IED
Roma

Master Arts Management
AA 14/15

TOURISM DESTINATION DEVELOPMENT

Roma, 04/11/2015   Master Arts Management AA14/15   1

Agenda, 4th November 2015

9:00 - 10:20	**The tourism destination** **The tourism product**
10:30 - 12:00	**Destination management** **Strategic planning**
13:00 - 14:20	**Strategic marketing** **Marketing planning** **Marketing mix**
14:40 - 16:00	**Case study – *Relaunching Florence as a tourist destination***

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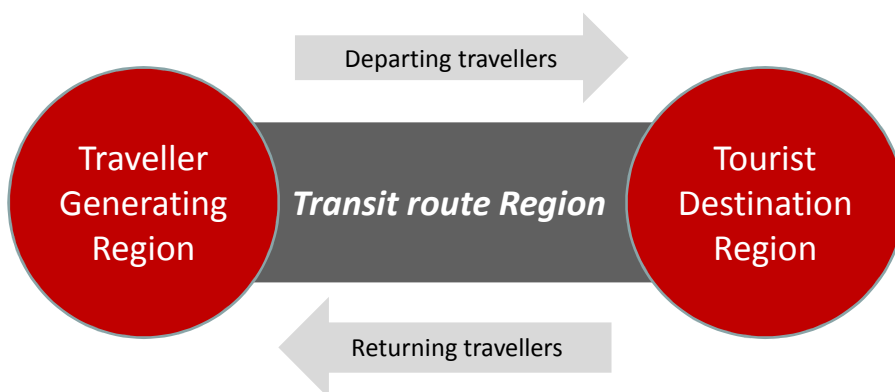
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THE TOURISM DESTINATION

The tourism system

Departing travellers

Traveller Generating Region

Transit route Region

Tourist Destination Region

Returning travellers

Source: Leiper (1990)

The tourist destination area

A geographic area that is:

- **Currently or potentially attractive** to visitors/tourists
- **Recognised and can easily be defined** as a visitor destination
- **Promoted as a destination**

That has:

- **A range of facilities and products** in place for tourism purposes

Where it is:

- **Possible to measure the supply of and demand for** tourism services i.e. the visitor economy
- The visitor management process usually includes a **range of public and private sector stakeholders together with the host community**

Source: European Commission (2013)

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Features of tourist destination area

- According to the World Tourism Organization, a tourism destination area is :
  - A **physical space**
  - Where a visitor spends **at least one overnight**
- It includes **tourism services** such as:
  - Attractions
  - Support services
  - Tourism resources within one day's return travel time
- It has:
  - **Physical and administrative boundaries** defining its management
  - Image and perceptions defining its competiveness
- It incorporates various **stakeholders** often including a host community
- It can nest and **network** to form larger organization

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How to consider a destination

- **An array of physical components**

- **A mix of "tourism products"**

Opposite tendencies in destination development

|	
Enclosed and closely controlled «tourist enclave"	**"Authentic" or "sensitive" travel experiences, where management inputs are at minimum**
The emphasis is on escape on everyday life in a safe, high-quality fantasy environment	**The tourist controls the experience, shunning contact with the travel trade**
Large-scale theme parks, self contained resorts	**Enjoyment of authentic contact with landscapes or cultures**

Source: Middleton (1988)

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Supply components
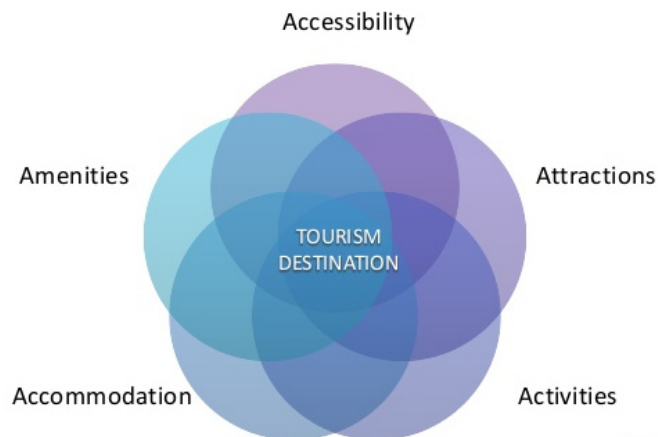
Attractions

