlarge the offer by involving directly private companies. They satisfy an audience that is not interested to be involved in a large event, but rather in a self-contained environment to have fun.

Of course, a number of entrepreneurs and hoteliers have created their own diffusive protagonist events while recognizing that the collaboration between the different DMOs was fundamental to effectively develop the Pink Night product:

Our hotel is relatively small and located close to the historical center. We don't provide full board but we want to offer our guests a number of services which remind them of the Pink Night ... we include pink decorations in the lobby, our table cloths turn pink for the Pink Night days and this helps our customers to understand that they are part of the overall experience ...[] ... However we feel that without the heavy investment of the municipality of Rimini we would not be able to set something memorable for our customers. (Interviewee D, hotelier in Rimini)

While the aforementioned diffusive protagonist events are forms of entertainment offered by individual companies (be they hotels, nightclubs, or theme parks), which become for a while a protagonist in staging the Pink Night experience, both maxi-events and cultural events are initiated, planned, executed, and taken to completion by the visible hands of the operational coordinating director (the Technical Table) and the other local directors (the DMOs/tourism departments of the other provinces). Moreover, they are also almost entirely funded by the municipalities: the third last edition of the Pink Night (in 2012) for example was financed by the Rimini municipality with €400,000, while the Martini company provided €100,000 to sponsor the Pink Night.

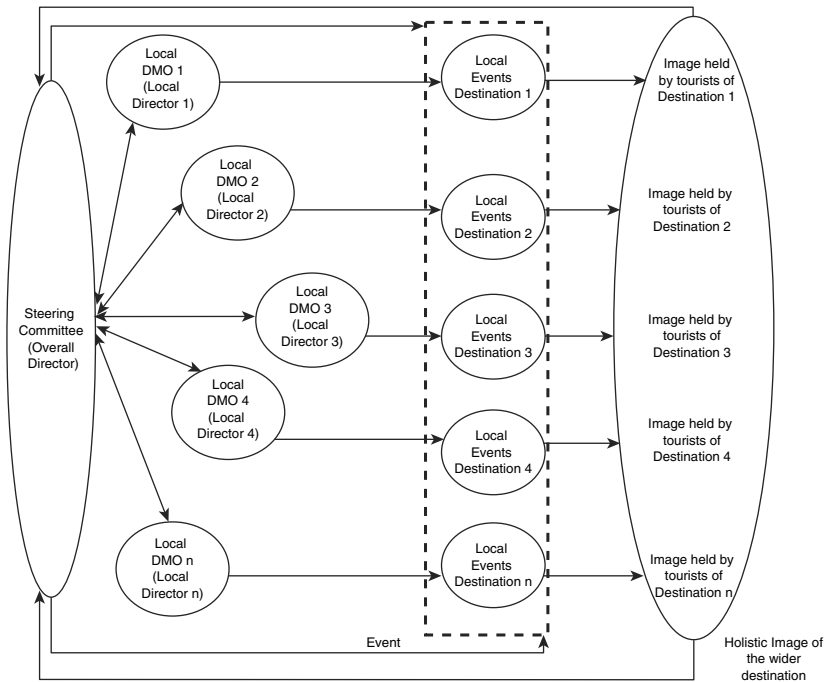


Figure 8.2 Staging a memorable event through the collaboration of competitive DMOs.

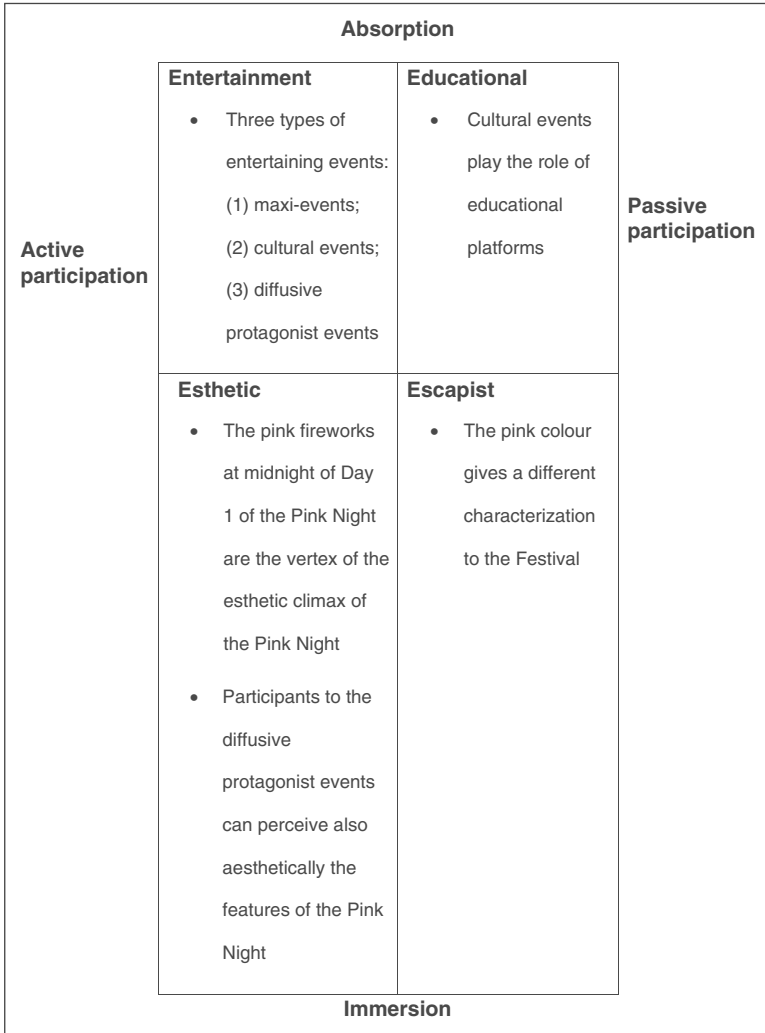


Figure 8.3 The four realms of the tourism experience for the Pink Night festival.

We can epitomize how the four experience realms come into play with the Pink Night Festival in Figure 8.3. While the entertainment realm is by construction at the basis of the tourism product as articulated in its three major components (maxi-events, cultural events, diffusive protagonist events), the educational realm becomes more relevant only for cultural events that typically can span a larger time frame than the duration of the festival itself. The esthetic realm is also very crucial and has to do not only with the pink color itself (which is the unifying feature of the festival) but also with the spectacular pink fireworks that are showcased at midnight of day 1 of the festival. Last but not least the escapist realm is brought into the festival

with the pink light designing, which literally changes the landscape and the objects of the Riviera di Romagna, creating a surreal atmosphere (see also table cloths and eno-gastronomic items in the restaurants).

It appears that partnerships between DMOs can empower the absorptive capability of the tourist experience (indeed the entertainment and educational functions are deliberately planned by the cooperative venture of DMOs), while the immersion in fact is the outcome of the relationship between the set of DMOs delivering the experience and the tourists themselves (see Giovanardi et al., 2014).

5. Conclusions

Recent tourism management literature has acknowledged that the share of scholarly articles dealing with tourist experiences is recording a perplexing decline over time in established international scholarly tourism journals over time (Ritchie et al., 2011). This chapter has contributed to the research stream on tourism experience examined in the context of, or in relation to, destination image, loyalty, and evaluation (Chi and Qu, 2008; Lee et al., 2005; Weaver et al., 2007; Quadri and Fiore, 2013). More specifically we have provided innovative insights on the relevance of partnerships between DMOs in staging memorable tourism experiences. By analyzing the event Pink Night (i.e., a collection of coordinated, synchronized, and intertwined events taking place in a wide geographic area including different administrative units in the northern part of the Italian Adriatic coast) we have shown how the development of a brand new tourism product could on the one hand empower the absorptive capability of the tourist experience (thus contributing to reinforce the entertainment and educational realms of the tourist experience itself) and on the other hand be able to unify and corroborate the image of a wider destination to which different DMOs belong.

As far as the empowerment of the absorptive capability of the tourist experience is concerned, we have shown that all the types of events included in the Pink Night festival (maxi-events, cultural events, and diffusive protagonist events) contribute to reinforcing the entertainment realm of the experience with cultural events aimed at strengthening the educational realm. In contrast with recent literature that recognizes that only the esthetic realm is able to generate loyalty toward the destination (Quadri-Felitti and Fiore, 2013) we maintain that the entertainment realm plays a irreplaceable role and is deeply intertwined with the other realms.

As far as the corroboration of the image of the wider destination is concerned, while recent literature has focused on the way the event is performed, experienced, and made sense of by hosts and guests, which contribute to the creation of the tourism place (Giovanardi et al., 2014), here we have adopted a top-down approach able to capture in an overarching framework how the collaborative strategies and actions of relevant policymakers at the destination level (and their partnerships) contribute to create a complex creative product (Caves, 2000) and stage a memorable experience for tourists. In particular, we have stressed how DMOs' partnerships have been able to portray the Riviera di Romagna as a leader in the offering of "healthy fun,"

in contrast to the stereotyped previous image of the Riviera di Romagna as a leader of “nightlife and transgression.”

More specifically, in the framework proposed, the event under consideration is staged by “local directors” (local DMOs of the provinces/municipalities involved) as well as by an “overall director” (the steering committee) and a “general director” (the leading DMO of the province/municipality of Rimini).

The steering committee (overall director) and the municipality of Rimini (general director), had a clear-cut view of the specific stage of the Tourism Area Life Cycle (TALC) of the Riviera di Romagna. Consequently, they agreed on the objectives they wanted to strategically achieve and being at the helm of the event, they also played the role of leaders and coordinators for staging the tourism experience.

The conjoint development of the maxi events within the Pink Night festival contributed to the creation of a unifying brand image for the wider destination of the Riviera di Romagna, which was more than the mere sum of the images of their constituting destinations. This move helped in repositioning the wider destination from a “youngsters-only destination” to a “destination for everyone.”

Strategic partnerships between DMOs and between the public and private sector (PPPs) proved very effective as different destinations could pool effort and financial and nonfinancial resources, which generate benefits for the DMOs and their private partners that would not be achieved without working together (Morrison, 2013).

Our chapter also provides several managerial and policymaking implications. First, it suggests that the objective of co-located tourism destinations should be not just to satisfy tourists’ needs and wants but possibly to generate a positive surprise for the tourist. Second, positive surprises related to successfully staged experiences can be very helpful to rebrand and reposition the destinations themselves and could impact on their rejuvenation and destination loyalty. However, positive surprises do not grow spontaneously and DMOs should be proactive in forming wider destination partnerships locally if they want to successfully face increasing global competition.

Of course, this study displays several limitations. First of all, it includes the analysis of a specific tourism destination: in order to generalize our results, it might be interesting to enlarge the sample of tourism destination under consideration. Second, more light should be shed on the role of multiple DMOs in staging tourism experiences by leveraging such events: accordingly a few more examples to consider might include mega events such as the Olympic Games and the soccer World Cup. Last but not least, while it is clear that partnerships between local DMOs can increase the capability of absorption of the tourist experience, it remains still unclear how they could impact on the immersive dimension of a tourism experience.

Notes

1. “42 percent of worldwide workers find employment in the service sector, 36% percent in agriculture, and only 22 percent in manufacturing” (Pine and Gilmore, 2011: 12).

2. An emblematic example of this progression of value is the offering of coffee, which once extracted in the form of beans might cost up to 2 cents of a dollar per cup but later could be roasted, grinded, and packaged by a manufacturer to reach a value of 25 cents a cup. The manufactured coffee might be brewed in a diner at a dollar a cup or perhaps served at Starbucks at \$2–5 a cup. However, the top of the progression might be to have it included in a guided excursion in Venice and enjoy it in San Marco square as part of a truly memorable experience: the same coffee in this latter case would cost \$12–15 a cup!

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Web sites

- E-R Il portale della regione Emilia-Romagna*. <http://www.regione.emilia-romagna.it/>
- La Notte Rosa*. <http://www.lanotterosa.it/>
- Riviera Emilia-Romagna*. <http://www.adriacoast.com/>

Chapter 9

Toward a Sustainable Tourism

Malgorzata Ogonowska and Dominique Torre

1. Introduction

Tourism includes a wide range of economic activities that depend on, and have an important impact on, the natural environment and on the local populations in tourist destinations. Overall, tourism product quality includes environmental features, in particular, tourist destinations, accommodation, and other attractions related to the location and surrounding environment. Tourists and the tourism industry make extensive use of environmental resources (Piga, 2003). Tourists are attracted by a destination's environmental attributes (Dixon and Hof, 1997), which are damaged by the presence of those tourists (Briassoulis, 2002; Giannoni, 2009). Since the 1990s, environmental protection and awareness have become major issues. According to the ImagePower Global Green Brands 2011 study carried out by Cohn and Wolfe, Landor Associates and Penn Schoen Berland Associates in France, 47 percent of surveyed individuals claimed to be more concerned about environmental issues than economic problems. It follows then that tourists are more aware of environmental issues and conscious of the pollution caused by mass tourism. These new concerns modify tourist's perceptions of destinations, of accommodation brands, and of intermediaries distributing tourism products (tour operators, online and off-line tourism agencies, among others). As a result, a demand for environmentally responsible products has emerged in this sector, and major tourist destinations are seeking to preserve the natural environment and their indigenous cultures, and are exploring sustainable development strategies and techniques (Hassan, 2000).

Sustainable tourism activities are becoming a relevant issue for a range of stakeholders (market actors, local authorities, nongovernmental organizations (NGOs), local populations, and tourists). This topic is also arousing a lively interest in the tourism-related literature. According to Lawton (2009), over 400 refereed journal articles have been published since the 1990s in various social sciences fields (economics, management, geography, anthropology, sociology, psychology, and so on).

This chapter provides a review of the state of the art in research on sustainable tourism and identifies issues that are attracting most interest. It is original in reviewing contributions from various different fields (economics, management, sociology, psychology) and illustrating each of the ideas developed in the literature with empirical examples, including strategies that have been implemented by or are recommended for market actors and tourist destination managers.

The second section focuses on the origins of sustainable tourism and early analyses of the best in the environmental economics literature. This body of work identifies environmental variables as important features of industry studies and points to the importance of ecological certification of products and productive procedures, which is the subject of the following section. Alongside their role of environment protection, labels can be powerful marketing tools that help service providers and destinations to differentiate themselves from their competitors. Implementation of sustainable tourism as a vertical differentiation strategy is the subject of the fourth section. Following a brief definition of the concept, the focus of the first subsection is on the demand-driven character of this strategy. To explain consumer behavior, we go on to consider some contributions in the sociological literature. These developments indicate that, by adapting to evolving tourists' preferences, service providers or destinations can reinforce their position in the market; this is illustrated by empirical examples of two French service providers—Club Med and Belambra. The fifth section draws the link between the competitiveness of a destination, and different aspects of sustainability. The sixth section focuses on relations with host populations and the social perspectives of sustainability. Some concluding remarks are offered in the final section of the chapter.

2. Sustainable Tourism: Origins and Definitions

The concept of sustainable tourism emerged in the early 1990s. According to Bramwell and Lane (1993: 2) it is defined as “an economic development model conceived to improve the quality of life for the local community, and to facilitate for the visitor a high-quality experience of the environment, which both the host community and the visitors depend on.” It was inspired by the already existing concept of sustainable development that emerged in the mid-1980s as a result of increasing interest in environmental protection, and increasing awareness of existing ecological problems. The concept of sustainable development was introduced in *Our Common Future*, also known as the Brundtland Report, by the World Commission on Environment and Development (1987: 41) and defined thus: “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:

- the concept of needs, in particular the essential needs of the world's poor, to which overriding priority should be given;
- and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs.

Since the Brundtland Report, numerous studies of various industries have considered the importance of environmental and ecological variables. Well-known examples are related to: energy production, water management, waste management and recycling, agriculture, among others. Some authors propose general equilibrium models and environmental variables, such as mega models (Beumais and Schubert, 1994; Hoeller et al., 1991), and study issues linked to current environmental problems. These models differ from the traditional general equilibrium models by including previously omitted variables such as: natural resources, technical progress, and demography (Beumais and Schubert, 1994). They describe the interactions between the environment and the economy generally in relation to energy use/saving. Beumais and Schubert (1994) make an important distinction between standard and “green” products, produced respectively by standard (creating solid final wastes unemployable in any other production), and sustainable sectors (clean production resulting in no waste). They also propose an indicator of environmental damage that has an important influence on consumers’ preferences and surplus and takes into consideration nonprofit phenomenon generated by environmental policies. Finally, the model outcomes shed light on waste management and clean energy policies,¹ the management of pollution² at the national and European levels, and suggest the implementation of a European ecological labeling.

3. Certification

General Features of Environmental Labels

The EU Ecolabel was created in 1992³ and it is the only official European ecological label promoting environmental excellence, which is accepted and applied voluntarily in all EU member-states. It applies to products and services, and the producer or service provider can decide to apply for certification for its products and services: “The EU Ecolabel certifies products and services that have a reduced environmental impact throughout their life cycle, from the extraction of raw material through to production, use and disposal. [. . .] EU Ecolabel products and services are evaluated by independent experts to ensure they meet criteria that reduce their environmental impact.”⁴ This quotation stresses the independence and expertise of the certification authority. Charlier and Ngo (2010; 2012) and Marcotte et al. (2011) underline that ecological certification does not provide a signal to consumers if there is no environmental quality control in place. However, certification helps consumers to check quality before making a purchase because the product has to satisfy precise, official, and transparent conditions, and often is more credible than a brand (Anholt, 2002; Lorenzini et al., 2010). According to the ImagePower Global Green Brands 2011 study, 66 percent of consumers rely on labels. The best known example of environmental standards is the ISO 14000 family, which was developed in 1996 by the International Organization for Standardization. It concerns “various aspects of environmental management and provides practical tools for companies and organizations looking to identify and control their environmental impact and constantly improve their environmental performance.”⁵

Environmental Labels in Hospitality Industry

In the specific case of the hospitality industry, the European Commission provides a checklist of required, mandatory or optional, ecological criteria,⁶ which have to be fulfilled for the accommodation to earn Ecolabel certification. Despite the certification process being quite costly (Cañada and Gascòn, 2008), in January 2012 there were 356 EU Ecolabeled Tourism accommodation establishments in EU.⁷ In addition to the EU Ecolabel, numerous ecological certifications and standards have been created since the 1990s (Font and Harris, 2004) relative to destinations, tourism products, service providers, retailers, and management systems. Some certifications are national, for example, Certification for Sustainable Tourism (CST) for hotels in Costa Rica, the first international tourism destination to develop its own sustainable tourism certification in 1997⁸ and the first destination to develop ecotourism (LePree, 2008–2009); Eco-Certification Malta; Ecotourism Australia; Japan Environmentally Sustainable Accommodations International Standard (ESAIS); some are regional, for example, Rainforest Alliance Standard for tourism operations. Some others are international, for example, Biosphere Responsible Tourism label; Green Globe Certification; Sustainable Tourism Eco-Certification Program; and Travelife Standard for Hotels and Accommodations.⁹ When an accommodation provider applies for ecological certification, its management is provided with tools that help to integrate sustainable methods, such as waste reduction, and to engage in environmental protection and cooperation with local producers or craftsmen (Marcotte et al., 2011). In this way, sustainable development principles are transformed into concrete actions (Woodland and Acott, 2007).

