

Implementing Destination-Structures: Experinces with Swiss Cases
by Dr. Christian Laesser, University of St. Gallen

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1 Introduction

It is well known, that in tourism the guest does not only require a **single mere service** or product but a whole **bundle** of it. That same bundle is provided by **several different companies** and **organisations**. For that, some **coordinative and cooperative functions** have to be fulfilled by tourism organisations. This fact is widely recognized both in theory (HEATH/ WALL 1992, INSKEEP 1991, BIEGER 1997¹) and the professional world (VSTD 1997).

In Switzerland, like in most traditional tourist countries, these functions have been taken over by mostly **community based local tourist offices**. This structure dates back from 1864, when the first local tourism board was founded in St. Moritz. Until a short time ago, every local tourism board was organized as a **private agency** with private tourism companies and representatives of the population as its members. Similar organisations could and still can be found on a regional and national level, providing their own **marketing services**, trying to form and maintain a **brand**, to **organize the products** and to stay **active in the lobbying business**.

Meanwhile, it is well accepted that this structure has definitely reached its limits, mainly because decentralized marketing efforts are well **below a critical mass** and **administrative costs run the risk of becoming uncontrollable**. Recognizing these problems, the association of the Swiss Tourism Board Directors together with representatives of the Swiss National Tourist Board, the Swiss National Tourism Association and the two University Departments (St. Gallen and Berne) have worked out a new concept for reengineering Swiss tourism structures (VSTD 1997).

That paper acknowledges the fact, that formerly mentioned bundles should consequently be **optimized towards the guests needs**, which in many cases means to create **new products** (as parts of bundles) in the first place (see chapter 2). Furthermore, **professional marketing** (namely promotion and sales) of those services has to be ensured, which very often requires the creating of **new structures** (see chapter 3). Both, the formation of bundles and its cooperative marketing require deepened forms of cooperations. **Cooperations and its limits** (especially on their realization) are discussed in chapter 4.

Experiences on the implementation and management of a change process are outlined in chapter 5.

2 Creation and Marketing of new Products

Due to the - for a long time valuable/ traditional - design of touristic products in Switzerland, its destinations have - up to 1996 - lost remarkable market shares. Even if one could experience good to very good single products and services, the clear and explicit aim towards certain **market needs** was missing. Among others, those are (BIEGER 1997²; VSTD 1997):

- **time based offers**, regarding duration of stay, speed of bookability;
- **multioptionality**, which means easy accessible options for the guests to spend their leisure time;
- more **quality** for less money.

Furthermore, destinations and its tourism products needed and still need to be redesigned towards:

- **integrated service chains**, which allow the highest possible convenience for the customer;
- the promotion as strong **brands**;
- the selling by fast "**just-in-time**" **distribution-systems**, enabling the customer to draw informations and make reservations everywhere, everytime, and with immediate response.

In the meantime several of those claims have been included in the creation and design of new products:

- **Qualitywise**, a national program has been launched by Switzerland Tourism (the Swiss National Tourist Board) in which participants have the option to advance up three different levels of quality, improving both production (process) and output quality.
- **Timewise**, offers have been and are still being adapted to ever shorter durations of stay. Additionally, the speed to book products and services is being increased by implementing Deskline®, an information and reservation system by Swisscom finally to be put up as a national reservation network, which will drastically increase the number of point of sales in and outside the country.
- **Multioptionality** is - on one hand - being improved by an extensive interpretation of a touristic product (include everything which might be of interest). On the other hand, a number of new offers have come up. The innovation in the formation of products and services is based on the consequent customer-orientated bundeling or grouping (LAESSER 1998²):
 - in and around a destination and its brand (**geographic definition**);
 - around an activity (**special interest definition**);
 - around **singular attractions** (sights, events) or single companies (hotels and others).

For that, destinations and its organisations

- work towards **bookable products with improved price/ value-ratio**, offered by co-operations of different partners along the whole service chain. Examples: combination of transport and activity, of overnight stay and activity, and so on.
- intensify to **follow a brand policy**. Examples: "Heidiland" (inside St. Gallen), "Thurgau - Bodensee" as part of the regional location campaign "Thurgau - Switzerland".
- **assure a certain range of activities** by cooperating with suppliers and other destinations. Examples: Biking along Lake Constance (promoted by Thurgau Tourism, the state tourism agency).