- They provide the **initial motivation** to visit

- They can be very **various and with fragmented ownership**

- They must be managed so that to **balance market and supply orientation**

Amenities

- A range of amenities, support facilities and services are required by tourists at the destination (**accommodation, food and beverage, retailing and other services**)

- They often have a **low level of concentration of ownership**

- This is both and advantage and a problem:
  - An advantage since expenditures quicly flows into the local economy
  - A problem since smal business are fragmented and lack a coherent lobby
  - They also may lack the investment capacity to upgrade and the management /marketing expertise

Access

- Clearly, development and mainteinance of efficient transports links to the generating markets are **essential for the success of the destination**

- Physical and market access are essential, but also the provision of **services** such as:
  - Car rental
  - Local transport

- **Innovative transportation** can include:
  - Scenic drives
  - Park and ride schemese
  - Shuttle buses for walkers
  - Cycle ways
  - Explorer buses

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THE TOURISM PRODUCT

The tourism product

It is **what is bought** by the visitors

It descends from their **motivations and expectations**

Core attraction

Ancillary services

Broad tourism context
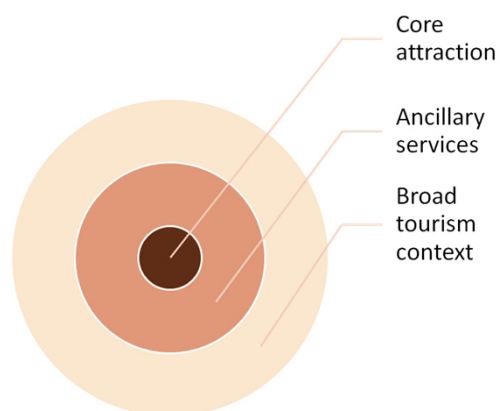
Tourism destination as a mosaic of tourism products

....

.... Active Tourism

Cultural Tourism

Event Tourism

Business Tourism ....

Religious Tourism ....

The three faces of the tourism product
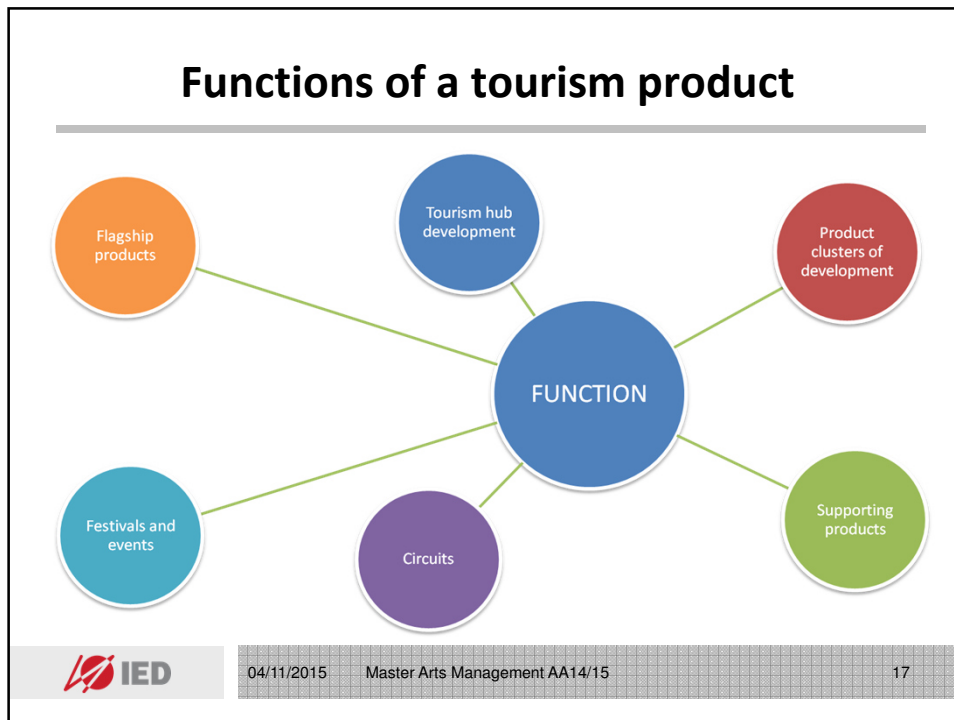
Experiential factor   Emotional factor   Physical factor