Ecological certification was developed first in order to protect specific areas and natural resources. Since it guarantees an exceptional experience, it has come to signal the focal destination's exceptional nature and became a powerful marketing tool. This raises a dilemma related to certification in that it is not only aimed at protecting the environment and heritage, but also works to attract more tourists (Marcotte et al., 2011; Sharpley and Pearce, 2007). This latter effect can engender distrust of ecological certification labeling among local residents. In contrast, it can work to attract specific types of tourists who are more knowledgeable about, and respectful toward, the environment and local culture (Marcotte and Bourdeau, 2006). It also can act to educate the consumer, and it can be exploited in public awareness campaigns (Callot, 2011).

Certification as a Strategic Marketing Tool

As Fairweather et al. (2005: 95) emphasize, “ecolabeling initiatives require paying attention to visitors’ demand for ecolabels, and in particular, that they target different types of visitors.” Service providers, before making costly and time-consuming investment in applying for certification, want to be sure that it will result in corresponding consumer demand (Ion and Ana-Maria, 2008). According to Rivera (2002), the motivation for joining an ecotourism certification scheme is increased revenue. Lacher et al. (2012) show that tourists have a higher preference for companies that are environmental certified, which translates directly into a higher

willingness to pay for the eco-certified services. This result has been confirmed in numerous studies on consumers' willingness to pay for environmental protection and sustainable products (Choi et al., 2009; Dodds et al., 2010; Hedlund, 2011; Piga, 2003; Thøgersen, 2000). Also, according to the United Nations World Tourism Organization (UNWTO), the environmentally oriented tourist segment has been growing at a rapid rate since the mid-1990s. By adopting a sustainable tourism strategy, service providers and destinations are responding to the changing nature of demand in the marketplace. From this perspective, sustainable tourism can be considered as a demand-driven phenomenon that helps the service provider to vertically differentiate its offer. This is discussed in the next section.

4. Sustainable Tourism as a Vertical Differentiation Strategy

Introduction: The Concept

Vertical differentiation occurs in a given market when several goods are distinguished according to their objective quality, or according to one decisive feature (Bhargava and Choudhary, 2001; Choi and Shin, 1992; Shaked and Sutton, 1982, 1987; Sutton, 1986; Vandenbosch & Weinberg, 1995;). This allows the products on offer to be ordered from highest to lowest quality. A vertical differentiation strategy offers service providers several advantages. First, it helps them to distinguish their products from those being offered by competitors. Second, it allows the provider to attract real demand from genuinely interested consumers. Third, it allows the provider to tailor its products to the preferences of certain groups of consumers who may be willing to pay a premium in order to get the goods that meet their demand.

In the case of sustainable tourism products, vertical differentiation occurs when given services can be ordered according to their sustainability features (Josep et al., 2012; Onofri and Nunes, 2013; Papatheodorou, 2006). Consumers interested in sustainable products will be happy to pay a premium for a product that corresponds to their preferences. The development of differentiated products may be affected by the changing environment or changing consumer preferences. Service providers or destination tourism planners may decide to ecologically improve local amenities in response to consumer pressure. Thus, it is crucial to identify and understand consumers' changing motives for their interest in a particular product (Hassan, 2000).

Sociological Foundations of a Demand-Driven Vertical Differentiation Strategy

According to Hassan (2000), sustainable tourism provides an alternative to economic development needed to position the destination or tourism company in a

competitive position in the marketplace, by attracting environmentally oriented tourists. The level of concern for the environment, and the value assigned to it, varies among tourists. Service providers can take advantage of this segmentation by charging higher prices for products with ecological features than for traditional (more “polluting”) products. The literature shows that environmentally conscious tourists tend to be willing to make more economic sacrifices to protect environment, and to purchase more sustainable tourism alternatives than tourists who are not concerned about the environment.¹⁰ Fairweather et al. (2005) distinguish two types of value orientations, tourists with a “biocentric” value orientation¹¹ who have a more positive attitude toward the environment and pay more attention to ecological labeling, and those with an “anthropocentric” value orientation.¹² Schultz and Zelezny (1999) and Schultz (2001) analyze two other value-orientation concepts. They show that an orientation to “universalism”¹³ and “benevolence”¹⁴ is positively related to a pro-environmental attitude and behavior. Thus, tourists displaying these value types are more environmentally conscious and have greater pro-environmental purchase intentions. Hedlund (2011) shows that a stated universalism value orientation has a positive effect on tourists’ environmental concerns, which in turn has a positive effect on tourists’ willingness to make economic sacrifices. These contributions of the sociological literature show that for a given service provider or a tourism destination planner, the development of sustainable products, or the engagement in an ecological certification process, appears as an appropriate strategy to adopt in order to vertically differentiate their products or the destination.

In taking account of the preferences of the environmentally conscious tourist segment, the service providers are required to invest in the adaptation and modernization of facilities to make them more ecological (Accinelli et al., 2007; Brau, 2008; Claude and Zaccour, 2009; Minciu et al., 2010). Ogonowska and Torre (2013a) propose a theoretical framework to model the influence of demand on the strategic choices made by a given accommodation provider. In this framework, the supply strategy is based on response to demand preferences through the development of new sustainable products of better quality, until the standard product disappears from the market and environmental norms become generally followed. The results of this study are confirmed by the stylized facts related to the holiday resorts’ market, which are discussed in the next subsection.

Vertical Differentiation Approach: Demand-Driven Sustainable Tourism—Belambra and Club Med

Although Belambra and Club Med target different (in terms of wealth or willingness to pay) consumer segments, they are good examples of the environmental norms’ implementation in the holiday resort market. Both firms experienced some difficulties at the beginning of the 2000s, and both have managed to revive their image and brand awareness. The first provider, Belambra, has adopted a vertical differentiation process based on positioning itself in the sustainable tourism market segment in response to a sustainable development strategy established in 2007.¹⁵ The second provider, Club Med, has chosen a different approach, but the results in

terms of adoption of sustainability norms are comparable. Since 2006 it has been following an upmarket strategy by upgrading its quality standards in order to attract the high-revenue consumer segment. It conducted market studies on client needs, which provided information on environmental responsibility and sustainability of the brand.¹⁶ It seems that its target consumers are much more environmentally conscious than anticipated. Both actors have made important investments in environmentally sustainable amenities. Existing resorts have been upgraded to meet new standards including environmental norms, and new resorts have been constructed in accordance with high environmental quality programs, using eco-certified and high-energy performance materials and equipment. Water and waste management policies and recycling procedures have been implemented and responsible purchasing approaches, including optimized deliveries and use of local workers,¹⁷ have been enforced. Finally, both actors have implemented actions aimed at preserving the natural environment and have undertaken on-site education programs. Belambra has established a partnership with Laneo,¹⁸ and Club Med has developed biodiversity protection and educative programs in its resorts at Gregolimano, Opio—the first European resort to be eco-certified, and Corsica where its Cargese resort is part of the Natura 2000 network.¹⁹

The vertical differentiation strategies developed by these actors have proved quite successful. In 2011, Belambra was ranked fourth in the top ten “Green Brands” in France, and Club Med’s customer satisfaction level has been increasing steadily for the last three years.²⁰

5. Sustainable Tourism to Enhance the Market Competitiveness of a Destination

Introduction and Definition of the Concept of Competitiveness

Competitiveness is a complex issue that has its origins in classic international economics (Smith, 1776; Ricardo, 1817) and continues to provoke debate among academics (Fagerberg, 1988; Krugman, 2009; Porter and Van der Linde, 1995). In general terms, competitiveness is the ability of a firm, sector, industry, or country to offer goods and services in a given market that are comparable to the performance of other firms’, sectors’, industries’, or countries’ goods in the same market. It encompasses four main perspectives: comparative advantage and price competitiveness; strategic and managerial; historical and sociocultural; and indicators of national competitiveness (Dwyer and Kim, 2003). Thus, the market competitiveness of a destination is the ability of a given destination to supply services that differentiate its offer from that of a competing destination (Bramwell and Lane, 2004; Candela and Figini, 2010; Cracolici and Nijkamp, 2009; Dwyer and Kim, 2003, 2010; Hassan, 2000; Meleddu, 2014; Pechlaner et al., 2008; Ritchie and Crouch, 2000; Sheldon and Park, 2009). Hassan (2000) identifies four determinants of a destination’s market competitiveness. First, the location has to display some comparative advantages

at the micro- and macrolevels. These attributes correspond to destination location, climate, natural, and cultural resources, infrastructures, availability of information, strategic regional alliances, among others. In order to develop profitable tourism by attracting visitors, a destination needs to offer a high-quality environmental, heritage, or cultural attributes and ensure their sustainability in order that they will continue to be attractive in the future. The second determinant is the demand orientation, which is the ability to respond to tourists' preferences and their changes. An example would be introducing appropriate measures to respond to consumers, who generally became more aware of environmental problems. The third determinant is related to the competitiveness of the industry structure such as the variety of available services, suppliers, and overall stakeholders for a given destination. The fourth determinant refers to the commitment to environment, required when formulating tourism and tourist-oriented policies and destination marketing strategies. This determinant is closely linked to the first one since the development of profitable tourism requires high environmental quality standards and awareness that the development of certain activities might irreversibly exploit the natural environment and alter the sociocultural composition and uniqueness of the territory (Meleddu, 2014). Thus, there is a clear need for environmentally friendly and heritage preservation policies for the sustainable development of tourism at a destination.

Sociocultural Aspects of Destination Competitiveness

Ritchie and Crouch (2000: 5) include other perspectives on sustainability to the competitiveness of destinations, stating that "to be competitive, a destination's development of tourism must be sustainable, not just economically and not just ecologically, but socially, culturally and politically as well." The authors argue that economic prosperity is necessary to assess the competitiveness of a destination, and that destination competitiveness leads to long-term prosperity. Dwyer and Kim (2003) present an integrated model of destination competitiveness, based on the determinants identified by Crouch and Ritchie (1995, 1999, 2000). Their framework identifies four main determinants of destination competitiveness: resources (endowed and created), which constitute the primary attractors for tourists; situation conditions identified as "economic, social, cultural, demographic, environmental, political, legal, governmental, regulatory, technological, and competitive trends and events that impact on the way firms and other organizations in the destination do business, and present both opportunities and threats to their operations" (Dwyer and Kim, 2003: 379); destination management factors (governments and industry), which "enhance the appeal of the core resources and attractors, strengthen the quality and effectiveness of the supporting factors and resources and best adapt to the constraints imposed by the situational conditions" (Crouch and Ritchie, 1999: 149); and demand conditions that include the awareness of demand, perceptions, and preferences, confirming that in order to be competitive the destination must adapt its offer to evolving demand. These determinants are correlated. Their combination enables the competitiveness of the destination. However, Dwyer and Kim (2003: 380) emphasize that destination competitiveness "is itself an intermediate goal toward a more fundamental aim of socioeconomic well-being for residents."

In order to successfully develop sustainable tourism in a given destination, the relations among all stakeholders such as local authorities, NGOs, environmentalists, investors, and local residents, should be considered, and all stakeholders should be involved at each stage of development (Dwyer and Kim, 2003; Hassan, 2000). There is an undeniable need for clear regulation, and reinforcement of environmental and cultural heritage protection programs. According to Singh (2008: 27), sustainable tourism development should “meet the needs of present tourists and host regions while protecting and enhancing opportunity for the future. It is envisaged as leading to management of all resources in such a way, that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, and biological diversity and life support systems.” Thus, local authorities and administrations need to develop appropriate policies focused on environmental protection that incentivize market actors to implement ecologically responsible measures and amenities (Accinelli et al., 2007, 2008; Brau, 2008; Claude and Zaccour, 2009; Minciu et al., 2010; Rivera, 2002; Weaver, 2005). To smoothen the implementation of environmental policies, it will be necessary to educate the market actors (hotel management, tourism agents, tour operators, administration) as well as the local population in order to adapt perceptions to a new long-term vision of sustainable tourism development (Henry and Jackson, 1995; Jamal et al., 2011; Nita and Agheorghiesei, 2010).

Traditional tourism destinations that become uncompetitive with neighboring destinations can find themselves in a difficult situation. They could perhaps achieve vertical differentiation by refocusing on environmental and cultural aspects. This point is developed in the case study of Martinique Island.

The Case of Martinique Island

Martinique Island is a traditional “3s” (i.e., sea, sun, sand) destination, which since the late 1990s has been in crisis. As a French region, it must comply with French regulation on employment. It is poorly served by air transport with most flights originating in metropolitan France. It has a low level of differentiation of offerings and has acquired an image of a low-quality vacation destination. It suffers from competition from the Dominican Republic and Cuba, which are better connected and also are subject to more lenient employment regulations. This difficult situation has attracted the attention of local authorities and businesses, and also some academic researchers. For example, Moreau and Rosier (2007) have investigated these problems and suggested that the solution would be to strategically distinguish Martinique from its direct competitors. The best solution would seem to be differentiation of its tourism offering and experience through a focus on Martinique’s cultural and historical resources, which would provide a specific identity and an authentic emotional experience for visitors. Efforts should be made in terms of destination marketing and educating the market actors and employees in changing the destination’s image. A successful modification of the island’s image would help to attract a new tourist segment interested in the environmental and cultural heritage attributes. However, as Hassan (2000) points out, improving the ecological image of a tourism destination is a long-run process. It involves attracting

a specific type of investor with a strong commitment to environmental quality and sustainable development. Also, it will be difficult to transform a mass tourism destination such as Martinique Island into an ecotourism destination. However, there are some intermediate solutions that would seem to be suited to this type of destination. Ivanov and Ivanova (2013) developed the concepts of “mass ecotourism” and “eco mass tourism” as options somewhere between mass tourism and ecotourism. According to their definitions, mass ecotourism involves developing ecotourism by attracting more tourists in order to create more jobs and revenues, while eco mass tourism requires some limits applied to tourist number, and improved environmental performance and services.

Sustainable Tourism as a Social Measure

Swarbrooke (1999: 13) defines sustainable tourism as “tourism which is economically viable, but does not destroy the resources on which the future tourism will depend, notably the physical environment and the social fabric of the host community.” This definition highlights three main points that characterize truly sustainable tourism as opposed to mass or “3s” tourism. First, sustainable tourism should respect and protect the natural environment and natural resources. Second, it should ensure a good relationship between the local community and tourists. Third, tourism companies should be respectful of the local population, which is the source of their workforce.

Relations between Tourists, Tourism Service Providers, and Local Residents

The arrival of tourists and the development of tourism in a given destination have significant economic, environmental, and sociocultural impacts on host communities and their quality of life, regardless of occupation (Bohdanowicz and Zientara, 2009; Jamal and Getz, 1995; Johnston and Tyrrell, 2005; Yu et al., 2011). The social well-being of local residents may be proportional to, or in conflict with, industry goals (Mason and Cheyne, 2000). On the one hand, local populations benefit from jobs and tax revenues related to tourism (Bohdanowicz and Zientara, 2009; Haralambopolous and Pizam, 1996). On the other hand, tourism can bring related negative externalities.

Analysis of Tourism Externalities

Tourism externalities generally fall into three main categories: economic, environmental, and sociocultural (Gunn, 1988; Gursoy et al., 2000; Johnston, 2007; Mathieson and Wall, 1982; Meleddu, 2014; Murphy, 1983; UNWTO, 1997). To develop and sustain long-term tourism activity in a given destination it is important

to preserve a balance between the positive and negative externalities on residents' everyday lives in order to gain the host population's approval (Andriotis and Vaughan, 2005; Vernon et al., 2005). Economic externalities are most of the time considered to be positive, and are easily measurable, for example, improved local economy, income levels, and employment (Akis et al., 1996; Liu and Var, 1986; Milman and Pizam, 1988; Ogonowska and Torre, 2013b; Ross, 1992), and greater local public investment in infrastructure and transport (Milman and Pizam, 1988; Williams and Lawson, 2001). However, there are some economic impacts that might be perceived as negative, such as a general increase in prices (Milman and Pizam, 1988; Ross, 1992), or an increase in the price of land and real-estate (Liu and Var, 1986; Nowak et al., 2004; Ross, 1992). On the other hand, environmental and sociocultural impacts are perceived negatively on the whole despite some positive externalities, such as the conservation and protection of natural environment and historic monuments, increased recreation facilities, encouragement of cultural exchange, etc. (Allen et al., 1988; Liu and Var, 1986; Milman and Pizam, 1988; Ross, 1992). The literature shows (Andereck et al., 2005; Ap, 1992; Butler, 1980; Doxey, 1975; Dwyer and Forsyth, 1997; Liu and Var, 1986; Nowak et al., 2004; Ogonowska and Torre, 2013b) that the arrival of tourists and increasing tourism activities can have very annoying consequences on the everyday life of the local population. These negative impacts may be objective, such as more traffic and greater demand on public utilities, crowding out of attractions, deterioration in public amenities, erosion of sites, pressure on fragile environments, increased water and air pollution, and so on. They may also be subjective, when tourism development does not correspond to local development projects, when the presence of tourists disturbs the social climate, or has negative impacts on the cultural integrity of the population, and so on. These subjective negative impacts are usually generated by specific types of tourists who do not care about and are disrespectful of the local culture, habits, and environment. These inconveniences of tourism activities can affect residents' attitudes, and the local population may take more or less aggressive actions to limit or deter tourism. These actions can range from petitions, peaceful events, and demonstrations aimed at urging the local authorities to undertake measures to support environmental protection and reduce excessive urbanization, to attacks on tourism facilities and amenities,²¹ and tourists. Aggressive action against tourism activities can harm the image of the whole destination. It can frighten and discourage tourists from visiting (or repeated visiting) the area (Cooke, 1982; Davis et al., 1988; Frigolen, 1991), and since the world provides a large number of attractive tourism locations, tourists will abandon the destination. Once the area has gained a bad reputation, attracting visitors becomes very difficult. Thus, it is essential that tourism activities do not interfere too much with local development and residents' everyday lives. To develop a "win-win" tourism plan, it is important to evaluate residents' attitudes and preferences (Allen et al., 1988, 1994; Ap and Crompton, 1998; Gursoy et al., 2002; Lankford and Hasard, 1994). In order to achieve sustainable tourism growth, there is a clear need for consensus among all the destination's stakeholders and involvement of the host community during the tourism planning process (Chen, 2006; Del Chiappa, 2012; Harrill & Potts, 2003; Jurowski et al., 1997; McCool & Martin, 1994; Meleddu, 2014; Vernon et al., 2005).

Tourism Service Providers' Specific Policies for Social Acceptance

For several years there has been increased awareness of the potential negative impacts of tourism on local residents' everyday lives. According to Johnston and Tyrrell (2005), there is no sustainable solution that would simultaneously maximize benefits for residents and for the industry. Thus, it is necessary to combine research on environmentally sustainable outcomes and socially acceptable compromises, which are located somewhere in between the optimal solution for each group. The concept of corporate social responsibility was developed by World Business Council for Sustainable Development (2000: 3): "Corporate Social Responsibility is the continuing commitment by businesses to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large." Corporate social responsibility requires businesses to justify their existence and activities through services to the community rather than profits. It includes treating employees, suppliers and customers fairly, supporting local communities, donating to charitable causes, and promoting environmental sustainability (Crook, 2005). In this context, Choi and Sirakaya (2005) identify seven factors related to residents' attitudes to sustainable tourism:

- Perceived social costs
- Environmental sustainability
- Long-term planning
- Economic benefits
- Community-based tourism
- Ensuring visitor satisfaction
- Maximizing community participation.

Local populations have a more positive attitude toward sustainable tourism than mass tourism. A better understanding among policymakers and tourist destination managers is needed about the effect of tourism development policies on local populations (Yu et al., 2011). Support for and of local populations is critical because conservation activities of residents can affect the preservation of environmental resources (Johnston, Tyrrell, 2005).