To **increase sales**, destination organisations work mainly with the two following means:

- **All-Inclusive-Offers**: All-inclusive offers can be understood as a **destination's concrete bundle of services sold at a package price**. But it is also understood as means of promotion: An all-inclusive offer can also be (LAESSER 1998¹):
 - an efficient way to let the customer know **what a destination is all about**;
 - a **teaser** ("appetizer") for the customer to either book it or put together his own arrangements;
 - a **benchmark** regarding the sum of single services and prices (when putting together an own arrangement).

That statement illustrates the role and importance of a sophisticated **information- and reservation-system** whose design should mainly be aimed at

- **selling packages**
- enabling the customer, to easily **bundle single products and services by himself** (individualisation of bundles), but only pay once (principle of one-shop-stop).

Summarized, **a destination and its products can be formed on the condition**, that there is/are

- **demand-wise**
 - a clear focus on the guest's behaviour and needs;
 - almost obvious reasons and observable motives of demand/ relevant guest segments;
 - at least some sort of a brand or a (well known) destination's name;
 - a minimal homogeneity in the products offered;
 - convenience for the guest to buy products and services (easy and efficient means of communication and sales; i.e. call center).
- **supply-wise:**
 - a minimum of value added in the future destination;
 - means of transportation (public and private) inside the destination (transportation network);
 - a common sense or credo in the work of companies and organisations;
 - a willingness to overcome politically motivated limits; especially the size of a destination has to be independent of its political context;
 - a willingness to invest financially in its formation;
 - an understanding towards the need of forming cooperations, which also has to include the understanding of potential partner's needs;
 - the ability of working together towards common goals.

3 Creation and Financing of new Marketing Structures

While the creation of new products and its marketing implications can be more or less generalised, experience has shown that necessary marketing structures and its financing have to be looked at a little more sophisticated.

First of all, a broad **financing** of marketing is only possible in areas with **very intense tourism** (i.e. key tourist towns or areas plus single attractions). Experience in several states or towns (St. Gallen, Berne) in Switzerland has shown that especially a **touristic motivated sales tax** is - due to broad resistance - difficult to implement in areas which are not entirely dependant on tourism. One can explain that by the request of **specific sales having to be based on tourism** in general and on the **marketing efforts of a tourism organisation** in particular. A mixed financing by state/ community/ touristic enterprises has therefore to be implemented more or less everywhere, with different levels of contributions of each participant (depending on the state). We will come back to the question of financing after having showed the new **marketing-dependent distribution of tasks**.

The tasks of a **"classical" destination** (community or small region) can be straightly derived from the theoretical approach; they can be more or less realized 1:1.

From the point of view of a **state or larger region**, it becomes more difficult. In almost all cases, in a larger area, you have

- communities or regions with intense tourism (**destinations**)
- areas with extensive or no tourism ("**white spots**")

(Reminder: the formation of a destination has to be based on at least 500'000 overnight stays in its boundaries; VSTD 1997). Experience shows that it makes no sense to promote destination structures in areas with **extensive or hardly any tourism**: Among other reasons, **transaction costs** are too high and the **customer is not aware of a destination** due to the lack of a brand-identifying attraction (which would attract tourism and generate the intensity of tourism necessary for the formation of a destination).