Functions of a tourism product

Flagship products

Tourism hub development

Product clusters of development

FUNCTION

Festivals and events

Circuits

Supporting products

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DESTINATION MANAGEMENT

Destination management

- Co-ordinated management of all the elements that make-up a destination so that to:
  - Link-up such sometimes very separate entities for the better management of the destination
  - Joined up management to avoid duplication of effort with regard to
    - Visitor services
    - Training
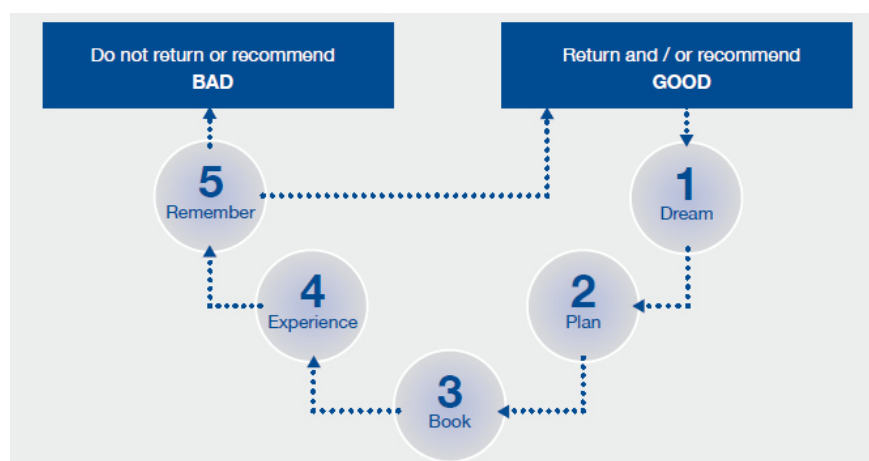   - Business support
    - Promotion
    - Identity

    Promotion and identity creation come from several sources

The tourist journey

Do not return or recommend **BAD**

Return and / or recommend **GOOD**

5 Remember

1 Dream

4 Experience

2 Plan

3 Book

Determinants of tourist experience

- It is not simply confined to consumption of tourism whilst at the destination

- Many tourism businesses are focused narrowly on their product supply and delivery and give little attention to other stages of the customer journey

- The public sector has a critical role in coordinating and developing tourism delivery to ensure a quality experience at the time of visiting the destination

- Developing a quality experience will encourage **repeat visits and positive word of mouth recommendations** to friends, relatives and Internet users, via social network

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Destination value chain

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Issues to be considered

- **Commercial viability**

- **Destination life-cycle**

- **Sustainability**

Commercial viability

- Simply developing a tourism product does not mean that visitors will come

- Following a good product development process helps ensure the business, product, or service can compete effectively and make a profit

Development of tourism related products and experiences requires:

- Understanding existing supply and future demand for products

- Market research on visitor needs and satisfaction, product development gaps and opportunities

- Understanding the types of experiences that a visitor market seeks

- Assuring the value and feasibility of the tourism project

Destination development cycle model

Continuous process of innovation to remain competitive: Destination may develop niche products to redevelop unique status position in certain high yield market segments