6. Concluding Remarks

The issue of sustainability has been very widely investigated in the tourism related literature. According to Lawton (2009) some 400 refereed journal articles have been published since the 1990s. The interest among researchers from different fields of the social sciences emphasizes the importance of this topic. This chapter sets out to show the evolution of sustainability and the types of concerns it raises, based on the literature on tourism developments. This literature will probably split in future years into two different directions. The first could consider the dynamics of the development of sustainability in the supply of tourism services. This dynamics involves

two segments—one offering traditional services, and the other offering sustainable services—and two types of clients. With the increase in the size of the second segment, the dynamics will change into one pooling offer of services able to fulfill sustainability requirements and the level of quality of traditional offers. The second direction should be around the redefinition of the actors involved in the tourism industry. Environmental norms provide tourists and residents with new reasons to intervene, to moderate the development of some types of activities, and to reallocate projects to the pursuit of more sustainable objectives. However, the timing of this dynamics is different in developing and emerging, and developed economies. Future models of sustainable tourism will not be the same for all regions of the world and all stages of development of the economies. This is one of the main issues to be developed in future works.

Notes

1. The model application may, for example, help to assess quantitatively the outcomes of European, or national, recycling policy implementation. It may also help to analyze the evolution of consumer preferences concerning more environmentally respective products.
2. Such as how to reduce the greenhouse effect.
3. It was set through a Regulation of the European Parliament and of the Council No.880/92 of March 23, 1992, and published in JOCE 11/04/1992. Its daily management is carried out by the European Commission together with bodies from the Member States and other stakeholders (Source: <http://ec.europa.eu/environment/ecolabel/the-ecolabel-scheme.html>).
4. In France, Ecolabel is delivered by AFNOR Certification.
5. Source: <http://www.iso.org/iso/home/standards/management-standards/iso14000.htm>.
6. For detailed listing see: <http://ec.europa.eu/environment/ecolabel/documents/hotels.pdf>.
7. Source: <http://ec.europa.eu/environment/ecolabel/facts-and-figures.html>.
8. <http://www.visitcostarica.com/ict/paginas/sostenibilidad.asp?tab=4>.
9. For an extensive information on those labels see: <http://www.gstccouncil.org/sustainable-tourism-gstc-criteria/gstc-recognized-standards.html>.
10. For more detailed analysis of this issue see Thøgersen, 2000; Weaver and Lawton, 2002; Fairwether et al., 2005; Choi et al., 2009; Dodds et al., 2010; Hedlund, 2011.
11. Biocentric value orientation extends the status of moral object from human beings to all living things in nature.
12. Anthropocentric value orientation considers humans as the central and main element of the universe.
13. Universalism includes altruism toward humankind and comprises such values as equity, social justice, and peace on earth.
14. Benevolence encompasses altruism toward in-groups and includes values such as being helpful, forgiving, and being responsible.
15. Sources: http://www.caissedesdepots.fr/fileadmin/PDF/rapports_annuels/2011/rapport_d_activite_groupe_caisse_des_depots_2011.pdf http://www.belambra.fr/static/img/cp/DP_corporate.pdf.
16. According to an informal discussion with the Club Méditerranée's Europe-Africa technical director, Sylvain Gouyer, during IDDI Forum June 29, 2010, in Sophia Antipolis, France.

17. 76 percent of Club Méditerranée's employees are locals and it realizes 95 percent of local purchases. Source: Club Méditerranée Annual Report 2011.
18. Laneo is a foundation organizing cleaning nature actions (forests, beaches, rivers etc.). Created by Andrew Paterson in 2006, it is a platform matching outdoor sport enthusiasts, environmental NGOs, with environmentally conscious firms willing to finance eco-responsible projects. Source: http://appli6.hec.fr/amo/Articles/Fiche/Item/les_communautés_virtuelles___nouvelles_formes_de_mobilisation_et_de_generation_de_profits_-_par_andrew_paterson-77.sls.
19. Natura 2000 is an ecological network of protected areas within European Union. For more information see: <http://www.developpement-durable.gouv.fr/-Natura-2000,2414-.html>.
20. Source: Club Med's annual report 2013 (<http://www.clubmed-corporate.com/wp-content/uploads/2014/02/VCONSO-ENG-VDEF.pdf>).
21. These negative actions were observed in Greece, Portugal, and Spain in 1970–1990 and more recently in Corsica.

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Chapter 10

Sustainable Tourism Development through Knowledge Transfer

Jana Kalabisová and Lucie Plzáková

1. Introduction

Innovation performance is generally determined by the quality of the national innovation system, represented by a network of public and private sector institutions, whose activities and mutual relations ensure the process of creation, transfer, and use of new knowledge within the country. According to Klimentovská and Karlovarský Rozvojový Institut (2010), innovation is the result of systematic interactions between the individual participants in the national innovation system and their mutual links at regional, national, and supranational levels. An important role in the innovation process is then played not only by institutions of higher education and research organizations, but also by enterprises, their suppliers, and customers. And, last but not least, the process is directly influenced by the quality of the institutions and the environment where the innovation process takes place (ERDF, 2010).

Innovation is the process of making changes to something established by introducing something new. It can be radical or incremental, and it can apply to products, processes, and services. All changes, large or small, to an organization, are classified as innovation (O'Sullivan and Dooley, 2008). Innovations can be expressed in quality improvement. We can improve the quality of products, processes, and services, but in the hospitality sector, this is often a matter of subjective judgment and guests end up by making their own judgment about the quality and value of the overall guest experience (Ford et al., 2011).

The Czech Republic is currently undergoing a transition from an efficiency-driven economy to an innovation-driven economy. It has been achieving its economic growth mainly by investing in the expansion of production capacities while adopting modern technologies developed in economically more advanced countries.

To maintain future competitiveness, it will be necessary to continuously push the technological limits of production while introducing innovations in the form of new products, technological procedures, changes to work management, or new ways of selling products and services (EEP and ERDF, 2010).

The Institute of Hospitality Management in Prague acted as a knowledge provider for a specific provider of accommodation services in a project realized as part of the grant (innovation vouchers) of The Business Development Agency of the Karlovy Vary Region.

The main objective of the project was a reduction in seasonal fluctuations for the provider and an increase in its competitiveness. It dealt with the transfer of know-how and its application in the business environment, which has no regular access to such tools. The objectives were a description of the initial situation, a proposal for a methodology, and finally a demonstration of the transfer of knowledge from the academic to the business sector in the field of sustainable tourism through innovation vouchers supported by the public sector.

The specific objectives of the chapter in the case examined were:

1. Determining the drivers of innovation;
2. Identification of internal and external barriers for innovation;
3. Description of the innovation process;
4. Definition of innovation networks.

2. Theoretical Framework

Innovation Process through Service Innovation

In order to survive in the marketplace, service organizations have no choice other than to successfully develop new services. However, the failure rate for new service projects is high, because the knowledge of how new services should be developed is limited (Ottenbacher, 2011).

According to Baković (2010), the two most commonly used types of innovation are radical and incremental innovations. The first type is associated with doing new things, and this represents a true advantage for a company at the national level. The second type is often described as doing things better, and it means working on maximizing the effectiveness of a system, or a company. Radical innovations are often realized through product innovation, while incremental innovations in most cases take the form of process innovations. Both types will be examined in this chapter.

Innovation in services is a relatively new field of analysis, but because of its increasing role and importance in the world economy, it is not to be disregarded. Among the service industries, tourism and hospitality can be considered as a crucial sector, as it is one of the fastest growing areas of the global economy (Yucelen and Yigitbas, 2010).

According to Radu and Vasile (2007), contemporary organizations are facing: increased social and economic change, changes in customer needs, increased competition among hotels, and technological innovations that are occurring very rapidly in the hospitality sector. Dealing with these challenges requires looking for ways of cutting costs, improving quality and reputation, gaining flexibility, and becoming more innovative. Innovation is a proactive response by companies to a changing business environment, and continuous renewal and adaptation are required to stay in business.

In the hospitality industry, the success of new services does not depend only on the functional aspects of service delivery, but also on the investments of time and effort that create the personality of a hospitality organization. This perspective underlines the necessity of an effective human resources management that accompanies the process of the introduction of new services in the hospitality industry (Radu and Vasile, 2007).

A study conducted by Ottenbacher (2011) investigates the factors that have an impact on the success and failure of new service developments (NSD) in the hospitality sector. This exploratory study in the hospitality industry showed that most NSD are improvements and revisions of existing services. His conceptual model includes 16 dimensions, including financial, customer satisfaction, and other benefit aspects. In relation to success factors, his model includes four product-related factors: product advantage, technical quality, functional quality, and innovative technology. The market features of the conceptual model are: market synergy, market attractiveness, and competition. The process dimension includes five aspects: pre-launch activities, employee involvement in the new service development process, launch preparation, effective marketing communication, and NSD process management. Reputation, overall synergy, strategic human resource management, selective staffing, training of employees, behavior-based evaluation, empowerment, and formalization represent the organizational dimensions of the conceptual model.

Another study, dealing with service innovation, emphasizes the role of marketing. Hariandja (2011) created a conceptual model that relates service innovation and marketing communication, involving the intensity of both aspects in the hotel industry. The conceptual framework is presented in Figure 10.1.

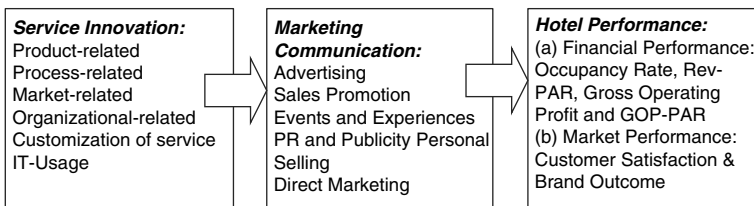


Figure 10.1 Conceptual framework.

Source: Hariandja (2011).

Knowledge Management as a Challenge for Innovation

In an economy where the only certainty is uncertainty, the one sure source of lasting competitive advantage is knowledge (Bartlett et al., 2004). Knowledge management has been found to have an important influence on service innovation performance. This is meaningful because managing knowledge is also an incremental process that links individuals, teams, departments, and organizations through knowledge sharing in order to achieve organizational learning. Learning is an integral part of innovation as it provides a knowledge base on which the skills and competences necessary for innovativeness can be built (Yucelen and Yigitbas, 2010).

The rising significance of service, and the accelerated rate of change, means that service innovation is now a major challenge to practitioners in business and government, as well as to academics in education and research. A better understanding of service systems is required.

In response, service science, management and engineering, or, in short, service science is emerging as a distinct field. Its vision is to discover the underlying logic of complex service systems and to establish a common language and shared frameworks for service innovation. To this end, an interdisciplinary approach should be adopted for research and education on service systems. Researchers should therefore work with practitioners to create data sets to better understand the nature and behavior of service systems and create modelling and simulation tools for service systems (IfM and IBM, 2008).

Although tourism research has unquestionably grown in recent years, it has been largely market driven, focusing attention on tactical short-term objectives, according to Cooper and Ruhanen (2004). This is not surprising, considering that tourism has traditionally been service and product based and, with the exception of distribution systems and business administration, most tourism enterprises have been either unaware of, or slow to take up, the opportunities on offer from tourism research. In addition, the tourism sector is dominated by small- to medium-sized enterprises, which are traditionally research averse. As a result, tourism research has not been subject to a knowledge management (KM) approach, and the sector is not as competitive as it could be. This is an area that needs further research.

As with other sectors, knowledge will become the fundamental factor underpinning successful tourism organizations, as declared by the same authors. Compared to other fields, the transfer of KM concepts to the tourism sector has been slow, particularly in those sectors that have a strong service tradition. In contrast, the successful adoption of the KM approach has become apparent in certain tourism sectors, including transport and distribution, where rapid advances have been made in the use of information technology and the development of software applications. Along with the growing debate on the need for sustainability, and the emerging recognition that the health of the tourism industry is inextricably entwined with many topics, there is an urgent need for tourism research to embrace new directions. For the tourism industry Cooper and Ruhanen (2004) suggest a need to commit to external collaboration to drive quality through the supply chain; form joint ventures with partners who have complementary skills and technologies; learn from

others through benchmarking; and maintain competitive economic advantages by collaborating with universities and research institutions.

If the academic research community and the tourism sector embrace this change in philosophy, there is every possibility that significant advances will be made in encouraging theory building, instead of the previous cycle of theory testing, and this new knowledge will be diffused to the wider industry in both the public and private sectors (Cooper and Ruhanen, 2004).

A study done by Thorburn (2005) examined the role of knowledge-intensive service activities in innovation by obtaining qualitative data on innovation in the tourism, software, and mining technology industries. More specifically, the project focused on the decision-making processes that lead the firms in the case studies to outsource some components of their innovation to knowledge-intensive service providers. Eighteen case studies were completed; six of them were tourism firms.

It was found that tourism firms relied on a stable core product, often based on the assets of a particular location, as the cornerstone to their success. However, the firms modified their products and services in response to changing customer demands, other external influences, and management drive. Tourism firms also made some use of personal networks, but these operated at a national rather than at an international level. The participating tourism firms did not perform formal R&D and were not likely to have any formal relationships with R&D institutions. Tourism firms were more likely to outsource advice on such things as R&D, product development, establishing offices overseas, accreditation, training, and establishment of IT networks. They appeared to use knowledge-intensive services to implement capital expenditure decisions and to develop facilities.

3. Methodology and Empirical Setting

Sipe and Testa (2009) offered a comprehensive framework for researching innovation in hospitality that comprises drivers of innovation, innovation outputs, and their connections with business performance. The definitions of innovation outputs in their study are based on preliminary research from interviews and pilot surveys. The interview findings, coupled with the inherent issues of measuring innovation in the service industry and the suggestion that ambiguity still exists around the typologies, led them to conclude that any research initiative would have to start by defining the outputs. The innovation outputs category comprises product innovations, service innovations, and administrative innovations. The drivers of innovation category encompass leadership behaviors, work groups innovation climate, management tools/processes, and strategy. The third category (business performance) is represented by financial metrics, market position, and operational excellence. External factors comprise the organization, the industry, and the environment.

Finally, they submitted an innovation typology that may serve as a starting point for academic and practitioner dialogue and suggested that reaching consensus on a typology is critical to advancing new knowledge in a comprehensive manner.

Many authors have dealt with the definition of knowledge management (Alavi and Leidner, 2001; Allee, 1997; Bhatt, 2001; Davenport et al., 1998; Gupta et al., 2000; Holm, 2001; Horwitch and Armacost, 2002; Quintas et al., 1997), but for the purposes of this chapter this one is used: “knowledge management is a managerial activity which develops, transfers, transmits, stores and applies knowledge, as well as providing the members of the organization with real information to react and make the right decisions, in order to attain the organization’s goals” (Kanagasabapathy et al., 2006: p. 2).

Innovation vouchers are mainly focused on knowledge transfer as a part of knowledge management mentioned above, and we pay attention to the aforementioned topic in this chapter. Five steps have been chosen to describe knowledge transfer from the academic to the business sphere according to Levine and Gilbert (1999). As mentioned below, the academic sector is represented by the Institute of Hospitality Management in Prague and the business sphere by the examined provider of accommodation services. The steps involved in knowledge transfer are the following:

1. *Idea creation*

When talking about idea creation, we considered creativity potential and determination to be active in the innovation process. This potential was examined through brainstorming and structured interviews with the owners and management. The aim of these methods was to find out the group’s expectations, the way new ideas are encouraged, and their engagement in constant experimentation.

2. *Sharing*

Based on the previous step we proceeded with sharing the knowledge with the top management. In this case the shared knowledge consisted of questionnaire elaboration and its processing, evaluation and results interpretation, elaboration of financial analysis, marketing strategy, and change in organization structure or change in the product and services offered. Other skills that could be transmitted are connected with networking, which involves cooperating with partners within the region.

The main condition for successful implementation of this step is that the management must be willing to share such ideas. In the past, managers tried to evaluate consumer satisfaction with provided services and products by questionnaires, but no evaluation was made because of the lack of necessary knowledge. Therefore, this indicated great potential for transferring necessary knowledge.

3. *Evaluation*

Management must have the capability, incentive, and structure to implement new ideas. During a two-day seminar it was examined whether the proposed methods were well understood and accepted; management’s willingness to implement them in practice was also assessed.

4. *Dissemination*

This step is focused on dissemination of new knowledge among all the employees. With regard to the fact that the research team cooperated with a small company, this step fell under the responsibility of the management.

5. *Adoption*

In the best of worlds, if people knew the right thing to do, they would do it. Scholars of organizational inertia have developed complex theories of why, even after knowledge has been transmitted to the right people, it may not have been transferred to the organization. These theories fall into the categories of inadequate capability (known as “absorptive capacity” in the literature), poor incentives (the famous “not invented here” syndrome), and inadequate structures (e.g., rigid operating procedures that are difficult to update) (Levine and Gilbert 1999).

The inspiration was found in a study of innovation transfer in BEST Education Network (Carlson et al., 2008). They elaborated a framework for cross-case analysis, which is described in Table 10.1.

To conduct and transfer shared knowledge, the academic group had to work with various research methods including observation, interviews, questionnaire survey, market segmentation, and SWOT analysis. For the results pertaining to Hotel Stein, two statistical methods—time series and index analysis—were also used.

The method of observation consisted in observing and measuring the world around, including observations of people and other measurable events. The interview is a method of asking participants questions in a one-on-one or small group setting (Driscoll, 2011). Both methods were used with the owners and management of Hotel Stein.

The standardized questionnaire survey was distributed from July 18 to September 17, 2012. For the purposes of the project, three main outcomes of the survey were developed—the typical customer at Hotel Stein, a customer with high potential, and differences among guests from the Czech Republic and Germany.

The results from the survey of Hotel Stein were based on indicators that included the amount of revenue, expenses, and the resulting profit. The hotel’s situation was illustrated with data on the percentage occupancy in individual months. Data were available from January 2008 to June 2012. Because of the short time period a prognosis for the future could not be created from the time series.

Another research method used was market segmentation. Segmentation means looking for a relationship between the needs of consumers (customers) and the marketing activities of the provider (Příbová, 1996). For the hotel management, the selection of suitable bases for segmentation of the market is, to a large extent, a creative process because it is not easy to offer the same product to different market segments (Payne, 1996). Based on the characteristics of the products offered by Hotel Stein, the best solution was segmenting visitors according to their purchasing process, purchasing decisions, and comparison of expected and actual benefits.

Table 10.1 Framework for Cross-Case Analysis

Drivers of Innovation	Barriers to Innovation—Internal	Barriers to Innovation—External	Innovation Processes	Innovation Networks
Competent and Committed Management	Knowledge	Legislative/Political	Steady improvement	Social/Cultural support network
External Relationship Management	Financial	Environmental	Based on cultural routines and norms	Knowledge/learning network
Management of Information	Human resources	Social	Rapid implementation	Customer/Supplier network
Recognition of Employees	Business	Technological	Producing immediate gains	Diffusion network
Acknowledgement of Customer Relations			Producing customer loyalty	
Implementation of a New Systematic Product Development Process			Adaptation of existing technology	
Awareness of Barriers				
Values held by Management				
Management Commitment to Innovation				

Source: Carlsen et al. (2008).

These analyses were supplemented by the SWOT analysis focusing on the strengths and weaknesses of the hotel and the opportunities and threats from the external environment.

Karlovy Vary Region

The last section of the methodology indicates basic facts about the study area—Karlovy Vary region—the location of Hotel Stein. The Karlovy Vary region is characterized by a high number of entrepreneurs, an equally high number of employees in the service sector, the highest concentration of spas in the Czech Republic, one of the largest accommodation capacities, and the longest average stay for foreign tourists (CzechInvest, 2010).