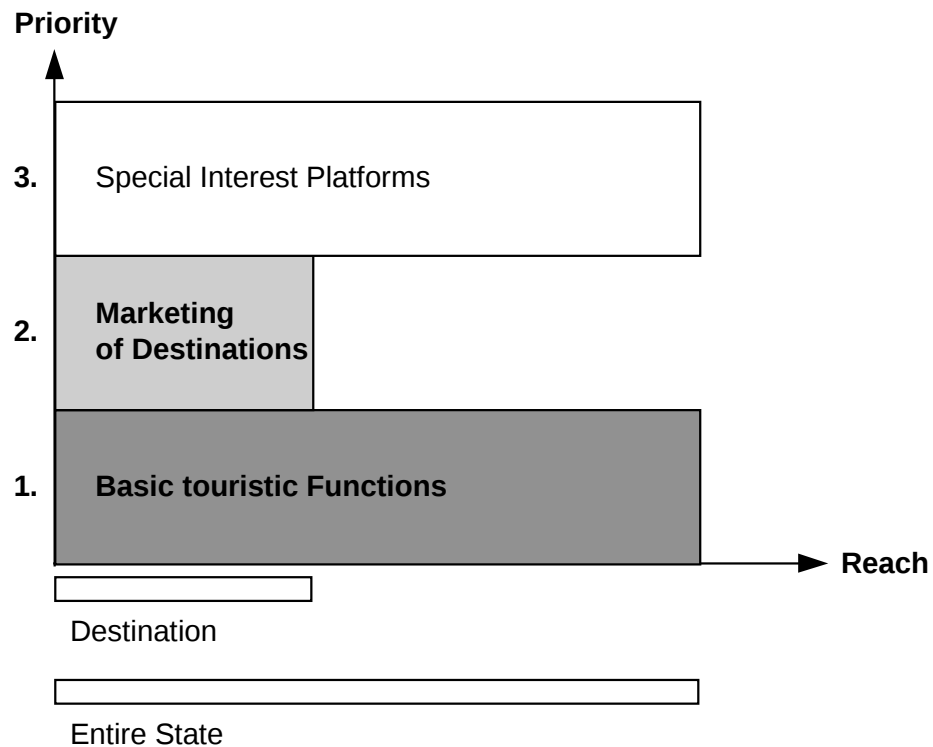
Therefore, **from a state's point of view**, the marketing for several forms of tourism needs to be combined. Under the assumption of the state participating financially in the promotion of tourism, there are **two directions which tasks and financing** nowadays (and in several practical cases) can take:

- towards **destination organisations** combined with a number of positive and negative conditions (to do and not to do). Those conditions very often include a maximum 50%-budget-limit for mere administrative tasks (or the opposite: a minimum 50%-budget for marketing measures), the must of financial cooperation, the must for financial participation of touristic enterprises in benefitting projects. Organisations applying for financial aid (in the state of St. Gallen for example, the maximum of possible state subsidies is CHF 200'000) have to prove by several means that they represent a destination (500'000 overnight stays in the represented area or a letter of content of the destination's stakeholder in the case of St. Gallen). Subsidies finally are ideally provided for three years on the basis of a so called performance-contract (LAESSER/ SCHEDLER 1999).
- towards **organisations covering "white spots"**, enabling touristic enterprises to promote themselves touristically by several means. Those **basic touristic functions** consist of the following (BIEGER/ JÄGGI 1998; BIEGER/ LAESSER 1999):
 - ensuring the possibility for a customer to inform himself about touristic offers;
 - ensuring the distribution of (specific) offers on the basis of a central information- and booking agency (call center making the offers accessible for the customers);
 - provide platforms for the marketing of specific interest groups products (or routes), including measures in PR and so on.

For those organisations, more or less the same rules for the input and the management of subsidies are applicable.

Table 3 illustrates the above described systems by the example of tasks and financing touristic marketing in the state of St. Gallen.

Table 1: Priorities regarding Tasks and Financing of touristic Marketing in the State of St. Gallen



Source: BIEGER/ JÄGGI (1998)

In case there are **no real destinations in a larger area** (such as in the case of tourism in the **state of Thurgau**), tasks concerning basic touristic functions are intensified in direction to the **formation of special interest products platforms** and the **promotion of its products**. The financing in that practical case (Thurgau) is based on two columns (BIEGER/ LAESSER 1999):

- **general marketing:** 60% of the total budget of EUR 350'000 are to be used for general marketing and its administrative costs (60% of it financed by state and communities, 40% by the tourism branch, namely hotels and restaurants);
- **marketing of platforms:** 40% of that total budget are to be used for the marketing of platforms and its products (50% of it financed by the state, 50% by benefitting enterprises). This form of financing requests fargoing cooperations and is therefore an incentive for taking steps in the regarding direction.

As it will be discussed furthermore (see chapter 5), financial subsidies can be one of the central driving forces when restructuring a destination organisation.