Initial stage of development: Destination may have unique status. Consumer willingness to pay and visit are high

Destination Development

Other competing destination develop: Greater price competitiveness and lower spending visitors visit

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Destination life-cycle

CRITICAL RANGE OF ELEMENTS OF CAPACITY

Rejuvenation
Reduced growt
Stagnation
Stabilization
Consolidation
Decline
Immediate decline
Development
Involvement
Exploration
Time
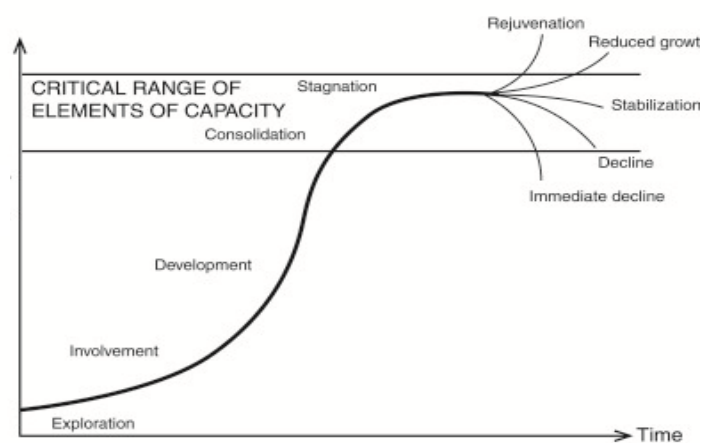
Source: Butler (1980)

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Phases 1-2

Exploration
- The new tourist product/s is introduced
- A small number of visitors start coming

Involvement
- Identifiable tourist season begins to emerge
- Visitor numbers start building
- Impacts start to become apparent

Phases 3-4

Development
- Public policy and investment is required
- If destination is to sustain continuing development

Consolidation
- Visitor numbers continue to increase
- Tourist services are provided by large national or international companies
- Local operators still play a role

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Phase 5 and 6

Stagnation
- Critical point – decisions have to be made
- Visitor numbers peak
- Visitors attracted by familiarity and extensive facilities
- Promotion is needed
- Adaptation of products and markets

Decline or…. ?
- Visitor numbers fall
- Move down market
- More promotion to meet capacity
- Decline or rejuvenation?

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Weakeness of the model

- It is a resort model

- Progress through the life cycle is not inevitable

- Places are not natural organisms – need not die

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STRATEGIC MANAGEMENT

What does it mean "Strategy"?

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Strategic planning

- **Strategy:** the "art of the general"

    – a combination of the **ends** (goals) for which the organization is striving and the **means** (policies) by which it seeks to get there

    – a "roadmap", the **path** which ensures that the company is going in the right direction (the end vision)

- **Strategic Planning:** the organization's process of defining its strategy or direction, and **making decisions on allocating its resources** to pursue this strategy

The starting point
Situational analysis

- Analysis executed at an internal and external level to identify all **opportunities and threats** of the external environment as well as the **strengths and weaknesses** of the organizations

- Tools:

    – *PEST analysis*

    – *SWOT analysis*

PEST analysis

Political/Istitutional/Legal	Economic
• Cultural policies • Norms on sponsorship • .... •	• Recession • Effects on donations • .... • ....
Socio-cultural	**Technological**
• Reducing spare time • Single parents • Working women • .... •	• Interactive exhibits at museums • Staging techniques for plays and ligthting at galleries • .... • ....

SWOT analysis

Strenghts	Weaknesses
• Cooperation between artistic and marketing departments • Convenient location •	• Dependance on external sponsors • Funding needs • .... • ....
Opportunities	**Threats**
• Increase in international tourism arrivals • Ageing audience •	• Older attenders are attending less • Change in fiscal policy affecting donations • Economic recession • ....