The examined subject is situated in the West Bohemian Spa Triangle, a tourist area, which is part of the larger West Bohemian Spa region, and belongs to the

administrative region of Karlovy Vary. The area is bordered by the Karlovy Vary (Carlsbad), Mariexami LLrie (Marienbad), and Frantienbad LLant (Franzenbad) spas. In terms of the number and diversity of its mineral springs, no other region in the world can compare with this “spa triangle.”

4. Results

The innovation potential is lower as compared with other Czech regions due to the small number of universities and innovation and research centres. Other conditions for developing innovation and the economic growth of the region are below average (TC AV ČR, 2008). One of the causes is a decline in regionally traditional industries such as textiles and glass, the ceramic industry, and coal mining. The region has low attractiveness for potential investors and employees. The unemployment rate is currently near 10 percent in the Karlovy Vary region (Czech Statistical Office, 2014).

The conclusion of the Technology Centre of the Academy of Science of the Czech Republic (2008) is that the Karlovy Vary region has a very low potential for innovation due to an extremely low concentration of research capacity. According to the Czech Statistical Office the structure of universities and research organizations in the Karlovy Vary Region is underdeveloped.

The Karlovy Vary regional government set up the Business Development Agency of the Karlovy Vary Region. This agency was solely established to implement competitiveness in the Karlovy Vary region and to coordinate the region's business development activities. Innovation vouchers are among the earliest activities of the agency (TC AV ČR, 2008).

If we have a look at the accommodation capacity in the West Bohemia Spa region, we can see a constant development from the year 2000. From the point of view of tourism development, this region is very steady.

What has been changing during the last 11 years is the accommodation capacity in different categories. Accommodation capacity in the lower categories and in five-star hotels has been very stable without any significant deviation. Three- and four-star hotels are another case, however. The number of four-star hotels has increased threefold (Czech Statistical Office, 2012). Of course, the biggest influence on this development is the type of tourism typical for West Bohemia—spa tourism.

Incoming tourism is steady in the West Bohemian Spa region, with around 70 percent of tourists visiting each year from foreign countries, mainly from Germany. Domestic tourism makes up 30 percent of overnight stays, but the general expectation is that this share will decrease. The main reason for this trend is a reduction in the list of treatments that are financed by the Ministry of Health of the Czech Republic for Czech citizens. The occupancy rate in hotels and pensions was around 50 percent in the period 2000–2012, making the West Bohemian Spa region a place with the longest average stay made by tourists in the Czech Republic (Figure 10.2).

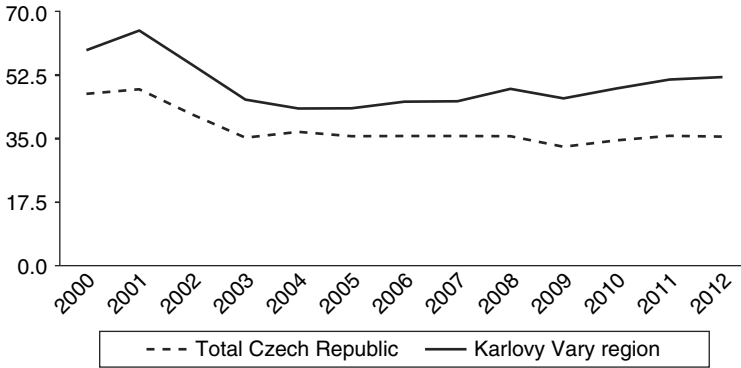


Figure 10.2 Developing of occupancy rate of beds—comparison Karlovy Vary Region with the Czech Republic during the period 2000–2012

Source: Own, according to data of the Czech Statistical Office.

Description of the Accommodation Services Provider

The premises where the hotel and restaurant that make up the subject of this study are now situated was created after complete reconstruction of an agricultural farmstead from the nineteenth century. The first section of Hotel Stein was opened in 2004, and in the following years another part of the hotel was renovated to provide rooms, reception, a conference room, and a wellness center. In the summer time, an outdoor swimming pool is open. Other parts of the complex are the following:

- An eco-farm with animals such as horses, llamas, sheep, goat, and highland cattle for breeding
- A sports area and rental shop for bicycles, boats, and four-wheelers

The farm obtained (in 2008) the status of “ecologic farm” registered under Czech Breeders Association and has to follow very strict ecological regulations of farming and breeding.

The accommodation is divided into two sections—the original section and the new hotel section. Its total capacity is 71 beds (and nine extra beds) in 32 rooms. A restaurant with 44 places offers traditional Czech cuisine and international specialties. The hotel organizes family celebrations, corporate events, children’s parties, and weddings. The eco-farm can be a venue for workshops and conferences to cater to a variety of private or public organizations.

The size and structure of the organization, along with its turnover, put it in the category of small enterprises.

The business is operated based on family entrepreneurship. The owners do not have any previous experience with accommodation and restaurant operations, but

thanks to education in this field, they overcame these barriers. The main problem remains in securing qualified and experienced staff as cooks, waiters, wellness workers, or receptionists with language knowledge. As a result the demand for workers from such professions in these spa areas is higher than what the locals can provide. This has direct consequences for the quality of provided services.

In Table 10.2, there is a SWOT analysis summarizing the strengths, weaknesses, opportunities, and threats for the provider.

In Table 10.3 is listed the evolution of sales, costs, and profits from 2008, from the beginning of business activities until 2011 and mid-2012. The sales are found to be generated by six activities: walk-up (counter sales), reservations systems of other companies, tour operators (domestic or foreign), tourism agencies (sales of created products), accommodation packages, and company events (workshops, trainings, conferences, and team-building activities).

In 2009 there was a large investment aimed at increasing the accommodation capacity from 12 to 33 rooms. This had a negative influence on profit in that year, but a positive impact in 2010.

Table 10.2 SWOT Analysis

	Strengths	Weaknesses
Internal	Localization Structure of provided services (potential for elimination of seasonal fluctuation) Demand for proposed products Stable position on the market “Good name” (well-established) Very clean and well-maintained area and its surroundings Web pages providing abundant information Own private estates Cooperation with various tourism agencies	Unqualified staff Insufficient promotion in Germany Insufficient leadership knowledge at top and middle management in the field of hotel management Unclear status of the provider (simultaneously presenting itself as a hotel, eco-farm and wellness hotel)
	Opportunities	Threats
External	No similar subject in the surroundings provides similar services (20 km) Elimination of borders Own private estates (possibility to increase other services) Improvement of water quality in nearby lake	Seasonal fluctuation in visits External economic influences Weak tourism support from the municipality of Cheb

Source: own.

Table 10.3 Economic Characteristics for the Subject

	Sales [in thousands CZK/EUR]	Costs [in thousands CZK/EUR]	Profit [in thousands CZK/EUR]
2008	6 449/253	6 207/243.4	242/9.6
2009	8 701/341.2	10 353/406	-1 652/-64.8
2010	11 246/441.02	7 836/307.3	3 410/133.72
2011	11 562/453.4	8 400/329.4	3 162/124
2012 (January–June)	5 290/207.45	4 622/181.25	668/26.2

Note: 1 EUR = 25.50 CZK.

Source: own.

The evolution of 2012 sales was influenced by various factors. Because of the great potential from German visitors for the provider, the economic situation in Germany has a big influence on the occupancy rate. Another factor is the existence of “discount portals” in the Czech Republic, which have become very popular, especially among young people. One of the side effects of this phenomenon is that consumer perception of provided services and their prices is changing, and a noticeable portion of tourism services demand is saturated by offers from discount portals.

Financial measures, like profit and total sales, are used as a primary evaluation of new services. Furthermore, customer satisfaction and employee feedback are very important for success in the hospitality sector (Ottenbacher, 2011).

The revenues for Hotel Stein grew from 2008 to 2010, with the peak recorded in August 2010. Revenues in 2011 developed very positively, but during the high season did not reach such a peak as in the previous year. The same can be said for 2012. Operating costs were highest in 2009, as a result of investment in expansion of capacity from 12 to 33 rooms. This had a positive effect on profit. Using the trend function for the development of sales and operating expenses for the last two years for which we have comprehensive data, that is, 2010 and 2011, it is clear that in 2010 the costs and revenues evolved according to the principles of profitability, that is, costs remained at a constant level, while sales increased. The difference between costs and revenues increased, so the owner achieved a higher profit. This positive trend did not continue, however, in 2011. Costs and revenues move on the same slope (see Figure 10.3).

If we evaluate the development of revenues with index analysis—basis and chain—then it is clear that revenues in 2011 rose about 79 percent as compared with 2008, which was used as a baseline. From the view of the chain index, it was noticed that the highest growth in revenues was from 2008 to 2009 (35%) and, conversely, the lowest was about 3 percent from 2010 to 2011 (see Figure 10.4).

The preliminary data reveal that the increase in profit in the first half of 2012 is not quite optimal. In January 2012, the management of Hotel Stein introduced product packages, 13 of which were program packages, seven thematic packages

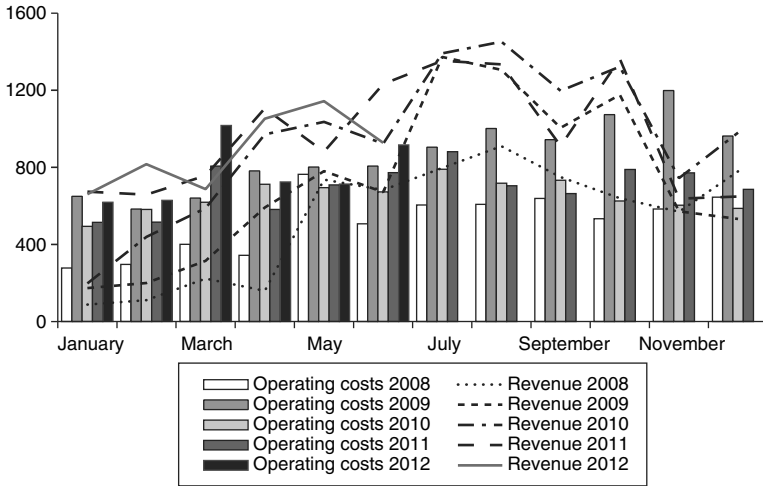


Figure 10.3 Growth rate of revenues and operating costs of Hotel Stein in the period January 2008 to June 2012.

Source: Author's own.

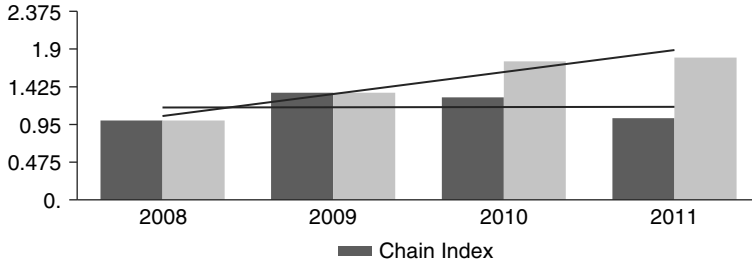


Figure 10.4 Growth rate of revenues of Hotel Stein in 2008–2011.

Source: Author's own.

and eight classic packages, for a total of 28 packages. At the same time, however, the economic situation in neighboring Germany worsened, and the hotel management decided to sell packaged stays on discount portals. Thus, no profit was earned, despite favorable occupancy numbers that were as high as expected.

The highest hotel occupancy rate is, for all years, consistently during the summer months of July and August, the summer holidays. During off-season, we then note the start and end of the year—the months of January/February and November/

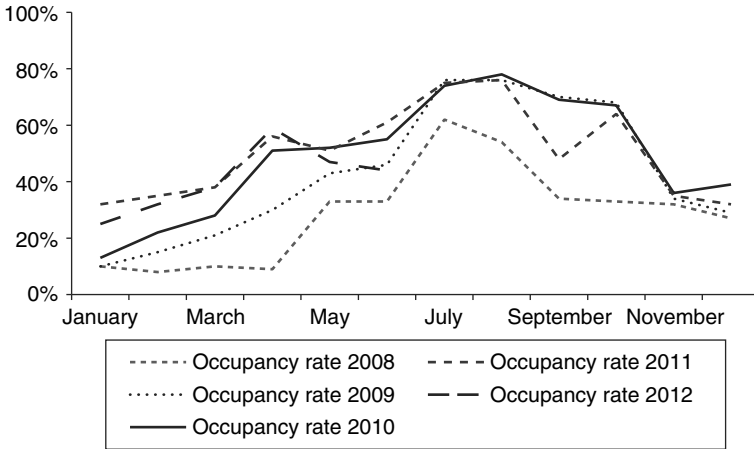


Figure 10.5 Monthly occupancy rate of Hotel Stein between 2008 and 2012.

Source: Author's own.

December. A surprising decline or stagnation (except for in 2011) occurs in the months of May and June, a period that is favorable for corporate meetings, which is also focused on by Hotel Stein. The best situation, in terms of occupancy rate, was in 2010.

The product packages for 2012 were chosen regardless of developments in hotel occupancy in the individual months in previous years. There is no attempt to mitigate off-season fluctuations. In May and June the occupancy curve decreases again, as in previous years. The offer of packages so far seems to be ineffective. The problem may be in their quantity, which becomes difficult and confusing for the customer and does not bring the expected increase in clientele in the low season for the owners of the hotel (see Figure 10.5).

Questionnaire Survey Results

The typical customer at Hotel Stein is a woman (this figure may be distorted depending on who filled in the questionnaire for the family or couple) aged 31–50 years. In most cases, she is employed in the private sector and earns an average wage (25,000 CZK). In terms of lifestyle, she is considered more of a practical person who normally spends her leisure time in nature and sitting with friends. She comes from either the Czech Republic (mostly from Prague, Central Bohemia, Karlovy Vary, or Ústí regions) or from the Federal Republic of Germany (less often from the “old” federal states of Bavaria and Baden-Württemberg, and more from the “new” federal states of Saxony, Saxony-Anhalt, and Thuringia). The typical customer is at Hotel Stein for the first time, and the main source of information for the customer was the hotel's website.

The typical customer's expectations during the stay at Hotel Stein include primarily rest, relaxation, and calm in a peaceful rural setting, which are the main aspects at Hotel Stein. The greatest interest for the typical customer was the "Family Weekend" product package, followed by the "Wellbeing Week" package. Very little interest, even potential, was shown in the "Swiss" and "Halloween" packages reflecting the conservative thinking of Czechs and Germans, and the weak bond and focus of the packages to the Cheb region. A high number of customers are not interested in any package.

As for the quality of services, the typical customer (a woman in the economically productive age) was satisfied with the reservation process and found the hotel easily. The best marks were given to work at reception, with the lowest going to Wi-Fi connectivity. The average mark for overall assessment of the quality of the services offered at Hotel Stein is 1.7, with the expectations of the typical customer met at a rate of 87.3 percent. The typical customer is most satisfied with the accommodation and catering, and least satisfied with the attractions in the surroundings of the hotel. The typical customer spends 74 percent of their expenditure on basic services offered (hotels and restaurants), 16.5 percent for other services, and 9.5 percent for services outside Hotel Stein.

The high potential customer is a German guest over the age of 50, who comes to Hotel Stein for wellness services, peace, and quiet. He does not intend to seek other services outside the hotel complex. From the packages offered, he prefers the Wellbeing weekend/week, but is not interested in the "Family Weekend" package. There is a general lack of interest in the packages offered, with the exception of the "Western" package, which has potential for these clients in the future.

The differences among the guests from the Czech Republic and Germany are: 41 percent of the customers arriving from neighboring Germany are employed in the private sector, as are 54 percent of the Czech customers. The difference is in the proportion of retirees represented, who are mostly from Germany than the Czech Republic.

Results from the Cross-Case Analysis

Based on the framework for cross-case analysis, the results were set up for each group of indicators (Table 10.4) and fulfilled the specific objectives mentioned below the table.

Drivers of Innovation

The highest potential for innovation comes from the owner and top management of the examined provider of accommodation services. They had implemented several improvements and innovations in the two years previous to the project: (i) enlargement of accommodation capacity; (ii) setting up of product packages for the year 2012 (one of the goals of the research was to evaluate the potential of these packages

Table 10.4 Framework for Cross Case Analysis of the Examined Subject from the Point of View of Innovation

Drivers of Innovation	Barriers to Innovation—Internal	Barriers to Innovation—External	Innovation Processes	Innovation Networks
<p>Competent and Committed Management Willingness of top management to share in knowledge transfer from the academic sector</p> <p>Management of Information High level due to small size of the enterprise.</p>	<p>Knowledge Insufficient knowledge of analytical and strategic tools leading to innovation</p> <p>Financial High potential for new innovation, despite decreasing profit</p>	<p>Legislative/Political Very low innovation potential due to regionally traditional industries</p> <p>Environmental Cross-border region with negative impact from the past (Sudeten region, period under communism)</p>	<p>Steady improvement Potential for permanent innovation</p> <p>Cultural routines and norms Influence of German environment, habits and traditions</p>	<p>Social/Cultural support network Low outside of spa tourism. Insufficient destination management of tourism</p> <p>Knowledge/learning network Very low due to lack of universities, innovation, research and technological centres in the region</p>
<p>Recognition of Employees Average recognition skill for innovation potential of present or potential employees (in context with very low level of staff qualifications in the region)</p> <p>Acknowledgement of Customer Relations Evaluation through questionnaire</p>	<p>Human resources Insufficiently qualified and experienced staff</p>	<p>Social High unemployment rate, lack of higher education institutions</p>	<p>Speed of implementation Ability for fast innovation and implementation (increase in accommodation capacity, creation of new packages, and certification as an eco-farm).</p>	<p>Customer/Supplier network High potential on the customer side, low potential on the supplier side due to their small number</p>
<p>Implementation of a New Systematic Product Development Process No strategy for implementation of innovation.</p> <p>Awareness of Barriers High ability to recognize barriers</p>	<p>Top Management Sufficient and long-term management experience but outside the realm of hospitality management (only four years)</p> <p>Middle Management Unqualified in corresponding professions.</p>	<p>Technological Insufficient entrepreneurial infrastructure and R&D structure</p>	<p>Production of gains In spite of fast implementation, insufficient gain due to unqualified staff and wrong marketing strategy</p> <p>Securing customer loyalty Evaluation through questionnaire</p>	<p>Diffusion network Below-average due to low interest of private sector and local community in innovation in the region</p>

Source: Author's own based on Carlsen et al. (2008).

and whether they were implemented well); and (iii) obtaining certification of the eco-farm. Due to the small size of the provider, the level of sharing and transferring of information were very good. The weaknesses in this area were primarily a lack of strategy for implementation of innovation, and lack of knowledge and experience in hospitality management. This latter issue is being resolved through innovation vouchers and is connected with knowledge transfer.

Barriers to Innovation

Internal: There are numerous internal barriers, but the most serious ones relate to human resources and the qualifications of staff. Human resources is a big problem in general in this region as was mentioned above. The examined subject is located in a region with a high unemployment rate, a region where traditional industry has ceased and people have not undergone any retraining. This situation is made worse by the low willingness of Czech people to migrate (change residence), or commute to work over longer distances. Another big problem is lack of knowledge and experience with analytical work, for example, creating and evaluating questionnaires. From the point of view of financial barriers, these do not pose such a big problem, as the provider is willing to invest in the innovation process.

According to the results of a study by Thorburn (2005), the role of staff in innovation among tourism firms is limited. This likely results from the fact that there are large numbers of casual staff with only basic training and usually only working for the firm for a short period of time. Management teams are more likely to be responsible for scanning the outside environment, generating ideas, and implementing them.