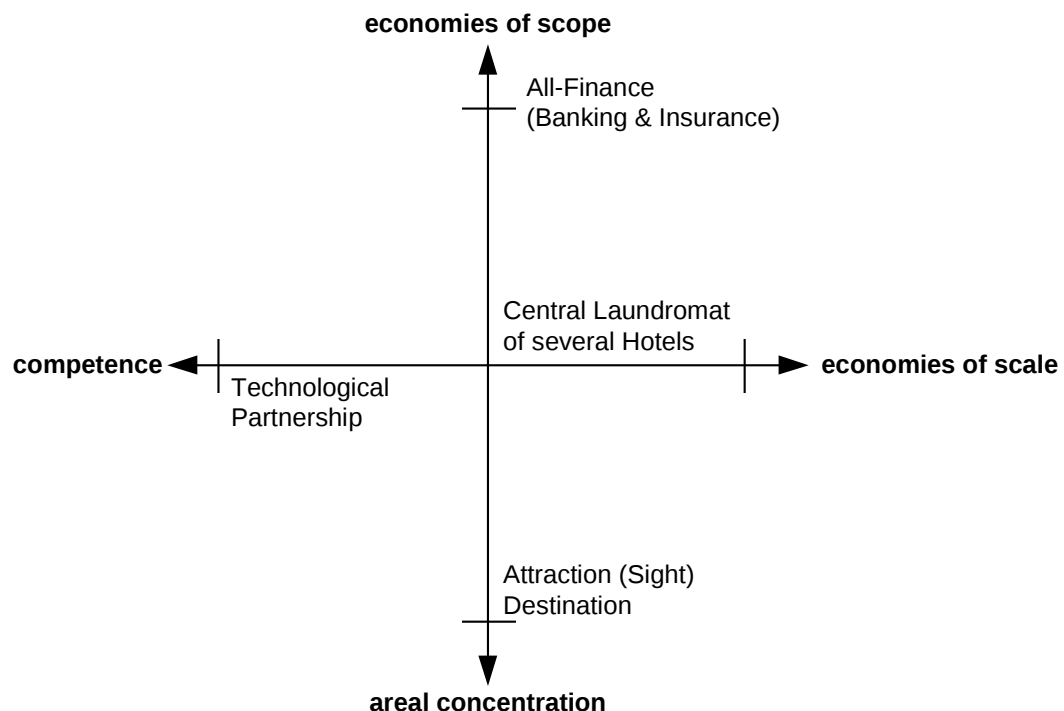
4 Conception and Realisation of Cooperations

Key issue in the ongoing restructuring process (demand- as supplywise) is the formation of cooperations. To begin with, there are a number of **driving forces for cooperations** (BIEGER 1997³):

- increasing **media costs** and **brand flooding** from the supplier side;
- increasing **international offers**, **optimal quality** with time efficiency, **critical price/ output orientation** from the demand-side;
- new **communication technology** from the technology-side. Technology for distributing (promotion and sales) touristic products and services itself can be named as a **success-driving integrator**. Already in the near future, the guest will want to visit a destination virtually before making a step towards a physical appearance (i.e. **holiday prototyping**). The electronic presentation of a destination means more than giving an insight in a number of hotel-offers. It means giving a complete overview on a destinations products and services, i.e. not only on the ones with touristic character. That requires a **profound and integrative cooperation of all partners**
- new working methods and processes with **tour- and incoming operators**.

Besides of the above mentioned, **financial pressure** is one of the most common driving forces: Marketing budgets for example are becoming too small to be effective, forcing several organisations to work together. The other side of the medal show though, that especially long-term **inter-organisational cooperations in marketing are difficult to operate** (because of reasons such as differing evolution and other). But still: today's necessary technology regarding information and sales requires financial power to be made available. If we talk about "Global Distribution" we talk about "big bucks". That example illustrates very well the later discussed problem of minimizing transaction costs and maximizing the benefits of a cooperation at the same time.

Table 2: Options of Cooperations in Destinations



Quelle: BIEGER (1998)

The **possibilities of cooperations** would be wide-ranged (see Table 2). Currently, the most observed ones are to increase **economies of scale** and acquire technological competence by

technological partnerships (for example by the realisation of information- and reservation-systems). In the past, one could observe that most of those cooperations came out of financial pressure and less with the goal to provide better services for the customer. Today, **cooperations to the customer's benefit** are being implemented, mainly on the base of putting together different elements in a service-chain (see chapter 2).

The reasons for the **only slow growth regarding the readiness to form cooperations** are quite manifold:

- the **awareness** of potential participants often differs very much;
- the **fear of high transaction-costs** increases the reluctance to form cooperations;
- cooperations very often are **hard to steer**.