1970s: Dissatisfaction with formal models
Strategy as process and practice

Charles Lindblom

• Strategy as muddling through

• March and Olsen (1976): **ambiguity** as a major feature of decision making in most public and educational organizations

• Cohen and March (1982): **garbage can model** - Problems, solutions, participants and choice opportunities are unpredictable in the decision maling process
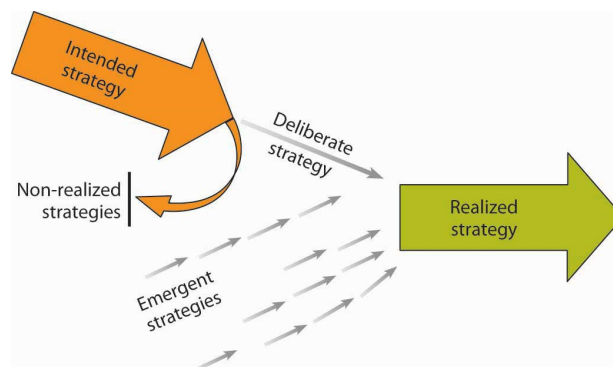
1970s: Dissatisfaction with formal models
Strategy as process and practice

• Scepticism about the rational accounts of strategy

• Interested at what really happens

Henry Mintzberg

Intended strategy

Deliberate strategy

Non-realized strategies

Emergent strategies

Realized strategy

The competitive approach
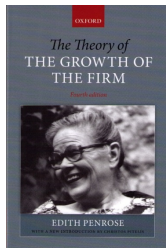
- The firm as a collection of **productive resources**, especially **people**
- Resources, especially those that are not easily copied by competitors, are the really **source of innovation and value**
- The strategist's job is to **manage these resources**, so that toallow for flexible development in an uncertain and changing environment

- The firm profitability depends on industry's structure
- Introduced the very famous **five forces model** to determin the attractiveness of an industry and construct a sustainable competitive position for the firm among competitors
- He also introduced the concept of **value-chain analysis** and the concept of **generic strategies**

Michael Porter

The competitive environment

Bargaining Power of Customers

Threat of New Entrants

Bargaining Power of Suppliers

Competitive Rivalry within an Industry

Threat of Substitute Products

Competitive advantage

- After a thorough analysis of the internal, customer and external environments, the cultural organization is ready to state **what sets it apart from its competitors**

  - *Customer intimacy*: **focus** on providing the best customer service and hold of a close relationships with customers (e.g. the local community theatre)

  - *Operational excellence*: are very efficient and are therefore able to **keep cost low**

  - *Product leadership*: has the newest and highest **quality products**

Competition increases….
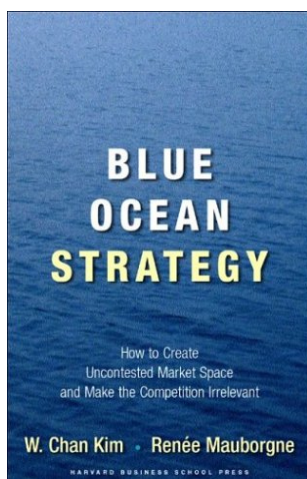
Companies can succeed not by battling competitors, but rather by creating "blue oceans" of uncontested market space so that making the competition irrelevant

RED OCEANS	BLUE OCEANS
Industry boundaries are defined, and the competitive rules of the game are known.	All the industries not in existence today untainted by competition (the unknown market space).
Companies try to outperform their rivals to grab a greater share of product or service demand.	Demand is created rather than fought over.
As the market space gets crowded, prospects for profits and growth are reduced.	There is ample opportunity for growth that is both profitable and rapid.
Cutthroat competition turns the ocean bloody	Competition is irrelevant because the rules of the game are waiting to be set

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STRATEGIC MARKETING

What does it mean "Marketing"?

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What is marketing about

- Understanding **customer** desire

- To identify:

  - the underlying **problems** that user of goods and services seek to solve

  - the related **benefits** they desire from using an already-existing product or service

- And to imagine and design **solutions to needs that have yet to be created**

Example: Starbucks Coffee

- Which needs do Starbucks satisfy?