External: There is still low innovation potential due to regionally traditional industries and due to location and historical issues of the region. More about this topic was discussed above in the part about the innovation potential of the region. The social and technological areas represent very significant external barriers. But we have to say that the situation is improving due to the establishment of the Business Development Agency of the Karlovy Vary Region under the regional government.

Innovation Processes

At the beginning of the project it was determined that there was potential for permanent innovation, and an ability to accelerate innovation and implementation, but gains were on an average level due to lack of qualified staff and experience among people in the top management in the area of hospitality. This is one of the main aims of knowledge transfer from the academic sphere to providers.

Innovation Networks

The potential for creating an innovation network is very low as a result of several factors: a lack of universities, innovation, research, and technological centers in the region; a lack of interest shown by the private sector and the local community; and

insufficient destination management of tourism. The research team supposes that there is no interest shown by the private sector and the local community in setting up an innovation network in sustainable tourism in the West Bohemian Spa region out of the spa tourism area. This is due mainly to lack of knowledge about sustainable tourism and a fear of restrictions on business or private activities in the region.

Transfer of Knowledge

Based on the methodology (according to Levine and Gilbert, 1999) the transfer of knowledge took place in five steps (see in more details Table 10.4):

1. *Idea creation*

The academic group organized, including the authors of this chapter, a meeting with the owner as well as the top management and examined possibilities for innovation. Many other topics were discussed as well, including the reason to create potential for innovation in the field of sustainable tourism (Hotel Stein is registered with the Czech Breeders Association and complies with the conditions of animal husbandry, as well as fulfilling other conditions as part of organic breeding, including offering Probio products). Based on the establishment's customer profile, the group collected data in the three areas for innovation—product, process, and services—and looked at factors such as: costs, time schedule, necessary human resources, innovation processes, and requirements for partners. The owner wanted to implement these innovation processes in the field of sustainable tourism with its all necessary aspects during the years 2013 and 2014.

2. *Sharing*

Based on the previous step the research team started with sharing knowledge with the top management, focusing on elaboration of the questionnaire and its processing, evaluation, and interpretation of results. The mistakes in their own example were pointed out and methods for evaluating the results of the questionnaire were explained. Then the research team focused on the financial analysis, marketing strategy, organization structure, and the offer of products and services. Sharing of knowledge posed no problems due to the small size of the subject and the willingness of the owner.

3. *Evaluation*

The process of evaluation was done during a two-day seminar in Hotel Stein. The seminar was focused on management of the resort and other issues. The main aim of this activity was to be sure that everybody understood the proposed changes in processes, products, and services (Table 10.5).

Table 10.5 Proposed Innovations for Hotel Stein in Short-Term Period

	Subject of Innovation
I. Processes innovations	Mystery shopping Increase control personnel (willingness, honesty, diligence) Increase the willingness to sell hotel services Improving information regarding the offer of services and products at the hotel and the surrounding area (including price lists and opening times) Developing a Marketing plan Improve the website of the hotel including electronic reservation system (the process of booking accommodation through to return home) Initiation of the formation of regional networks in the field of tourism
II. Services innovations	Improve Wi-Fi connection Improve food menu for children guests Improve the offer meals at breakfast and in the restaurant (modern, healthier, more fruits and vegetables, seasonal) Improve offered additional services (relationship price x quantity x quality); price does not reflect the quality and range (scooters, quads)
III. Product innovations	Reduce the number of product packages Offer new packages targeted at pre-determined segments and to increase hotel occupancy in low season, for example. "Meeting Package" and "Horse tourism" and the like.

Source: Author's own research.

4. Dissemination

Innovation in the Service Supply in Hospitality—the Case of Hotel Stein has been published as a monograph (ISBN: 978–80–905181–3-1, Press 21, Czech Republic, 2014). The monograph was presented at a workshop for tourism experts in January 2014.

5. Adoption

The research team proposed eight innovation activities, six in innovation of services and two in innovation of products. Eleven of the proposed changes were adopted by the top management of the resort. The profits of Hotel Stein increased

by about 50 percent after the proposed innovation activities were integrated into the new hotel business plan.

According to Sipe and Testa (2009), innovation outputs in hospitality can be products, services, or administrative innovations. In the case of the examined subject we can say that it was necessary to deal with all three types of innovation with regard to sustainable tourism, on which the owner wanted to focus.

Proposal for Innovation Processes, Products, and Services

The proposed innovations (some of them came from customer survey) inserted into the business plan are presented very briefly here, with only the part about types of innovations without financial framework, competencies, responsibilities, and time periods mentioned:

5. Conclusions

According to Carlson and Edwards (2007) the reasons and motivation for innovation can be diverse, from necessity and survival to gaining a competitive advantage. In all cases, the underlying ideal that supports innovation is the concept of sustainability of ecological, economic, and social systems. In many ways innovation can provide the link between natural and cultural heritage and the future of local communities.

The barriers to innovation for tourism are many and varied, and can come from external pressures as well as internal limitations. The internal barriers were predominant over external barriers in the process of innovation in the case of the chosen subject in the West Bohemia Spa region. The main internal weaknesses are unqualified staff and inexperienced middle management. There is a lot of willingness from the side of the owner and top management to support innovations for their businesses toward sustainable tourism. The profits of Hotel Stein increased and the resort has a big potential to continue this progress. In general, it can be said that regional locations with natural, cultural, social, and historical consequences have a huge influence to set up innovation, with the historical ones in this case being very strong (Vlček et al., 2014).

The research team has to agree with Gökovali and Avci (2012) that in addition to conventional factors in the hospitality sector such as investment, management type, and occupancy rate, human capital and collaboration with academia are also important determinant factors of innovation performance for companies.

The cooperation between the provider of services and the provider of knowledge (the academic sector) continues regardless of public financial support and is based on a professional approach and contributions from both sides.

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Chapter 11

Entrepreneurs' Experiences, Motivations, and Sustainability of Tourism

Ornella Papaluca and Mario Tani

1. Introduction

Tourism is today seen as an entrepreneurial industry where success is tightly linked to each actor's capability to create a stable network of relationships to market a specific tourism product (Della Corte, 2009), and its operators have to constantly change the products they are marketing in order to achieve competitive advantage (Foxall, 1993; Storey, 1995).

In the existing literature there is still a debate on which factors can drive an entrepreneur to attain, and sustain, a competitive advantage and, while some authors have looked at the actor's attitude (Begley, 1995; Bandura, 1997; McClelland, 1961; Sorrentino, 2003) or at the way he reads different scenarios in the local environment (Douglas and Shepherd, 2002; Segal et al., 2005), some others have looked at the factors helping the entrepreneur to shape different scenarios than his competitors and succeeding in exploiting them to create a product different from those already marketed (Shane and Venkataraman, 2000; Shaver and Scott, 1991).

In this chapter, we try to understand how the entrepreneur's motivations and his own past experiences in a related industry can help him to become a more effective, and efficient, entrepreneur, increasing his chances of success. In particular, we look into this topic from the point of view of sustainable and responsible tourism.

We open this chapter looking at the main characteristics of the tourism industry and of the specific niche we are going to investigate, sustainable and responsible tourism, to define the main characteristics these tourism products have as a way to focus our analysis. The theoretical section looks at the various drivers influencing entrepreneurs in starting new ventures. In particular, we choose to look at the research stream focused on those factors helping entrepreneurs to create an

heterogeneous set of resources to compete in a given niche in order to lower the real risks they are involved into and increase the chance of success of the new venture.

We then propose a multiple case study on seven different entrepreneurs marketing sustainable and responsible tourism products, looking at how their motivations and their past experiences have modified how they design, and provide, their own tourism products. In particular, we found that entrepreneurs looking to start a sustainable development process have a different approach to product design than those lacking it, but the same cannot be held for different past experiences.

2. Tourism Products and Sustainable and Responsible Tourism

Deep and tight relationships are typical in the tourism industry (Della Corte, 2009). Each actor in a given local area is forced to cooperate with several other actors to manage several specific goods and services that, if used as a system, can become the inner parts of a more complex tourism product (Casarin, 2007), which, in the most extreme cases, can overlap with the destination itself (Gulati, 2007; Presenza, 2007). At the same time, the choice of the partner to cooperate with, and the place of operation in a given local area, can help specialize a given tourism product in a manner similar to a conscious process of market segmentation.

Pavesic (1989) proposes that customers are actually quite sophisticated at weighing up different complex combinations of attributes that are offered by different organizations. He suggests that it is the buyer's perception of the total relative value of the product or service that influences their decision to choose between purchase alternatives and their willingness to pay the asking price. Customers may be tolerant of a lack in some businesses in providing some attributes, if the overall package is relatively attractive. On the other side Becker-Suttle et al.'s (1994) research has shown that tourists' holistic vision can hinder differentiation strategies as customers actually perceive groups, or clusters, of attributes. Gilmore and Pine (2007) observe that tourist satisfaction is not based on a specific, individual benefit but on the total bundle of services he or she is provided with.

Goeldner et al. (2006) hold that the way a tourist consumes a destination, that is, the way a tourist experiences it, is influenced by the whole set of events and relationships created between four main actors: the tourist trying to satisfy his own needs and desires; some enterprises trying to provide services and goods to satisfy the very same needs; an administrative system managing the destination and changing its development path, and how the related market works (Franch, 2002); and the community, all the people living in the area that get in direct, as well as indirect, contact with the tourists.

These authors build upon this system of relationship linking the various actors in a given local area to highlight how this network becomes a place to develop a foundation of common knowledge, values, and culture that helps to develop a heterogeneous set of intangibles, knowledge, and trust needed to support the local area development (Go and Triunfo, 2011; Sciarelli and Della Corte, 2012).

But to become a product, these intangibles have to merge together with competences and capabilities each given actor has. These products depend on several, public, resources (Barney, 1991) that the actors will have to leverage in designing and providing all the single services they are made of (Gios et al., 2006). A special role is given to all those public resources, both natural and artificial, that can create only a potential competitive advantage, which will become a real one when they are exploited and organized in the right way (Barney, 1996, 2007).

So, the various actors involved in defining destination strategies (Franch, 2010; Kozak and Baloglu, 2010) should try to identify the main destination's attraction drivers to understand the potential foundation of its success (Metaxas, 2009; Moutinho, 2011). After this first phase they have to coordinate like a system (Sciarelli, 2007) to change the destination's diffused resources into a real set of attractions that tourists can travel to (Rispoli, 2001; Ireland et al., 2002).

Cooperation capabilities should be fairly common skills for tourism entrepreneurs as they need to cooperate to grow (Rimington et al., 2009). The set of competences of the local area grows out of this relational dynamic (Papaluca, 2012) involving other actors in the local area (Haugland et al., 2011; Murphy, 2012) enhancing its value to create value, even a social one, to increase quality of life and to valorize local area identity (Sciarelli and Della Corte, 2012). In the same destination, there are several actors with a heterogeneous set of resources, so the different ways in which they combine public and private set of resources will generate several different tourism products in the same destination.

In particular, some of these tourism entrepreneurs have decided to leverage the increasing attention given to environmental issues in order to create tourism products that are targeted at those tourists who are more aware of the environmental, and social as well, consequences of their actions and will try to evaluate them accordingly (Brunetti et al., 2012). These products are usually labeled as sustainable and responsible tourism packages (Mowforth and Munt, 2008).

Entrepreneurs trying to market these products should try to engage the various local area stakeholders in order to align their interests with their own as a way to increase customer satisfaction on the sustainability of the tourism product itself (Freeman et al., 2010; Ruhanen et al., 2010).

These products are often designed by social enterprises as a way to attain their goals as (Somoza, 2003) a class of economic players actively trying to:

- make people more aware of some specific, ethical, environmental, and social issue,
- promote and fund a specific social program, and
- increase tourists' awareness on critical consumerism.

There are several different approaches these players can have to create a sustainable and responsible tourism product. On the one side these operators can identify and engage the various salient stakeholders in the local area (Mitchell et al., 1997; Presenza and Triunfo, 2012) since the decision-making processes leading to the tourism product creation in order to help them have their own stakes clearly factored in (Freeman, 1984; Sciarelli and Tani, 2013).

These operators can increase the value tourists perceive in their products looking for an external assurance on their activities in the form of some kind of sustainable label and/or certification that both the operators and all of the directly involved partners have to get (Sambri and Pegan, 2008; Font and Harris, 2004). Sustainability labels and certifications are voluntary tools that not only influence the tourism product's design phase, limiting the choice of potential partners, but also are a way to monitor and control how services are provided too; moreover, they can be used as a tool to define the product's impacts on the local area (De Carlo and Caso, 2007; Hunter, 200).

Sustainable and responsible tourism products have to fully engage local communities (Jamal and Getz, 1995) through stakeholder engagement processes (Stokes, 2008). In order to start these processes, tourism services providers should assess what the local area people expect from them in terms of sustainability (Ahmed and McQuaid, 2005; Sheldon and Abenoja, 2001) in order to avoid local residents feeling damaged by these activities (Bella, 2003), creating a hostile reaction in the local area community that can evolve, in the most extreme cases, to Doxey's (1975) antitourism (Nocifera, 2001).

These operators can use cultural mediators (Zorn and Farthing, 2007) to help create the right relationship between tourists and local area communities. This actor has the delicate task to teach, and show, correct behavior in dealing with social and environmental norms. His job is needed to balance the needs of all the involved stakeholders (Black et al., 2001).

3. Tourism and Entrepreneurship

Tourism enterprises are usually small and medium enterprises or entrepreneurial ones (Cooper et al., 2004; Orfila-Sintes and Mattsson, 2009) that must cooperate to create a bigger and more complex value chain (Della Corte, 2000). Tourism industry, and the hospitality one as well, is considered to be in a state of constant flux. Tourists seek new experiences, new feelings while developing new habits and preferences, so entrepreneurs have to answer customers' needs by changing the business models they are operating with and the concepts at the foundation of their tourism packages (Morrison et al., 1999).

As a consequence, in this industry, and in the related ones as well, entrepreneurs cannot continue offering the same products year after year but they have to meet the new market needs in a superior or different way from that their competitors (Barney, 1996; Peteraf, 1993).

Tourism entrepreneurs have to follow the classic Schumpeterian model (1934) of using a process to continuously create new ways to disrupt the existing market configurations in order to reach a sustainable competitive advantage. Hamel and Prahalad (1994) pointed out that if a player operates in a market characterized by rapid change he will have to find new, different ways to satisfy market demands if he wants to create, and sustain, competitive advantage. Entrepreneurs try to satisfy

an ever-changing set of wants and desires constantly creating new opportunities and challenges (Foxall, 1993).

So tourism entrepreneurship follows some of the elements of Storey's concept of "entrepreneurial strategy fit" (1995) when entrepreneurs have to make conscious decisions on their market positioning, on the ways to exploit differentiation, and to introduce new products.

On the other hand, Timmons (1994) sees entrepreneurship as the process of creating and/or capturing an opportunity regardless of the resources owned. Each single entrepreneur will find these processes more or less viable according to personal and environmental factors; on the other hand they will have to weigh each opportunities factoring in the related opportunity costs for new innovative products they want to market (Amit et al., 1995) and they will have to be able to exploit and muster the financial resources they can harness in order to pursue them (Evans and Leighton, 1989).

Several theories and models have been developed to explain why a local actor is able to "evolve" into a full-fledged entrepreneur (Shaw and Williams, 1998). We have found two main streams in the management and social psychology literature on this topic and we have summed up them in Table 11.1.

The first stream looks into the personal characteristics of an actor to be a successful entrepreneur focusing on his/her attitudes. In the second stream the focus is moved to the entrepreneur's perception. We have divided this second stream into two branches. In the first one we have classified the studies on the opportunities' perception while in the other we have collected those focused on how the entrepreneur perceives the value of resources and uses them to create new opportunities for their venture.

Table 11.1 Research Streams on Entrepreneur Characteristics

Stream	Focus on	Authors (Year)	Topics
Entrepreneur's characteristics	Attitudes	McClelland (1967)	n-Achs
		Rotter (1966)	Locus of Control
		Begley (1995)	Risk Propensity
		Bandura (1997)	Self-efficacy
Entrepreneur's perception	Perception of opportunities	Douglasand and Shepherd (2002)	Personal satisfaction
		Segal et al. (2005)	Risky opportunities
	Creation of opportunities	Aldrich and Zimmer (1986); Carland et al. (1988); Shaver and Scott (1991)	Entrepreneur's motivation
		Carroll and Mosakowski (1987); Shane and Venkataraman (2000)	Entrepreneur's past experiences

In the first stream we have those authors who focus on endogenous factors as the main element to explain entrepreneurial activities.

According to the theoretical construction of the n-Achs, the need to achieve (McClelland, 1967), actors will try to become entrepreneurs when the new activities are not be too risky. They ask that individual actions be tightly related to outcomes, and prefer those activities with a clear feedback process, as these activities help them to focus their increased efforts and provide a clear guidance on how to improve their skills and where to increase their efforts.

Another classical model of entrepreneurial action is based on locus of control. According to this model, local actors will be more driven toward becoming entrepreneurs when they have an internal locus of control, that is, they have to believe that the outcome of a given event is directly affected by their personal actions (Rotter, 1966). Although according to McClelland (1967), entrepreneurs should have a low-to-moderate risk propensity, Begley (1995) states that they prefer to pursue challenging, but still attainable, opportunities—the moderately risky ones showing a moderately higher risk propensity than the average local actor.

Bandura (1997) defines these various factors based on entrepreneur self-efficacy, the belief in one's ability to exploit fully the needed resources to attain a certain level of achievement.

The second stream of research is the one that links the decision to become entrepreneurs to the actor's perception of the space of opportunities they have and of the resources they can exploit to make use of the new opportunities.

In the first branch we have those authors whose work revolves around the concept of a different perception of the world by the entrepreneur.

Douglas and Shepherd (2002) define potential entrepreneurs as those individuals that can get more satisfaction from latching on to an entrepreneurial opportunity than from any other option open to them. They state that a given individual will try to become an entrepreneur only when the related utility outweighs the one he can get from other options he has, taking into account the good side of being an entrepreneur, independence, and higher wages, and discounting for the hindrances and higher responsibilities and risks. In this stream, Segal et al. (2005) state that the decision to become entrepreneur has three main antecedents: desirability, feasibility, and willingness to accept the increased risks.

In the other branch we have those studies identifying potential entrepreneurs in those individuals who are able to see different ways of using opportunities than their competitors, finding themselves in a lower-risk environments and facing less intense competition as well.

In this branch we have Shaver and Scott (1991) stating that entrepreneurs not only feel they can really make a difference but they will have to want it too. Aldrich and Zimmer (1986) had already reached a similar conclusion, stating that the entrepreneur's motivations should be taken into account in evaluating the decision to be an entrepreneur. After all the potential entrepreneur needs and desires, and his own motivation, will influence how he or she will evaluate each single new opportunity and pursue them (Carland et al., 1988).

Another factor that will help different entrepreneurs to see a different set of opportunities than the others is based on the entrepreneur's own past experiences (Carroll and Mosakowski, 1987; Shane and Venkataraman, 2000).

These two factors, motivations and past experiences, will change not only the initial evaluation of entrepreneurial opportunities (Palich and Bagby, 1995; Blume and Covin, 2011) but even the very same future scenarios that they will have to use and rationally evaluate (Haynie and Shepherd, 2009), leading different entrepreneurs to see different opportunities in the same scenarios (Shane et al., 2003).

Research Questions

In this chapter we focus on the second branch of the second stream we have identified in the literature on entrepreneurship. We have focused our research in the sustainable and responsible tourism industry and have tried to understand how motivation and previous experiences can have an impact on these tourism products and on how they are targeted to satisfy new needs and desires of tourists in a given destination.