When forming cooperations, one has to observe **criteria** such as follows (BIEGER 1998):

- form sustainable, possibly international cooperations;
- form small and beautiful instead of large and difficult manageable cooperations;
- secure long-term perspective by long-term interest;
- create easy and person-independent contracts;
- implement the controlling of transaction-costs (time- and moneywise);
- introduce knowledge management to balance the know-how between the partners (including the exchange of own competences);
- accept the culture and behaviour of your partners;
- check each others awareness and, if necessary, correct it.

Although cooperations are good means to go towards a destination, their benefits should not be overestimated. A cooperation will only be effective, as long as the **current and expected benefit for each participant is higher than its transaction-costs**. Experiences have shown that especially **immaterial transaction-costs** (such as knowledge-transfer) are very often estimated incorrect, mainly because of an incorrect awareness about the situation of the partners inside a cooperation.

5 Managing the Change Process

Changing strategies and therefore structures can bring up **resistance** by several reasons and levels (BIEGER, 1997¹).

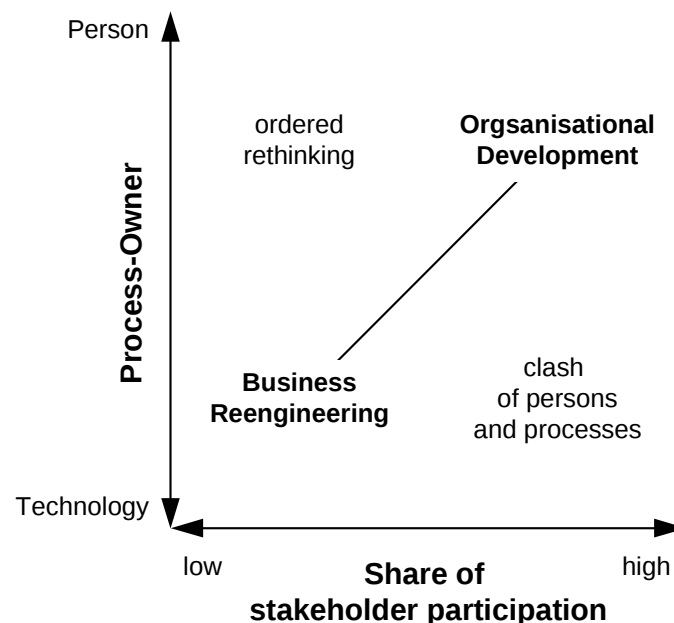
Resistance can be **basically** explained as follows:

- When a change of strategies and structures takes place, **ressources and competences are redistributed**. The outcome consists of losers and winners of the change process.
- Change implies **uncertainty**: It often seems easier to stay in a current path (even when expecting long-term-problems) than to dare a new direction of (also personal) development. The reasons for that can mainly be found in fears on the personal economical and psychological development.
- Working with **concepts** over a long time (which is quite usual in times of change) can **paralyze the operational realisation**.
- If the restructuring of tasks and organisations does not have obvious **advantages**, one has to expect a remarkable amount of resistance against the operational change process.

Resistance to change can be expected **from the following sides**:

- **local, regional and state tourism managers** who are **afraid of losing their job**, mainly because of a mismatch between their capabilities and abilities (i.e. education) and the needs from the restructured organisation;
- **local and state politicians fearing a loss of influence** and opportunities are trying to position themselves as market-oriented;
- **weak and small enterprises fearing a loss of protection** received on the basis of neutrality from the former tourism organisations;
- **citizens** being afraid of losing their local identity.

Table 3: Options of the Management of Change



Source: BIEGER (1998)

For the management of change, there would be **two major options of action** (THOM, 1997; see Table 3):

- **organisational development** with advantages such as social sustainability, possibility of the stakeholders being part of the evolution and to develop themselves, promotion of self-management, long-term-orientation, reduction of resistance;
- **business reengineering** with advantages such as speed of change, conceptual consistence of change-measures, possibility of a new start-up, chance to significantly improve the economics of an organisation.

We can **summarize** the current experiences as follows:

- As destinations are complex socio-economic systems, "tough" business reengineering is hardly successful. That's the reason it has not really been seen as an option for change (at least in the case of Swiss destinations). A mix seems to be the most successful way: get a concept together with selected leaders and a small steering committee as fast as possible (business reengineering) and then spend enough time to the stakeholders to adapt the concept and work on the implementation.
- People should - if possible - become part of a solution and should never remain part of the original problem.
- It is very difficult to reform destination structures against the will of powerful interest groups and against a general tendency to preserve old structures. Only if there are strong organisations (such as governments or transport companies) serving as change catalysts with a strong interest in the strategic position of the whole destination this transformation process can be accomplished in a reasonable time.