- Why does Starbucks perform well even in countries such as Australia and Italy that have a sophisticated coffee culture?
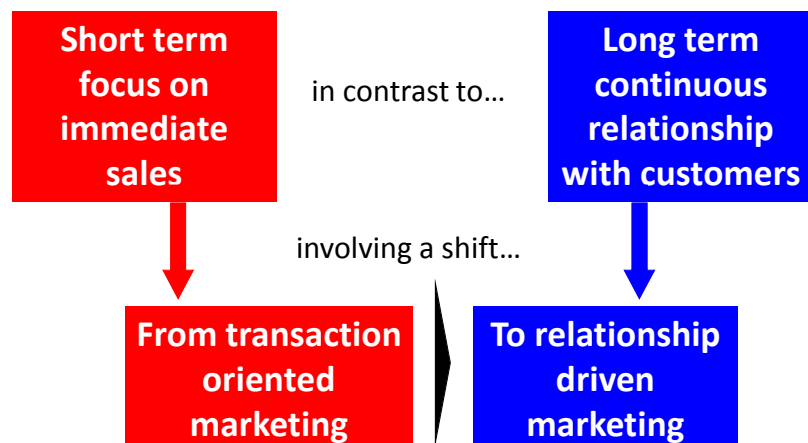
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Starbucks coffee

- Create an **experience** that their customers would find beneficial

- A place where people can **socialize, read, study, check emails or listen to music**

- Socializing time: "**let's meet at Starbucks**"

- An **office** from where knowledge workers can work

- Attention for **physical space and ambience**, including plenty of comfortable seating, the aroma of coffee in the air, shop attendants' attitude, to make people feel welcome, staying longer and coming back again

- **Environmentally friendly**: ecologically responsive, caring about the environment

Strategic marketing

Short term focus on immediate sales

in contrast to…

Long term continuous relationship with customers

involving a shift…

From transaction oriented marketing

To relationship driven marketing

Vision, Mission and Values

- **Vision**: what the organization wants to be, or how it wants the world in which it operates to be (an "idealised" view of the world)

  ➢ *A source of inspiration, a long-term view which focuses on the future*

- **Mission**: the fundamental purpose of the organization, succinctly describing why it exists and what it does to achieve its vision

- **Value**: beliefs that are shared among the stakeholders of the organization. They drive the organization's priorities and provide a framework in which decisions are made

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Key strategic marketing steps

1. Distinguish among different groups of customers (**segmentation**)

2. Choose which group to serve effectively (**targeting**)

3. Communicate the central benefit it offers to that group (**positioning**)

But…where is going the arts and cultural market?

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MARKETING PLANNING

Marketing

The process of analysing the external environment to look for an opportunity to develop a product for a particular group of consumers and then deciding on a price, a means of distribution, and a promotional campaign that will build a relationship with the consumer

The Marketing Plan

1. Statement of organizational **mission, vision and value**

2. **Situational analysis**: internal resources, external factors, customers

3. Determine **competitive advantage and marketing goals**

4. **Segmentation**

5. Targeting (research plan)

6. Positioning:

- **Product**
- **Place (distribution)**
- **Pricing**
- **Promotion**

- **People**
- **Process**
- **Physical evidence**

Segmentation and targeting

- Aim to **design specific marketing strategies for each market segment** that the organization wish to attract

- Particulary **useful for small cultural organizations**, which need to concentrate their limited resources

- Steps:

  1. Determine **which segments** are in the current audience

  2. **Select which** new segments should be **targeted**

  3. **Design a tailored offer** to satisfy the target needs

Basic targeting strategies

1. Penetrate current market: **MARKET DEPTH**

2. Broaden the market: **MARKET BREADTH**

Defining the Target Segment

MARKET DEPTH	MARKET BREADTH
Analysis of the existing **consumer** marketplace	Analysis of the existing **product**
Develop products that meet current segments needs	Find new market segment that desires the product