We focus on these two factors as a way to circumvent the mixed results that some authors have found (Babb and Babb, 1992; Low and Macmillan, 1988; Sorrentino, 2003; Zhao and Seibert, 2006) studying successful entrepreneurial activities from the perspective of other branches.

In particular, we start from Shane et al.'s (2003) main idea that motivation can help each single entrepreneur to shape a different scenario and, accordingly, it can help design different tourism products to satisfy the new desires and needs that the other tourism operators are still leaving unaddressed, by taking tourists along a different path than more traditional players (Ruhanen et al., 2010). In this way, and following Hamel and Prahalad (1994), these operators will be able to answer the new question in a different, more effective, way than before.

Accordingly, tourism operators with a strong and open motivation should try to develop strategies to leverage those options that can help them reach their goals; so, in sustainable and responsible tourism, these operators should not limit their strategic evaluations to the economic results they get from marketing their products as this goes against the so-called triple-bottom line (Elkington, 1994). Moreover they should try to engage the salient stakeholders (Mitchell et al., 1997) in the decision-making processes so as to help them shape the marketed product in tune with their own stakes (Sciarelli and Tani, 2013).

During this process, sustainable tourism operators need to interact with many different stakeholders with very different cultures and they will benefit from interacting with a specific cultural mediator who will help the entrepreneur to fully comprehend the needs of the various stakeholders without incurring problems related to the "lost in translation" effect (Black et al., 2001). The value of these mediators will be more relevant for products designed to attract tourists to visit far-off areas and for

those projects engaging really focused stakeholders with a professional background not related to tourism (Black et al., 2001).

In order to capture the full scope of these considerations, we have defined our first research question as: How is a more socially oriented motivation linked to a more effective sustainable tourism goal setting?

In order to answer our research question we have to first identify the entrepreneurs who have started their operations with an explicit socially oriented motivation, and we look into several aspects of how they designed the tourism packages. We have summed up the criteria for our evaluations in Table 11.2.

We have to investigate the main objective these entrepreneurs are trying to achieve with their product. At the lowest level we will have those entrepreneurs trying to satisfy customer's needs above anything else; then we have those operators who design their products trying to create a stable relationship with their business partners. We have not considered these two motivations as explicitly linked to sustainable development processes. On the other side we have those products designed in order to benefit the whole local area as seen by the entrepreneurs and, at the upper level we have those that, instead, have been created to help the various stakeholders in reaching their own goals.

At the same time we need to look at the design phase of the product to understand if the entrepreneurs have actively involved the various stakeholders in them and, moreover, if they have successfully involved other stakeholders not directly involved in the specific tourism product.

The third factor we need to investigate is related to the structure of the network of relationships used to define the product. Sustainable development processes need to engage the same stakeholders again and again in order to create the stable situation to answer their specific needs. Moreover the creation of a stable network of relationships between the various stakeholders is a needed factor to increase the awareness of all specific issues among all the actors in a given local area (Sciarelli and Tani, 2013).

The last two elements we looked at was whether the new tourism operators have actively involved traditional and cultural mediators as a way to understand if the

Table 11.2 The Topic Investigated to Evaluate Answers for the First Research Question

Topic	Abbr.	Values		
Motivation on Sustainability	Mot	No	Yes	
Driver	Drv	Customer	Relationship	Local Area Stakeholder
Stakeholder Engagement	StEng	No	Yes	
Network Embeddedness	NtwEmb	No	Yes	
Traditional Tourism Mediators	TTM	No	Yes	
Cultural Mediators	ClMdt	No	Yes	

package was designed taking into account the different perspectives, and needs, of the various actors of the local area.

The literature review has shown that past experiences too can influence how tour operators define the current scenario and, as a consequence, how he will choose the bundle of services that he will try to embed in his own packages (Shane et al., 2003). When the tourism operators have many, and significant, past experiences in socially oriented activities they will be better positioned to find new opportunities linked to sustainability and sustainable development (Blume and Covin, 2011; Palich and Bagby, 1995), their motivation strengthening the effects. At the same time these entrepreneurs care more for the impact their own packages will have on the local area than the other operators, and they will use the knowledge gained from previous activities in order to overcome the negative ones while strengthening the positive ones (Haynie and Shepherd, 2009).

These differences in background can be meaningful to explain how new entrepreneurs decide to enter a hypercompetitive market as tourism has often proven to be. In this market new entrepreneurs can be successful only if they succeed in disrupting (Christensen, 1997) the usual way local area incumbent players have been linking local resources and customers. Following Christensen's approach (1997), we consider previous experience to be a limiting factor in spotting these new opportunities, or an enabling one.

We have accordingly defined our second research question as: How do previous experiences in social activities change the tour operator's attention toward the sustainability of its products?

In order to test this research question we have to identify those operators with previous experience in socially oriented activities and we have to understand if the way they try to assess the sustainability of their products is different from the way others do.

We have summed up the criteria we are looking into in Table 11.3.

Above all the literature review has highlighted the meaningful role of sustainability labels and certification as a way to communicate to the other actors the players' commitment to sustainability (Font and Harris, 2004; Sambri and Pegan, 2008). Tourism operators marketing sustainable and responsible products should select only certified partners in order to increase the relative value of their own certification. At the same time, we have to acknowledge that these projects will have to engage stakeholders not normally considered as tourism operators (Jamal and

Table 11.3 The Topic Investigated to Evaluate Answers for the Second Research Question

Topic	Abbr.	Values			
Previous social experiences	PSE	No	Yes		
Labels and certifications	Cert	No	Yes	Only	
Customers	FbC	No	Yes		
Ex ante impact evaluation	ExAnte	No	Yes	Formal	Certified
Ex post impact evaluation	ExPost	No	Yes	Formal	Certified

Getz, 1995) and these actors' sustainability will be difficult to certify. The literature review suggests that these operators prefer to engage certified partners but will not limit themselves to them.

Another way to assess the global sustainability of their own product builds upon the main idea of tourism products as a tight bundle of services that the tourists will evaluate as a whole (Casarin, 2007). Accordingly these players should try to systematically get some feedback from their customers in order to increase the marketability of their products (Foxall, 1993).

Other authors (Hall, 2008; Minguzzi and Presenza, 2010) held that engaging the various stakeholders since the design phase of the tourism services is a needed condition to manage tourism activities using a sustainability perspective. Moreover the constant relationship with local area stakeholders should help them in assessing the impact of the product in the local environment as all the involved actors (tourists, residents, social operators, tourism businesses) are present in the local area where services are provided and they can directly see the consequences of their actions (Brunetti et al., 2012). In order to maximize the positive effects of these activities, entrepreneurs should assess the impact their products will have on the area and should monitor some relevant indicators in order not to alienate support from the other salient stakeholders (Hjalager, 1997). Therefore our analysis will focus on how these entrepreneurs look at their project's impact on the sustainability of the local area as a design tool and as a control one. In this case our research should even indagate if this attention has driven entrepreneurs to create a formal system to control their projects' sustainability and whether they have selected some independent third party to certify the results obtained.

4. The Multiple Case Study

In order to answer our research question, we have decided to use a multiple case study approach (Yin, 2014). Aiming to get a broad set of evaluations to base our research on, we have initially selected, from the Italian Association of Responsible Tourism, five traditional players who were marketing sustainable and responsible products and five more who were classified as socially oriented ones (associations, cooperatives, nongovernmental organizations). We decided to choose the cases from two different classes of tourism operators as our research questions build upon (1) motivation and past-experience impacts on tourism products and (2) socially oriented enterprises frequently created by entrepreneurs with an explicit socially oriented motivations and/or past experiences in social activities.

For each case we have studied several sources. We started our analysis with the public documents these entrepreneurs had published, often in their websites, and sometimes in leaflets and/or some newspaper articles. In this way we obtained some general information on the products and on the entrepreneurs to guide the following interviews with the entrepreneurs themselves, and, in some cases, with the managers driving the sustainable tourism operations.

As our research questions have been defined starting on personal characteristics of the entrepreneurs we needed direct interviews in order to get firsthand information on the motivations leading them toward sustainable tourism services and to investigate their previous experiences.

The interviews were mostly focused on the design, consumption, and control phases of the tourism packages they are selling in the market and on the stakeholders' engagement in these processes as well. Moreover the interviews were needed to examine the reasons behind some of the choices these entrepreneurs had made.

In order to analyze them more objectively, we have written down each interview and later evaluated each separately in order to get a valuation of the factors influencing our research questions.

We chose to have five cases for each class of players in our starting set as a way to increase the generalizability of the results and to have several literal and theoretical replications in our multiple case study (Yin, 2014).

We have cancelled two socially oriented actors as we have not been able to get from them direct information on their operations, and a traditional one as he had canceled responsible tourism operations. Thus we ended up with seven cases (see Table 11.4). As shown, the sample is composed of three social enterprises and four traditional operators. Planet Viaggi Srl, while being a traditional player, is tightly linked to a cooperative (*Planet–Viaggiatori Responsabili* [planet-responsible travelers]) so it has some characteristics of both classes of players.

Four Seasons by Gaia 900 is a second-generation family-managed tour operator who markets several tourism packages in several niches, and responsible tourism is only one of their many segments. The second one is Liberatore Viaggi, a honeymoon tourism venture, which is focused only on sustainable tourism, in Italy and abroad, as the entrepreneurs started up this enterprise in order to create markets according their vision of tourism. The third one is Ubuntu Travel, which is a traditional player who moved into the sustainable tourism segment when the current entrepreneur convinced her father to position themselves in a more favorable market. The last traditional tour operator is Planet Viaggi, which was started to capitalize on its founder's existing network of contacts in Latin America, created while he was participating in a public project *Cooperazione Italiana all'estero* (Italian cooperation abroad).

On the other side, we have studied three organizations managed as social enterprises (Defourny, 2001). The first one is *Associazione Antico Presente*, a cooperative run by five former operators in the environmental protection industry and it

Table 11.4 The Cases

Traditional Operators	Socially Oriented Operators
Four Seasons by Gaia 900 Srl	Associazione Antico Presente
Liberatore Viaggi Srl	Associazione Perù Responsabile
Ubuntu Travel Srl	Cooperativa Walden "Viaggi a Piedi"
Planet Viaggi Srl	

operates mainly in Italy. The second organization, Perù Responsabile, dealing only with travels and honeymoons in the Peruvian far-off areas, is run by former activists in fair trade turned travel agents to foster sustainable development processes. The last one is Cooperativa Walden, which deals mainly in on-foot excursions in the countryside. It was created building upon a preexisting relationship with Viaggi Solidali, an Italian social cooperative, marketing sustainable tourism products.

The results of our analysis in relation to the first hypothesis have been reported in Table 11.5.

We have found out that most of the enterprises we have analyzed have been started in answer to an inner drive toward sustainability, or at least, in order to exploit a related passion in the same industry the entrepreneurs were already operating in, as in the case of Liberatore Viaggi.

Looking at the driver behind their products it seems clear that the traditional players are more focused on the product and on the customer while the social ones are more geared toward paying more attention to the local area, as we were expecting to find, according to literature. A good example is the one made by Perù Responsabile, which designs its packages as fair-trade products, trying to realign the needs of the Peruvian stakeholders with the need to increase responsible tourist awareness on the Peruvian inner communities state so each one of their products is targeted to finance a specific project in the very same communities the tourists will travel into. In other cases, as in Ubuntu Travel, the products are created in cooperation with some Italian stakeholder that has some stake in location in the south of the world.

Looking at the stability of the network structure, the network embeddedness, we have found that traditional players prefer to create partnership with a broader set of players in order to periodically change the single services their final products are made of as a strategic ploy to sell the same destination to the same customers in the case of Ubuntu Travel. On the contrary, but more in line with the literature review,

Table 11.5 Results Related to the First Research Question

Enterprise	MOT	Drv	StEng	NtwEmb	TTM	ClMdt
Four Seasons by Gaia 900 Srl	N	Customer	Y	N	Y	N
Liberatore Viaggi srl	Y	Relationship	N	Y	N	N
Ubuntu Travel	N	Relationship	Y	N	Y	Y
Associazione Antico Presente	Y	Local Area	N	Y	N	N
Associazione Perù Responsabile	Y	Stakeholder	Y	Y	N	Y ^a
Coop. Walden "Viaggi a Piedi"	Y	Local Area	N	Y	Y	N
Planet Viaggi Srl	Y	Customer	Y	Y	Y	Y ^a

^a See text.

activities by socially oriented organizations have been usually designed to create a more stable relationship with a given set of partners who are engaged in the various products over and over again. Sometimes, as we have found out analyzing the case of Walden, the network embeddedness is a direct consequence of the specific tourism niche the operator is playing in. Walden organizes on-foot excursions in far-off areas so their stakeholders can become partners only after having proved a deep knowledge of the area. Associazione Perù Responsabile is the only player to actively involve the local community as a whole in the design phase of their tourism products and this is tightly linked to its main mission “to valorize the ideals of respect, solidarity, and reciprocal integration between Italian and Peruvian people.”

Looking at the results regarding the use of mediators we have found that some of the more socially oriented tour operators try to design packages without involving traditional tourism operators, as in the case of Antico Presente, which organizes environmentally sustainable tours by bike or by riding horses in order to visit places where traditional tourist operators are not present. In other cases, the socially oriented entrepreneur will exploit the traditional players' networks to sell the product, as shown by the experience of Cooperativa Walden. Regarding the kind of partners involved in delivering the tourism product, a special note should be made of Liberatore Viaggi, which has the more radical approach to sustainable tourism partnering not only with traditional tourism players, but mainly farmers and local associations, as the entrepreneur wants to help tourists comprehend the area's real issues.

In spite of the theoretical framework we developed we have not found any entrepreneur involving external cultural mediators to help tourists understand the social environment they are going to visit.

During our interviews with Cooperativa Walden and Antico Presente, we got a different perspective on cultural mediators. The entrepreneur himself can pose as a cultural mediator in both these cases, as he is directly involved in the travels and has a deep knowledge of the local area and its communities, which had been developed during previous jobs; we see this point of view as not coherent with the role of the cultural mediator as he should be an external stakeholder to really bridge the different cultures.

In the case of Planet Viaggi, the only actor spanning across the traditional–social boundary, we find that the group can act more effectively in the market putting the customer first but actively engaging stakeholders from the design phase. So, Planet Viaggi appears to reach the best of both the worlds.

A summary of the results we have got investigating the factors for the second hypothesis can be found in Table 11.6.

Our interviews have shown that in only two cases the entrepreneur had previous experiences in any kind of socially oriented activity before starting the sustainable tourism initiative. It is really strange if you factor in that five out of seven entrepreneurs were driven by an explicit motive to help sustainable development processes.

We got another interesting result on labels and certifications. No entrepreneur asks their partner to get some kind of label or certification in order to engage them in their products, and even most of the socially oriented operators do not give any preference to certified actors. This is especially clear in the case of Liberatore

Table 11.6 Results Related to the Second Research Question

Enterprise	PSE	Cert	FbC	Ex Ante	Ex Post
Four Seasons by Gaia 900 Srl	N	Y	N	Y	N
Liberatore Viaggi srl	N	N	Y	Y	N
Ubuntu Travel	N	Y	N	Formal	Y
Associazione Antico Presente	N	Y	Y	Y	N
Associazione Perù Responsabile	N	N	N	Formal	Y
Coop. Walden "Viaggi a Piedi"	Y	N	Y	N	Y
Planet Viaggi Srl	Y	N	Y	N	Informal

Viaggi's lack of attention to sustainability marks and certifications, which is mostly due to this operator's choice to involve only partners not normally considered as tourism operators, as the factors investigated for answering the first research question have shown.

Looking at the entrepreneur's attention to customer feedback we have found out that several operators, such as Liberatore Viaggi and Planet Viaggi, conduct a survey to assess customer satisfaction, while others, like Perù Responsabile or Ubuntu, are focused on evaluating the effects their activities have on the local communities and the other partners. The data relative to Four Seasons sounds strange as it describes a design approach strongly centered on the customer while it lacks a formal process, or an informal one, to get direct feedback from customers.

The broadest difference we have found between the two classes of entrepreneurs has been located in their approach to evaluate their activities' sustainability. Those actors with a previous social experience use relationship with local area stakeholders and their engagement to design their products and rely only on customer feedback and/or direct observation of the tourists by the entrepreneurs during the consumption phase in order to assess their packages' sustainability. Other entrepreneurs assess the potential sustainability of their products directly during the design phase, limiting themselves to choosing the right partners.

5. Discussion of Results

The results of our analysis have been mixed. We have found some support for our theoretical framework, and some differences too.

In particular our theoretical framework led us to expect that entrepreneurs with a strong social motivation should be more effective in defining sustainable goals. In order to attain greater effectiveness, these operators should be able to engage a broad set of stakeholders in the design phase of their tourism products. Our analysis confirmed that these entrepreneurs' products were mainly designed looking at the needs of the local area but, at the same time, we found no entrepreneur trying to engage non-tourism-related stakeholders in the design phase, limiting the available knowledge assets.

On the other side, only two of the cases we have studied showed inclination to change partners frequently as a way to lure more customers, while the other entrepreneurs try to create a stable relationship with a limited set of partners.

Another main gap with our theoretical framework was found when we enquired how these entrepreneurs use cultural mediators. Only one of the traditional operators used them as a way to enhance the tourist experience during the consumption phase of the tourism package. When we take into account the entrepreneurs seeing themselves as cultural mediators, which we have observed, it is clear to us that operators with a strong motivation toward sustainability see themselves as the missing link needed to cross the bridge between two different cultures.

In spite of these differences most of the data we have analyzed seems to confirm a different approach toward sustainable development processes between the two classes of tourism operators. The entrepreneurs entering sustainable and responsible tourism as a way to satisfy some kind of personal urge toward sustainable development of local areas are prone to engage stakeholders, or at least some subset of the local area stakeholders.

Looking at the results for our second research question we have to admit that there's no clear difference in how the attention toward sustainability manifests between entrepreneurs with or without previous experiences in socially oriented activities.

At the same time if we limit our analysis to the two entrepreneurs having previous experiences in socially oriented activities, we find really similar results. Both of them do not rely on marks and certifications and on any kind of ex-ante control of their products' sustainability, and both of them are more geared to look at the effects their actions have engaging customers through some feedback process. In particular Planet Viaggi does collect a survey from tourists and other stakeholders as well.

6. Conclusions

In this chapter we have analyzed seven tour operators and tried to find how motivations and previous experiences change the way entrepreneurs operate in a sustainable tourism market.

Our results have highlighted that when a player has a stronger social orientation as the main driver of starting his enterprise, he will try as well to create stable relationships with local area stakeholders in order to cooperate with them year after year so as to help start a sustainable development process in the local area, taking into account not only his own goals but those of the stakeholders as well. At the same time our analysis shows that even the entrepreneurs with a motivation tightly linked to sustainable development are usually unable to effectively engage a broad set of stakeholders in their product design phase. Probably this can be explained looking at a mix of locus of control and self-efficacy driving these entrepreneurs to see themselves as better suited than others in designing their products. This idea is supported by the way some of these entrepreneurs consider themselves to be cultural mediators as well.

Looking at the second research question, even if we have not found the needed theoretical replications to link the differences between the way these operators do assess sustainability of their packages to their previous experiences in socially oriented activities, we can spot a difference if we focus on when these operators try to assess their services' sustainability. Our cases show that those players who have started up their enterprises after some experience in social activities or in the third sectors do try to understand the consequences of their actions but do not actively monitor the sustainability while designing the bundle of services, while the others try to include sustainability between the things they are factoring in the design phase. Focusing on the operators without previous experience reveals that sustainability approaches do not manifest in the control phase but they are present in the design phase.