The following **examples** shall illustrate those experiences:

- Tourism in **Central Switzerland** mainly takes place at the two world-renowned destinations Lucerne and Engelberg/ Titlis. Besides of that, the touristic area consists of mainly small and medium sized tourist villages. Tourists coming to that area normally use services of the whole area. Until now, local tourism organisations and mainly state legitimated regional organisations have tried to fulfill marketing functions. They lacked the critical size that would allow them the positioning of a true brand. Right now, the conviction prevails that destinations with corresponding management companies which have to be founded. The change-path taken can be identified as an approach in the sense of organisational development. The function of change catalyst is taken over by the state ministers of economy while local and regional tourist organisations play the role of change agents. All stakeholders can participate on the base of regular hearings and information meetings. While there is no notable resistance against the key actors, there is a certain threat of the change-process beeing overdiscussed instead of beeing gradually implemented. Mainly because the state governments strongly support the destination concept and because they guarantee financial incentives, that transformation process stands a good chance of being successful.
- Tourism in the **Thurgau area** can be characterized as very extensive. There are hardly any central attractions where one would meet a large number of tourists besides of Lake Constance. But still: the area as a whole is a major day-trip leisure area for the greater Zurich area and besides of that generates a few 100'000 overnights stays per year. The change process is based on organisational development, too, but includes elements of a business reengineering project: A small group of central stakeholders (change agents as a steering group, initialised and subsidised by the state government, led by our Institute), has worked out the concept, which is currently undergoing several hearings with a larger number of stakeholders (businesses and people). Those hearings have two goals: first of all they serve as a platform for basic feedback from the suppliers. Secondly, they increase their sensitivity towards the necessary change. Commonly with Central Switzerland, the Thurgau government has also included financial incentives for the reform. The subsidies are legitimated by the need of the state to promote the location and to support a SME- structure (BIEGER/ LAESSER 1999).
- A third example can be drawn from **Laax-Flims**, where montain transport companies serve as change agents. The two towns have worked seperately as alpine tourism villages for

decades. They operated separate mountain transport companies which were exploiting a connected ski area. Only when one of these transport companies started to heavily lose money, a stronger cooperation was taken into consideration. Last year, the two companies merged and the new one pressed heavily on a merger between the two tourism organisations, which finally took place a few months ago.

In that case one can talk about a business-reengineering-orientated chance-process: the sheer power of the merged transport company and its financial (marketing) power paved the way for the tourism organisations to merge (BIEGER 1998²).

6 Conclusions

From the experience of a number of restructuring project, based on the theoretical background, we can draw the **following conclusions**:

- To **implement a destination**, you have to fulfill a number of conditions, which in many cases are not easy to meet. It is largely accepted that a new formation of products and organisations in tourism is necessary, but it is also vain to do so in areas where that corresponding concept for destinations is not applicable.
- **Products and bundle of products** need to be consequently aimed at the customer's needs and awareness which means to group either geographically and/ or special-interest-wise on the basis of a strong brand.
- **Marketing structures** have to be differed between destinations and "white spots" (areas with extensive or hardly any tourism). While in destinations branding and marketing is both possible on a basis of geography (destination's name and area) and special-interest (platforms), the possibilities of enterprises in white spots are reduced to special interest platforms.
- From the **financing** point of view, state subsidies can be legitimised either in general for the marketing and promotion of a place or area or in particular for the supporting of a SME-structure (implicating diseconomies of scale and scope). The subsidies should be transfered on a controllable performance-based contract.
- **Cooperations** are one of the conditions of a successful destination. They should always be based on a clear and controllable contract, be independent of the persons participating (not the institutions!), minimize transaction-costs (material and immaterial), introduce knowledge management to balance the know-how between the partners (including the exchange of own competences). Current successful cooperations are mainly based on goals to increase economies of scale of the partners and technological partnerships.
- **Management of Change** in destinations is rather to be based on organisational development, due to the complexity of the socio-economic system to be changed. Therefore, only if there are strong organisations (such as governments or transport companies) serving as change catalysts with a strong interest in the strategic position of the whole destination this transformation process can be accomplished in a reasonable time.

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