- Targets must be distinct enough to qualify as a market segment
- E.g. The older or younger consumers might be too broad segments to effectively target them as segment

Market Depth

- Developing a marketing strategy that attracts **more members of the current audience segment**
    - the traditional approach of cultural organizations
    - the easiest strategy since there is familiarity with the current audience

- What can grow is however the **value associated to each customer**, increasing the individual expenditure

- It emphasizes techniques of **Customer Relationship Management (CRM)**: enrol customers into the firm's network rather than treating them as occasional and incidental purchasers of goods and services

    ➔ **Customer Life Time Value**

Customer Life-Time Value (LTV)

- **Net profit attributed to the entire future relationship with a customer,** based on the present value of the projected future cash flows from the customer relationship

- LTV depends on:
    - **recency**: the time from the last transaction
    - **frequency**: number of transations in a certain period of time
    - **monetary amount**: total expenditure in such period of time

- Customer Lifetime Value Calculator:
   - http://hbsp.harvard.edu/multimedia/flashtools/cltv/index.html

Branding

- When CRM really works, than the customer becomes allied with the brand

- A part of his identity is tied up with the brand as a football supporter's identity is allied to his team

- He can be "manipulated" for organizational benefit

- Already in 2004, Manchester United made most out of its 50 million fans worldwide selling them everything (MU TV, MU Mobile, MU Finance, etc.)
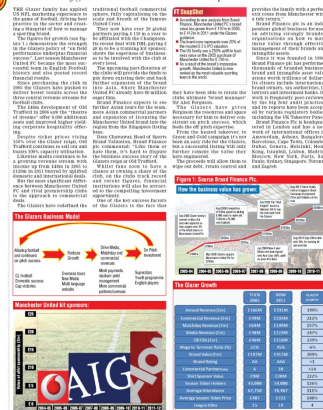
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The construction of brand equity

1. **Brand awareness** (is the brand on the cognitive radar of people?)

2. **Loyalty** (does the brand have followers?)

3. **Perceived quality** (Do people perceive the value of the brand?)

4. **Brand association** (to which socio-cultural landscape do people relate the brand?)

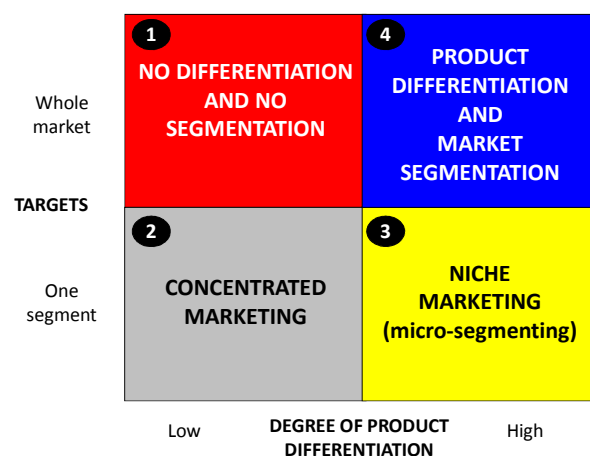IED 04/11/2015 Master Arts Management AA14/15 60

Market Breadth

- To expand the audience is usually necessary **to attract members from new market segments**

- The cultural organization should therefore attract segments that are currently **consuming other forms of entertainment**

- This implies that it should **differentiate its product to market to the new segment**, while still retaining the current audience

- To do so, they must **adjust the benefits** provided by their cultural offer

The choice of targets/products

	Low — DEGREE OF PRODUCT DIFFERENTIATION — High	
Whole market	**1** NO DIFFERENTIATION AND NO SEGMENTATION	**4** PRODUCT DIFFERENTIATION AND MARKET SEGMENTATION
One segment	**2** CONCENTRATED MARKETING	**3** NICHE MARKETING (micro-segmenting)

TARGETS

Methods of segmentation

- Demographic

- Geographic

- Psychographic

- Benefits

- Usage

Demographic

- It is usually **the first step**

- It may include *gender, age, education leve, occupation, familty status, income, ethnicity*, etc.