There are several limitations to our research. The first is related to the small number of cases that we have studied. Limiting ourselves to study seven cases can only hint at the real reasons for the different behavior of these operators. A more quantitative approach would be useful to understand whether our results are really meaningful. A second limitation this chapter is related to stakeholders we have interviewed in each case. We have limited our research to entrepreneurs, and, sometimes, managers, without including other classes of stakeholders. Our analysis could have benefited from the inclusion of tourists and partners as a way to get a more thorough knowledge of the factors determining, and influencing, the creation of new venture opportunities by successful entrepreneurs.

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Chapter 12

The Adoption of Environmental Management Systems by Shelters

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1. Introduction

Tourism is a sector with unique characteristics. Besides having an impact on the natural environment as a result of its activity, that is, via its infrastructures, resource consumption, and waste-generation processes, tourism actually depends on the protection of the environment's ecological integrity to remain competitive, since its activities are conducted in places of great ecological value and the natural environment is the main source of its value creation. This means that polluting the natural environment may bring severe economical consequences for this sector (Williams and Ponsford, 2009).

Since the 1980s, the impact of business activity on the natural environment has become a topic of growing concern, and increasing social demands require firms to engage in sustainable and environmentally responsible behaviors (Darnall et al., 2010; Eesley and Lenox, 2006; Gadenne et al., 2009; González-Benito et al., 2011). On the contrary, green practices may bring different competitive advantages to firms (Bosworth and Clemens, 2011; Clemens and Bakstran, 2010; Liu et al., 2010; Nakamura, 2011). Consequently, the term "sustainable tourism" has become fashionable, and more and more tools have been developed to facilitate the adoption of sustainable practices (Trierweiler et al., 2013), including specific management and planning systems for tourism. Nevertheless, sometimes firms come up against obstacles or difficulties that hinder the adoption of environmentally friendly practices (Massoud et al., 2010; Zhu and Geng, 2013).

Although research into environmental management systems (EMSs) began in the late 1990s (mainly focused on these systems' driving forces, costs, benefits and

type), very little has been conducted on the tourism field (Chan and Hawkins, 2010, 2012). To address this gap, this chapter focuses on high-mountain shelters and establishes two objectives. The first objective is to learn more about the determinants of EMS implementation and certification and the environmental impact of shelter activity. Second, after illustrating some similar experiences in Europe, we want to study for the Spanish case two aspects with opposite effects on this decision: the motivations behind implementing environmental practices in shelters and the barriers or obstacles that could hinder them.

With this twofold objective in mind, this chapter is structured as follows: in the next section, we summarize some basic notions on EMSs, we review the determinants of the decision to implement and certify EMSs, and we describe the main impacts of shelter activity on the natural environment. In the third section, we present the empirical part of the study. We briefly illustrate the experience some European shelters have had in EMS implementation, and then we present a study of the Spanish case. In section 4 we illustrate the results. Finally, we summarize the main conclusions.

2. Environmental Management in Shelters

EMS Implementation and Certification

The growing concern about the impact of business activity on the natural environment has contributed to the development of different standards that guide organizations in the adoption of EMSs (Alberti et al., 2000; Trierweiler et al., 2013). Currently, the most widespread voluntary standards are: EMAS and ISO14001. Both have in common the need to implement a structured management system in a series of stages that defines organizational policies, procedures, and practices relating to environmental issues (Hillary, 2004).

Regulation 1836/93 on the Eco-Management and Audit Scheme of the European Union, or the EMAS Regulation, is an European standard aiming to provide guidance to companies interested in implementing an environmental management system and later obtaining certification recognized in Europe—and even beyond European borders—which demonstrates the company's environmental commitment. Its aim, therefore, is twofold. On the one hand, the continuous improvement of companies' environmental behaviour through the implementation of policies, programs, and EMSs in their operation centers and postassessment, and, on the other, the public demonstration of their environmental commitment (Dash and Junquera, 2001; Puvanasvaran et al., 2012; Sammalisto and Brorson, 2008). Figure 12.1 summarizes the implementation phases of an environmental management system according to the EMAS standard.

ISO14001 is an international standard that also offers guidance for the implementation and certification of EMSs and allows companies to publicly demonstrate their commitment to protecting the natural environment (Teng, 2011). It is based on three principles: pollution prevention, continuous improvement, and voluntary participation (Bansal and Hunter, 2003). It does not establish absolute

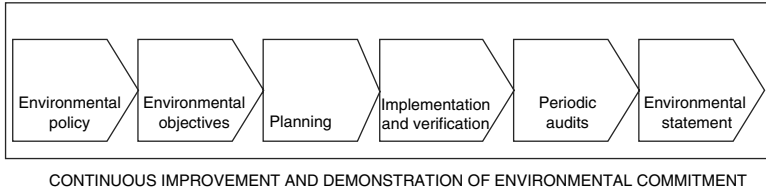


Figure 12.1 EMS implementation process based on EMAS.

Source: The authors.

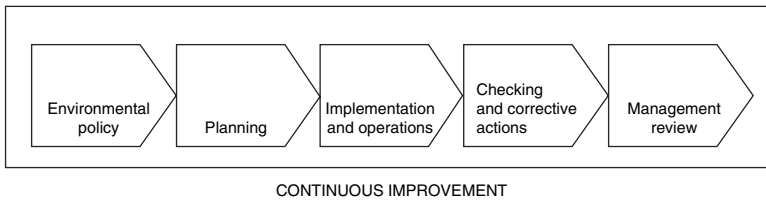


Figure 12.2 EMS implementation process based on ISO14001.

Source: The authors.

requirements, or specific performance criteria, except for long-term commitment with applicable environmental legislation and pollution prevention through the establishment of goals and targets aimed at continuous improvement (Arimura et al., 2011; Puvanasvaran et al., 2012; Sammalisto and Brorson, 2008).

Sarkis (1998) explains that the process of implementing an environmental management system based on ISO 14001 consists of five stages: (1) Environmental policy: it refers to a written and public document with a statement of the company's commitment to the environment; (2) Planning: companies should identify environmental aspects with significant impacts on the environment and deal with them as a priority; (3) Implementation and operations: this involves the allocation of human, financial, and physical resources needed to address environmental issues; (4) Checking and corrective action: this refers to the measurement of environmental performance, identifying deviations through the comparison of objectives and results, and implementation of appropriate corrective and preventive actions; (5) Management review: to ensure effective and continuous improvement of EMSs, managers must receive feedback from the policies, objectives, and procedures implemented (Figure 12.2).

Determinants of EMS Implementation and Certification

Environmental management is influenced and determined by numerous factors in different ways. Hillary (2004) analyzes EMSs in SMEs and identifies various benefits that could be a motive to improve the company's environmental management, as well as a number of disadvantages and barriers that could hinder efforts to progress in terms of environmental management.

With regard to potential benefits, Hillary (2004) establishes a distinction between internal and external benefits. Internal benefits are defined as positive results from the implementation of EMSs and related to the internal operations of SMEs. These can be grouped into three categories: organizational benefits, financial benefits, and people benefits. External benefits are positive outcomes from the implementation of EMSs related to the external interactions of SMEs. They are also grouped into three categories: commercial benefits, environmental benefits, and communication benefits.

Hillary's approach integrates two main lines of research on motivations to implement EMSs. One of them recognizes the existence of pressures from different interest groups or stakeholders to adopt environmental protection measures, which would explain the environmental actions of companies in response to the requests or demands of these groups (Buisse and Verbeke, 2003; Demirel and Kesidou, 2011; Henriques and Sadorsky, 1999; Johnstone and Labonne, 2009; Sharma and Henriques, 2005; Xuan-Quynh et al., 2014). The other line of research points out the expectations of obtaining competitive advantages as a result of implementing EMS, which, in this case, explains the adoption of this decision not in response to any pressure, but as the company's own initiative (Aravind, 2012; Bansal and Roth, 2000; Gadenne et al., 2009; Nishitani et al., 2012; Teng, 2011; Tien et al., 2005; Wagner, 2007; Zutshi and Sohal, 2004).

Nevertheless, Hillary (2004) also recognizes that efforts to implement EMSs could be detrimental to the company, compared to other companies in the sector unconcerned about these issues. Understanding disbenefits as negative or non-realized benefits, Hillary (2004) distinguishes three categories: resources, lack of rewards, and EMS surprises.

Finally, Hillary (2004) notes the existence of a number of barriers or obstacles that could hinder or even prevent the implementation of EMSs in companies. These can be of two types: internal barriers and external barriers. Internal barriers arise inside the company, while external barriers come from outside. Hillary (2004) identifies four internal barrier categories: resources, understanding and perception, implementation, and attitudes and organizational culture. She also distinguishes four external barrier categories: certifiers/verifiers, economics, institutional weaknesses, and support and guidance. More recent studies also point out these issues as important barriers to making progress in environmental matters (Aravind, 2012; Halila and Tell, 2013; Zorpas, 2010).

Environmental Impact of Shelter Activity

Many technical elements are necessary to ensure proper operation of shelters: water supply, sewer system, energy production, waste management, security, telecommunications, supply methods, etcetera. Beltramo and Cuzzolin (2001) summarize the main environmental aspects of shelter activity: the effects of raw material supply, production and use of natural resources, catering, noise pollution, service provision, and sanitary service involving the specific management of solid and liquid waste, soil protection, or air emissions. Table 12.1 shows the environmental impacts directly attributable to shelter activity.

Table 12.1 Summary of the Effects on Different Environmental Areas

Type of impact	Energy	Heat Production	Water Production	Supply	Waste
	<i>Solar systems</i>	<i>Hydro-electric power</i>	<i>Gas, wood, and fuel</i>		
<i>Habitats</i>	<i>Wind power</i>				
	In the long-term, batteries (renewed every ten years). In the short-term, stock of materials, installation of sensors.	Changes in water flows. In the long-term, plant room. In the short-term, stock of materials, machines.	Supply by road or helicopter.	Air pollution from vehicles going up to the shelter. Landing platform for the helicopter.	Smoke from burning. Odours due to fermentation of organic waste. Transportation of waste by road or helicopter to the valley.
<i>Landscape</i>	In the long-term, solar panels. In the short-term: installation work.	In the long-term, plant room and pipes. In the short-term, installation work.	Stocks of bottled gas and wood.	Landing platform.	Plant rooms for storage of solid waste before transportation to the valley. Piles of organic waste.
<i>Noise</i>	Sound of movement of rotor blades	Sound and vibration effects.		Helicopter noise.	

Source: The authors.

According to Beltramo and Cuzzolin (2001), maintaining the rustic and collective character of the shelter environment is essential to continue to stand out from other mountain hotels. Shelters also perform certain activities related to sustainable development, such as recovering rainwater, purchasing supplies from local producers, establishing a network of professionals, involving customers in the day-to-day running of the shelter, and a customer awareness plan of the shelter's commitment to sustainable environmental management produced by its guardian.

3. Empirical Study: European Experiences of EMSs in Shelters: A Study of the Spanish Case

The implementation of EMSs in shelters was a pioneering experience in Spain, inspired by the Italian experience in the Federico Chabod shelter, located in the Aosta Valley (Alps). It was the first European shelter certified in 2001. Soon two more shelters, Capanna Regina Margherita and Walter Bonatti, followed in its footsteps. Both were certified in 2002, as was the Vioz Mantova shelter two years later. In 2004, the Aosta Valley Shelter Keepers Association was founded. It established a network of shelters and created a common multisite EMS throughout the valley. As a result, eight more shelters in the valley obtained the UNI EN ISO 14001 certification.

In Switzerland, the Swiss Alpine Club (CAS) has shown its determination to integrate the objectives of protecting the natural environment on shelter property. To implement this commitment, the CAS published a guide for shelter guardians in 2002, which includes numerous recommendations for improving the environmental management of the shelter. It also assumed that this guide would strengthen the role of shelter guardians in increasing customer awareness about the natural environment (CAS, 2002). The CAS has recently opened the Mont-Rose shelter near Zermatt combining the use of high technology and ecology in its construction, and it has won numerous awards. Another shelter, the Cabane de Kesch, has also won European ecological recognition (Ambid et al., 2009: 67).

In France there are two plans of action for environmental management in shelters. First was the initiative of the Regional Agency for Environment in Midi-Pyrenees (ARPE, 2007), which prepared a guide for the environmental management of the shelters in the Pyrenees, aimed at guardians and managers of these establishments, to inform about the rules, impacts, and best "eco-responsible" practices to adopt. Second was a series of standards for shelters laid down concerning environmental quality. As a result, projects such as the HQE (Haute Qualité Environnementale) label in the Pyrenees National Park were launched.

Finally, a recent study (Ambid et al., 2009) analyzes and compares the situation of mountain shelters in ten European countries (France, Spain, Andorra, Austria, Germany, Italy, Switzerland, Slovenia, Bulgaria, and Norway). It highlights significant environmental management differences among European shelters. In France and Italy there are various environmental management guidelines for shelters. For the German shelters, the German Alpine Club (DAV) has initiated an environmental standard. In Slovenia all shelters are owned by the Slovenian Alpine Club (PZS) and are subject to specific regulations for the management, running, and

equipment of mountain shelters. The PZS applies its own regulations on environmental matters. In Bulgaria, there are more than 250 shelters certified in environmental regulation, but so far there is no shelter with ISO certification. For shelters in national parks, environmental management is the responsibility of the shelter itself. In Norway, there are about 870 shelters, of which only 194 are manned. The Den Norkse Turistforening (DNT, the Norwegian Trekking Association) is the owner of 459 shelters, of which 44 are manned mountain shelters, which have implemented a specific environmental certification.

This review provides recent evidence of European approaches to the environmental design and management of shelters. It also demonstrates how dissimilar different countries' actions are, from a simple approach such as awareness guides or charters (Bulgaria, Slovenia, Norway), to a laborious ISO certification or label (Germany, Austria, Spain, Italy, and Switzerland).

Now we will focus our attention on Spanish shelters and, more specifically, on a sample of shelters in the Aragonese region. We present a study of their decision to implement EMSs, in particular, and motivations and barriers that could encourage or hinder this initiative. To do this we first describe the shelter sample, we detail the variables used, and lastly we present the main results.

Sample

In May 2009, we sent a questionnaire to the guardians of the shelters managed by the Aragonese Mountain Federation (FAM) with two purposes in mind: to discover the degree of implementation of EMSs and to identify any motivations and barriers. In some cases, the information collected initially with the questionnaire was supplemented with a telephone survey.

We contacted 12 shelters. All of them are in the province of Huesca, except for Rabada-Navarro, located in the province of Teruel. We obtained a response from 83 percent of them, as we detail in Table 12.2.

Table 12.2 Shelter Sample

Shelters	Ownership	Managed by	Province
Angel Orús	FAM	FAM	Huesca
Biadós	Private	Joaquín Cazcarra	Huesca
Alquézar	FAM	FAM	Huesca
Estós	FAM	FAM	Huesca
Góriz	FAM	FAM	Huesca
Lizara	Forest Community of Aragües del Puerto and Jasa	FAM	Huesca
Pineta	FAM	FAM	Huesca
Rábada-Navarro	FAM	FAM	Teruel
Respumoso	Regional Government	FAM	Huesca
Riglos	Mountaineers of Aragon and FAM	Mountaineers of Aragon and FAM	Huesca

Source: The authors.

Measures

Taking into account that this is a new subject for Aragonese shelters, we created a variable with three categories to describe the degree of EMS implementation: not planned, planned in the short-term, and in progress. We also asked for more detailed information about current EMS practices. We differentiated five practices: selective waste collection, tanks for toxic materials, sewage disposal, use of renewable energy, and others, and we asked the guardians to mark the practices currently adopted in their shelters.

Based on the literature on the topic and the idiosyncratic characteristics of shelters, motivations and barriers were measured through dichotomous variables (yes/no). If the answer was affirmative, we asked the shelter guardians to assess its importance using a 7-point Likert scale, where value 1 meant “Not at all important motivation/barrier” and value 7 meant “Extremely important motivation/barrier.” We distinguished between internal (11 variables) and external (15 variables) motivations, and between internal (14 variables) and external (17 variables) barriers.

4. Results

Concerning the degree of EMS implementation, the results show that EMS is indeed a new topic for high-mountain shelters, as 60 percent of them do not plan to implement it. Only 20 percent of the shelters are in the process of implementing it and the remaining 20 percent plan to do it in the short-term (Figure 12.3).

Nevertheless, many of them adopt EMS practices. The most widespread ones (90% of the shelters) are selective waste collection and tanks for toxic materials, followed by sewage disposal (70%). In addition, 50 percent of the shelters also use renewable energy (Figure 12.4).

Regarding the determinants of shelter guardians’ decision to implement EMSs, first we analyzed their motivations to take this decision. As Hillary does, we distinguished two types of motivations: internal and external.

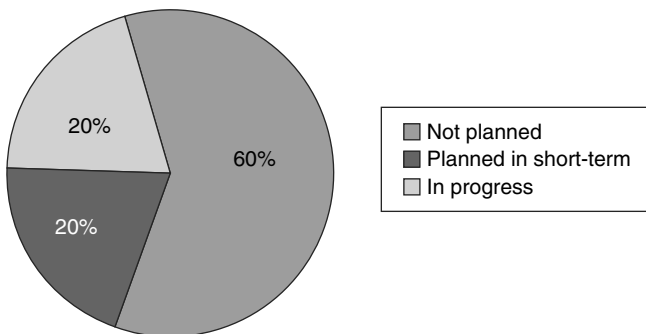


Figure 12.3 Degree of EMS implementation.

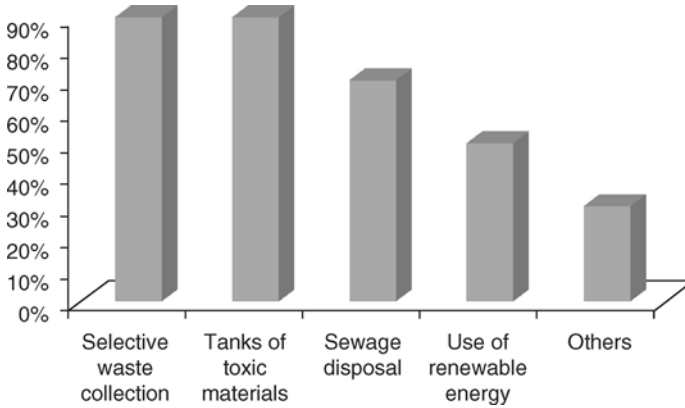


Figure 12.4 EMS current practices in shelters.

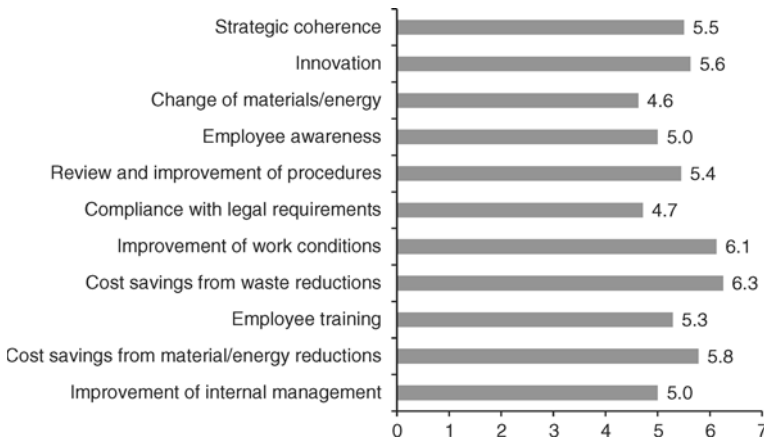


Figure 12.5 Internal motivations for the implementation of EMSs.