- Since the cultural audience is probably already dominated by well-educated, high income individuals, **the challenge is to reach other segments**

  – *If the high price is a preconception, then the availability of affordable ticket prices should be communicated through separate promotion*

  – *If the constraint is the product, then it should be presented in a different manner or at different location or time*

E.g. Targeting families

- Problems do usually arise with families, since **most cultural products are designed for adults-consumption only**

- A cultural organization that wish to target this market should **provide a variety of family-oriented activities** that are fun, unique, and also educational

✓ Exercise: read and comment the PGVA article about family vacations

Exercise

- Read and discuss the article

"The art of family vacation
What they want, how they plan, why they go"

by PGVA, Destinology, July 2012

Geographic

- Determining **how far most consumers are willing to travel** to visit the site or attend the venue

- This knowledge will suggest **where and which media to use for promotion**

- Small organization depend on **local audiences** because consumers might find that closer cultural organizations provide them with the same benefits

- However if an **unique and attractive product** is offered to a specific segment of the market, carefully targeted communication can bring this customers from other geographic areas

Psycographic

- It focuses on factors such as **attitudes, values and lifestyles**

- For cultural organizations, it is a **more powerful tool** than demographic or geographic segmentation

- It is however **not as easily discernable** and thus most organizations do not have psycographic information about their audience

- **Focus groups and interviews may help** filling this gap, providing information that, coupled with demographic and geographic factors, can be used to design a very effective margeting strategy

Benefit

- This method looks at benefits sought by segment members:

  - *Opportunity to socialize with friends*

  - *Family time together*

  - *Comforting, familiar experience*

  - *Interactive experience*

  - *Etc.*

- It is an **easy ad effective method to segment**

Usage

- It is **based on the frequency each segment group consumes the product**

- Once the attendancy frequency is obtained, then a decision can made about the amount of resources that should be devoted to marketing to each segment

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MARKETING MIX

Positioning the offer

- Often cultural organizations are so focused on the importance of the **cultural product** to forget that **is not a priority for most people**

- The result is that **the organization has not a clear positioning** (i.e.tries to communicate everything to everyone)
  - *Instead, it is much better to communicate a specific message to the selected market segment*

- The be effective, the cultural product **must be designed so that to meet the desires** of a specific target

The "Four Ps"

- In 1981 McCarthy popularized the standard marketing concept of analyzing the strategy for selling a product in terms of the "Four Ps":

  - **Product**: a physical good, a service, an experience, an idea

  - **Price**: it includes not only cash exchanged but also the time and effort that must be made to conclude a purchase

  - **Place**: the distribution of the product

  - **Promotion**: it is more than advertising, including public relations, personal selling, sales incentives, direct marketing and (now) social media

The "Seven Ps"

- Three more "Ps" have been added to consider marketing for services, which include:

  - People

  - Physical evidence

  - Process

Cultural organizations and the "One P"

- When cultural organizations become interested to marketing, they usually **first focuse only on promotion** since:
  - they have a mission that already defines their product and do not consider changing it to attract new customers
  - they are subsidized, therefore the price they charge is already below cost and cannot be further reduced
  - place is also restricted

- The traditional approach was to **broadcast a message on the product's features via the mass media** (the traditional mass marketing approach to selling)

- The **introduction of web tools did not change the basic approach**

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But they are finally coming to realize that….

- Cultural organizations are **competing not only with other cultural organizations but other forms of entertainment and leisure activity**

- They must provide a product that **ensure the benefits that the consumer wants**, even if part of this benefit is to be entertained

- In addition, the product must be **competitively priced and conveniently placed**

- They must therefore adopt a **broad approach to marketing**

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Tourism Destination Development

CASE STUDY: RELAUNCHING FLORENCE AS A TOURIST DESTINATION

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