All of the internal motivations are recognized by the shelter guardians as incentives for implementation and certification of EMSs. Figure 12.5 presents the mean values. The internal motivations with the greatest values are cost savings, both from waste reductions (6.3) and from a more efficient use of raw materials or energy (5.8), as well as improvement in working conditions (6.1). Other important motivations are related to the business’ strategic approach (5.5) and innovation (5.6). It is remarkable that one of the motivations with the lowest evaluation is to comply with legal environmental requirements (4.7). This may be an indicator of shelter guardians’ strategic maturity. Indeed, rather than a reactive attitude focused on avoiding penalties for noncompliance, they demonstrate a proactive approach, which seeks to integrate and meet the demands of a much broader spectrum of stakeholders. Moreover, except for two items (demonstration of compliance with legal

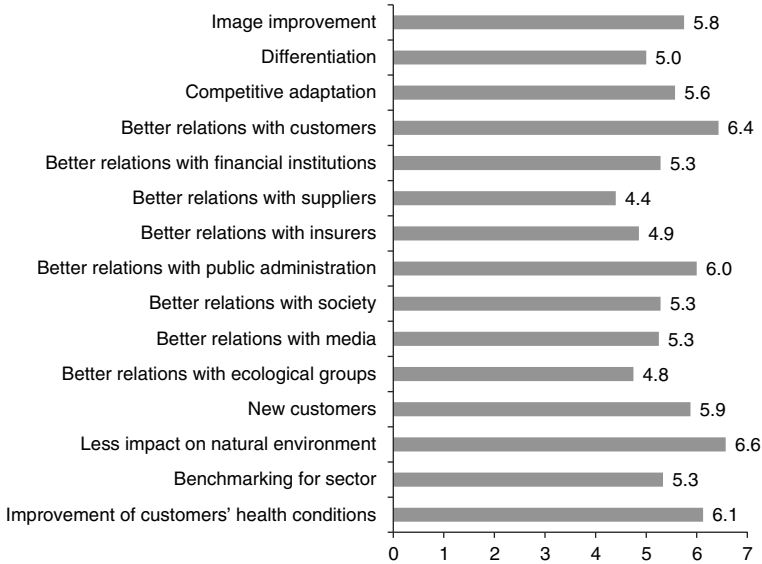


Figure 12.6 External motivations for the implementation of EMSs.

environmental requirements [4.7] and incorporation of changes in raw materials or energy sources used [4.6]), all the internal motivations are rated with mean values greater than or equal to 5. Therefore, the most important internal motivations for shelter guardians are financial ones, although the rest of them are also important for the implementation of EMSs.

With regard to external motivations, there are four items whose mean values are greater than or equal to 6: less impact on the natural environment (6.6), better relations with customers (6.4), improvement in customers' health (6.1), and better relations with public administrations (6.0). Here, there are just three items with mean values that do not reach 5 points: better relations with suppliers (4.4), ecological groups (4.8), and insurers (4.9). These results indicate that external motivations also play a relevant role in shelter guardians' decision to implement EMSs. Nevertheless, communication motivations are not equally important for shelter guardians, who prioritize customers' and public administrations' demands (Figure 12.6).

On the other hand, we analyzed the barriers that could exert the opposite effect, namely the obstacles that could make it more difficult to implement EMSs in shelters. Again as Hillary does, we distinguished two types of barriers: internal and external.

Starting with internal barriers, it is remarkable that none of them has a mean value greater than 6, which suggests that shelter guardians do not perceive any extremely important barrier in this regard (Figure 12.7). The most important, however, is clearly the high cost (5.9), as its mean value exceeds the evaluation of the rest of the internal barriers by more than one point. This result indicates that the main

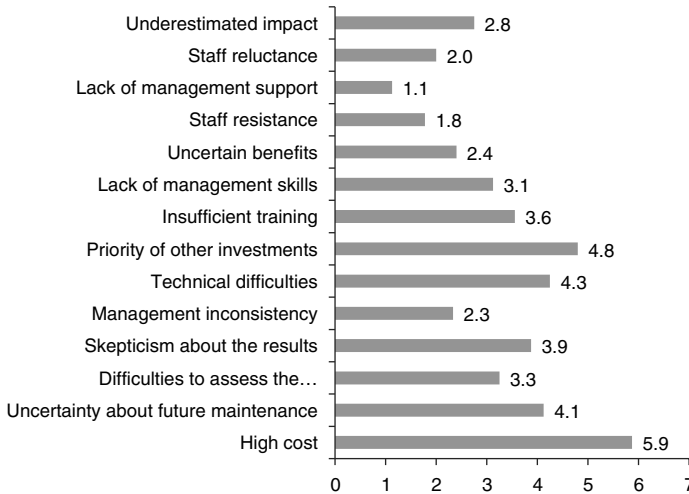


Figure 12.7 Internal barriers for the implementation of EMSs.

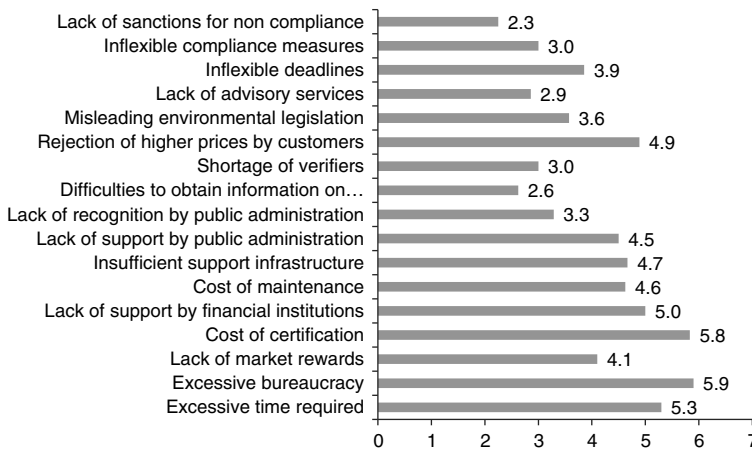


Figure 12.8 External barriers for the implementation of EMSs.

internal difficulty in implementing EMSs is related to a lack of financial resources. Other relevant internal barriers are the priority of other investments requiring more immediate attention (4.8), technical difficulties in implementing EMSs (4.3), and the uncertainty about the shelter’s ability to maintain this investment in the future (4.1). The least important barriers are the ones related to personnel: lack of management support (1.1), staff resistance (1.8), staff reluctance (2.0), and management inconsistency (2.3). Nevertheless, we should take into account that this survey’s respondents were shelter guardians, so these answers might show a slight bias.

As regards external barriers, again none of them presents a mean value greater than 6 (Figure 12.8). This supports the idea that shelter guardians do not perceive any extremely important barrier hindering the implementation of EMSs. There are three external barriers that stand out from the rest: excessive bureaucracy (5.9), the cost of certification (5.8), and excessive time required (5.3). They are the only external barriers whose mean values exceed 5 points. They share the fact that they are related to difficulties associated with the implementation and certification process. Lack of support from financial institutions (5.0) again points toward the lack of financial resources as the cornerstone argument to explain difficulties in implementing EMSs in shelters. On the contrary, the lack of sanctions for noncompliance (2.3) or difficulties in obtaining information on environmental legislation do not seem to pose a great obstacle, and neither does the lack of advisory services (2.9) or verifiers (3.0).

5. Conclusions

Society's growing concern in recent decades—the demand for the consideration of the environmental variable in business decisions—has also reached the tourism sector. This sector has idiosyncratic characteristics (Blanco et al., 2009), as it generates an impact on the natural environment because of its activity, but, at the same time, its competitiveness depends to a large extent on the ecological preservation of the environment. In this context, it is interesting to discover how the sector is reacting to environmental demands, and which factors could explain its behavior. In this chapter, we try to broaden the knowledge in this area focusing on the activity of high-mountain shelters.

High-mountain shelters' responses to stakeholders' environmental demands are diverse. This is particularly clear when observing implementation of EMSs in shelters in different European countries.

For the analysis of the determinants in the decision to implement and certify EMSs, we have focused our attention on a sample of shelters in Aragón, a north-eastern region of Spain. To contribute to the explanation of diversity in the shelters' environmental responses, we have studied two aspects with opposite effects: motivations that could encourage the adoption of environmental protection practices in shelters, and barriers or obstacles that could hinder efforts in this regard.

From the results of the study we can conclude that, although the implementation and certification of EMSs is a relatively new concept with regard to Spanish shelters, the pioneering Aragonese shelters show an active commitment to environmental management, as is evident from the practices they have already adopted to protect the natural environment. They show a proactive approach in trying to meet the demands and requirements of a broader group of stakeholders, instead of a reactive approach that merely seeks compliance with environmental legislation and avoidance of penalties. This might be another example illustrating the success of emerging voluntary initiatives that are being implemented in the tourism sector all around the world (Blanco et al., 2009).

As far as motivations are concerned, they are related to both internal and external aspects. The first remarkable result is that all the aspects considered in the study are recognized as important motivations for implementing EMSs (regardless of whether they are assessed favorably or unfavorably by shelter guardians). However, some are emphasized as extremely important incentives: on the one hand are internal motivations, such as financial benefits from cost savings due to waste reduction and more efficient use of materials and energy, and organizational benefits, such as an improvement in working conditions and safety; on the other hand are external motivations, such as environmental benefits due to less impact on the natural environment (which may reflect shelter guardians' concern about this issue), and communication benefits, especially because of better relations with customers, as well as an improvement in their health. Nevertheless, the improvement in relations with other stakeholders (such as suppliers, ecological groups, and insurers) is the least important motivation for shelter guardians. This result is coherent with Lannelongue and González-Benito's results (2012). They found a discriminant response to stakeholders since organizations use EMS certification only as a reaction to the pressure of certain stakeholders, ignoring pressures from other external primary and secondary stakeholders. Finally, innovation also seems to be an important motivation; although, as Ziegler and Seijas Nogareda (2009) point out, the causal relationship between EMS and innovations is obviously not clear, as EMS can also be affected adversely by environmental innovations.

As far as barriers are concerned, the first notable result is that some of the barriers that theoretical literature recognizes do not seem to represent an obstacle for the adoption of environmental practices by shelters, especially the internal barriers related to human resources and the external barriers arising from a lack of guidance and certifiers/verifiers. This could explain the willingness of shelter guardians to implement EMSs. In this regard, Jabour et al. (2013) conclude that green teams are essential for implementing technical environmental management practices. It is also significant that the lack of sanctions for noncompliance is not a barrier either. Compliance is no longer the only factor encouraging the adoption of voluntary environmental measures (Zobel, 2008) and it might be another indicator of the proactive attitude of shelter guardians toward the implementation of EMSs.

However, there are many other aspects that do pose an obstacle for the adoption of environmental protection measures in shelters. These are both internal and external issues. The internal barriers include the high cost of investment associated with the implementation of EMSs. These high-cost EMS investment decisions are stalled since, in the opinion of the shelter guardians, there are other activities that require more immediate attention. With regard to external barriers, shelter guardians agree on excessive bureaucracy and the high cost associated with the implementation and certification process, in addition to the excessive time required. These are the most important external barriers. In fact, shelter guardians call for more support from governments and financial institutions, as well as from the environmental supply sector. Recent studies also highlight the important role of public authorities in the promotion and implementation of sustainable development practices (Botta et al., 2013). Steps also need to be taken to spread awareness in society, because although the general public has succeeded

in disseminating their concern about environmental degradation due to business activity, their behavior as customers is not always consistent with their environmental demands. In fact, shelter guardians state that customers are not willing to pay a higher price as a reward for the environmental efforts made by shelters. In this regard, recent works are encouraging, in the sense that they affirm that customers are not only interested in assessing the environmental performance of products, but also let this influence their purchasing decisions (Erlandsson and Tillman, 2009).

In summary, the factors influencing the decision to implement and certify EMSs in high-mountain shelters are broad and complex, which explains why the responses to this challenge are not unanimous. The results obtained in this study shed light on organizations' strategic environmental management. We hope above all that they may help to identify the main lines of improvement and to stimulate a debate on this emerging field of research.

Acknowledgments

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Conclusion

Tourism drives economic prosperity and sustained development in many regions around the world. By recognizing the relevance of tourism as a socioeconomic phenomenon, this book contributes to the advancement of knowledge in the fields of tourism management, marketing, and development, with a specific emphasis on performance, strategies, and sustainability and their multiple relationships at both the company and destination levels. Regardless of the variety of cases, situations, and contexts under examination in the volume, a number of common themes have emerged and are illustrated in what follows.

The first theme that can be identified is the importance of sustained competitive advantage. Any tourism destination (be it a country, region, or municipality) or any tourism company needs to leverage its managerial and marketing strategies, tactics, and tools to achieve and maintain sustained competitive advantage. This is more critical in the current economic environment where competition is fierce and consumers are really demanding and experienced.

Increasingly it is evident that it is extremely difficult even for developed destinations to cultivate and sustain a competitive advantage for a long period of time. Instead we are going through an age of “temporary advantage,” where destinations (and organizations) need constant innovations to gain a temporary advantage and move ahead of the competition for a continued series of periods of time.

The chapters of the book demonstrate that it is even more difficult for developing countries such as those in Eastern Europe (see chapters 4 and 7) and sub-Saharan Africa (see chapter 3) to sustain competitive growth in the tourism sector. Organizational structures, know-how, technologies, and a maturity in the marketplace that support organizations to establish effective strategies make sustained competitive advantage more difficult to achieve. Nonetheless, a plethora of sophisticated analytical tools are available for forward-looking Destination Management Organizations (DMOs) at different levels (local, regional, national) to increase the effectiveness of their destination management, marketing and development strategies, and improve their competitiveness and performance in terms of sustainable development and economic benefits. These tools include tourism destination image analysis (see chapter 1), tourism flow forecasts (see chapter 2), and branding tools that offer qualitative insights based on aspirational branding analysis, instead of suggesting how to brand the destination, given the selected positioning and images (according to the well-known Position-Image-Branding model). These tools can build on novel assets that are not necessarily part of the tradition of the destination,

but instead are created purposefully: for instance, new services, events, and festivals (see chapter 4 and chapter 8). This approach is crucial in those destinations that have recorded stagnation or a decline in the tourism cycle and need to be rejuvenated by renewing their attraction base and draw new markets.

At the individual organization level, companies such as hotels, restaurants, travel intermediaries (i.e., tour operators and travel agents), professional conference organizers, and meeting planners experience an even more complicated situation for a number of reasons. First, their competitiveness and performance is often positively associated with the competitiveness and success (or the likelihood of survival in an economic downturn) of the destination (see chapters 3, 5, 6). Second, when a destination does not perform so well, it is likely that local price wars could take place among the actors of the industry (see chapter 6). This affects not only the profitability of these organizations but also the economic benefits of the entire industry. Many could be the strategic tools developed by individual companies to measure their performance and benchmark themselves, especially in an age where a savvy use of big data can provide a business intelligence base, and business analytics might be able to drive the development and marketing strategies of individual companies.

The second common theme that clearly emerges from the volume is the ever-increasing importance of strategies based on socially and environmentally responsible philosophies and practices. While the development of certain activities may irreversibly exploit the natural resources and alter the sociocultural composition and uniqueness of an area, the progressive and sometimes irreversible consumption and deterioration of both natural and cultural resources can undermine a destination's comparative (and competitive) advantage and its competitiveness. Corporate Social Responsibility and sustainable development practices should be at the heart of strategies and operations of tourism organizations and destinations.

On one hand, several tourism destinations and companies are genuinely concerned about ecological issues. They adopt, for instance, water and waste management as well as recycling procedures and encourage a "green" and responsible philosophy (see chapters 11 and 12). On the other hand, many tourism actors want to make sure that the environmental certification process will result in corresponding consumer demand. Accordingly, ecological sustainability can be adopted by tourism companies and destinations as a strategic marketing tool and as a strategy to differentiate their offering, thus generating a sustained competitive advantage (see chapters 9, 11, and 12). Tourists interested in sustainable tourism products/services/destinations will increasingly prefer sustainable products/services/destinations and pay a premium price for them.

While the strategic dimension of going green is clear, the extent to which companies embrace an environmental philosophy has to do also with their social and political context. This context may be particularly supportive toward ecological issues and provide economic incentives, such as innovation vouchers, aimed at supporting knowledge transfer to companies willing to put in practice ecological sustainability principles (see chapter 10). Overall applying for an environmental certification, meeting environmental standards, and adopting Environmental Management Systems (EMS), are ways through which a tourism destination and/or company can secure a further option to achieve and maintain a sustained advantage. The Triple

Bottom Line (TBL) approach demonstrates that what matters is not only financial viability but also social and environmental performance contributing to the competitiveness of organizations and the destination at large (chapter 9, 10, 12).

Two major issues emerge when it comes to taking into account performance within a TBL for tourism destinations and companies. First, while it is relatively straightforward to analyze and measure economic-financial performance, identifying and using metrics for social and environmental performance is more complex. Second, the multidimensional nature of performance engenders the issue of incommensurability. It is not possible any exchange of values across the different components of the TBL: indeed the scales used to measure financial, social, and ecological performance are different and not comparable.

Finally, the effectiveness of management, marketing, and development strategies and tactics at both the tourism organization and destination levels should rely on sound cooperation between the public and private stakeholders within a destination and across destinations. Public sector and industry stakeholders as well as the education sector must pool minds, efforts, and financial and nonfinancial resources (see chapters 8 and 10). This will enable tourism destinations and companies to achieve a higher competitiveness and improve their financial, social, and environmental performance. Such results cannot be achieved without collaboration (see chapter 3). Moreover co-located companies willing to achieve a sustained competitive advantage should recognize the importance of industry leaders (see chapter 8) and interact closely with innovative research centers and universities (see chapter 10). The lack of any such linkages may prove detrimental for the development and performance of individual businesses (see chapters 3 and 7). Interestingly, less developed countries too (see chapter 3), or countries that are transitioning from Communist to market economies (see chapters 4 and 7), are facing major issues. It is evident that their public sectors should be more proactive in setting up the political, economic, and institutional preconditions for tourism companies to do business in a profitable and sustainable way.

In spite of the many research questions asked and answers given, we are aware of the fact that the three aforementioned topics need more investigation. This book provides a first crucial step by contributing a challenging research agenda for tourism management, marketing, and development studies. A range of further issues that may be explored include: (1) analyzing the bi-directional relationship between sustainable tourism strategies at the destination level and at individual company level, with a focus on performance indicators; (2) forecasting how strategies undertaken at both the destination and the individual company level will evolve in the next five to ten years in light of the increasing importance of the TBL approach and sustainable tourism paradigm; (3) understanding how different tourism destinations and companies make sense and internalize sustainability in their culture, regardless of the increasing popularity of formal certification processes; (4) investigating how the adoption of ecological sustainability as a strategy to differentiate the tourism destination and companies' offer can eventually impact on the demand side (i.e., the consumer/tourist behavior) and on the financial performance of those destinations/companies embracing environmental certification; (5) understanding how a continuous balancing act should be struck between competition and

cooperation (co-optition) in order to achieve and maintain a sustained and sustainable competitive advantage over a longer time frame; (6) analyzing how strategic management and marketing tools may be developed in order to meet the needs for environmental sustainability in both developed and developing countries over the next five to ten years.

The aforementioned list is, of course, indicative of the wide range of issues that needs to be explored further for tourism destinations and companies. It includes several of the major aspects that are worthy of exploration and analysis by the next generation of researchers.

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