Strengthening Tourism SME Brands

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Abstract
This study develops propositions for a benchmarking exercise involving SME and tourism destination brands. In order to reveal the role of SMEs at destinations and their role in the destination brand, the tourism production process is analysed. It is suggested to view destinations as virtual service firms (VSF) as this highlights the interdependencies between SMEs, but also allows the description of how tourists manage to create value chains for themselves. Within the construct of the VSF it becomes possible to address the issue how SMEs can begin to capture tourists' value chain while developing differentiated clusters of tourism SMEs.

Introduction

SMEs involved in tourism often rely on the strength and attractiveness of the destination brand for their business. The individual SME has little scope to manipulate or strengthen its brand due to the ownership structure of both tourism SMEs and the destination brand itself. Because the brand belongs to everyone at the destination, and because one SME has little managerial influence over the next one, destination brands often evolve only slowly and with tenuous connections between the brand marketed by the Regional Tourism Organisation abroad and the conditions on the ground.

The relevance of this study is supported by the fact that tourism is now considered one of the world's largest employers, generating some 12% of the worlds GDP (WWTC 2004). The majority of its share is produced by SMEs. This study therefore seeks to develop propositions that enhance the competitiveness of tourism SMEs, and thereby the strength of destination brands, by analysing the destination value chains.

The World Tourism Organisation defines tourists as people travelling from their home for more than 24 hours and staying overnight for reasons other than business or income. From the demand-side's point of view, tourism means 'life away from home' and is restricted only by the availability of time and money. This 'life' is motivated by either escape or approach motivations (Iso-Ahola, 1982) or a mixture thereof. In other words, tourists seek diversion or relief from the stresses and strains of every-day life, and/or seek new experiences to extend themselves. The experiences holiday -makers seek may also be conceived of as a form of self-restoration for those who are exhausted and find it difficult to cope at home and at work, or as a form of self-completion, i.e. expanding interests and capabilities that have been neglected. While motivations differ between these poles, it must be appreciated that their pursuit takes place within an overall pattern of consumption that either emulates or contrasts the tourist's life at home, as motives and values direct and situations permit (Gnoth 1997). Understanding the consumption of tourism products is therefore best described

and analysed within the context of travel life-styles (Lawson, Thyne, Young and Juric 1999).

In order to define, develop and analyse the relationships between SME and destination brands, an analysis of the 'product' will permit access to the service processes as they create the tourism experience. In turn, these processes reveal the structure of the brand as the communicator to internal and external markets. The tourism destination is the harbinger of the tourism product, indeed, as promised in the brand. SMEs the world over are at the heart of substantiating these brands for their destinations. But the individual tourism SME only benefits from the destination to the extent that it helps other SMEs to be as good as they can. Because tourism SMEs are inseparably interdependent, they require tools and structures to manage cooperation while competing.

The Tourism Product

The tourism product is the synergistically perceived experience of an attraction, facilitated by a number of heterogeneous services. Apart from the attraction, the *key-services* are transport, accommodation and hospitality. Attractions may be available free of charge such as alpine hiking, or comprised of a complex service, such as a theme park. Tourists can often supply some of these key-services themselves, however, all of the facilitators need to be present for tourism to exist. If one of these facilitators is missing, there is no tourism but another motivation driving consumption.

From the supply-side's point of view, tourism is considered a system (Kaspar 1986; Bieger 2002) rather than an industry (Leiper 1990) because traditional criteria of production and distribution fail to adequately describe this phenomenon. As a system, tourism involves tourist-generating and receiving localities, travel corridors and facilitators (Leiper 1990). The organisations and infrastructures facilitating travel are subject to socio-political, ecological, economic, and technological influences in all localities and corridors (Kaspar 1986). The destination is thus subject to dynamic change outside as well as within its own areas of influence. The challenge for destinations is to structure itself to minimise detrimental effects of turbulences and to build competitive advantages through efficient strategies and product policies.

Freyer (1988) classifies tourism products and services according to their (touristic) nature, and the source of turnover. *Core tourism suppliers* are totally dependent on tourism such as airlines, travel agents, spas, resorts and convention centres. *Supplementary suppliers* are not necessarily considered to be tourism businesses as their main turnover usually derives from other markets. They include both manufacturers (e.g. souvenirs, medicines, camping equipment) but also services such as hospitals, insurances automobile clubs and embassies. *Fringe suppliers* are both manufacturers who benefit from tourism by supplying products that are also sold, unmodified, in other markets, such as clothes, photography equipment, or cosmetics etc., as well as services. Offerings in this category involve operations such as restaurants, sport instructors, petrol stations or cinemas. Combinations of core providers form tourism destinations and deliver the tourism experience.

The categorisation is based on who uses these products and services, as well as which market is the source of turnover. It is not clear-cut as locals can use core tourism services without being tourists. Many supplementary and fringe products and services are also used by other types of consumers so that their only relation to tourism is that a company might derive large parts or most of their turnover from tourists. The larger destinations become, and the longer tourists stay at these resorts, the more do even fringe and non-touristic products rely on tourism without being tourism products in an obvious way.

The problems that are associated with these fluid boundaries of markets are all associated with the ability of SMEs to define and manage their markets. In the global travel market, a destination best functions as a strategic business unit (Bieger 2002) which demands a high level of organisation of the SBU as a whole. The issue for SMEs is therefore one of commitment to the tourism market and the extent to which they all adopt common strategies to the benefit of the whole resort. In particular, to overcome the fuzziness of products and markets, communication to manage resources and markets becomes a key-function between service providers.

Proposition 1: Successful destinations have SMEs interacting more frequently both at a formal and an informal level, than less successful destinations, involving communications concerning external destination marketing (e.g. tourism strategy, targeting and positioning).

The creation of common goals, practices and brand attributes relies on communication between the destination's 'business units'. Since these are usually independently owned SMEs in competition with each other, managers have to develop communication strategies and practices to overcome these obstacles as they relate to the boundaries of the firm (Stigler 1951; Picot, Reichwald and Wiegand 2001). If a destination is treated as an SBU the boundaries between firms must necessarily become less rigid, facilitating (voluntary and involuntary) exchange of knowledge, technologies and other resources. A further issue that often poses as an obstacle relates to the managerial influence on brands for geographical locations, rather than manufactured products. To help create options for solving the implied difficulties it is assumed that, if we analyse the dynamics of tourism production processes at destinations, we may gain insights into the function of individual SMEs, and how interaction between destination SMEs can be best facilitated. The ensuing discussion will then be linked to the role and opportunities that come with branding destinations.

The Destination

Tourism destinations can be distinguished into two different types, those that are vertically integrated, and those that are freely assembled. Management in vertically integrated destinations is hierarchical and in control over most input and output parameters of the destination, as it functions as one company. Examples are Disneyland, ClubMed resorts or centrally controlled destinations such as Santosa Island near Singapore.

Conversely, freely assembled destinations are comprised of a number of SMEs that cater for tourists. Usually, they grow from generic service provisions to locals (transport, accommodation and hospitality) to tourism service providers, once tourists

perceive an attraction that is considered worth a visit. As the destination matures, the turnover of the generic SME increases its share from tourists and the company begins to actively market its services to them. Subsequently, dedicated tourism businesses may be set up and competition amongst SMEs intensifies.

An evolving destination usually tries to positions itself as a complete, unique and attractive proposition for tourists, yet once tourists arrive at the destination, the experience is often disjointed. Rather than positioning an SME according to a destination theme or befitting the brand, internal competition and opportunistic management chooses to ignore the destination brand and causes its dilution. It is obvious that such lack of commonalities poses managerial obstacles for the flow of knowledge, influencing value-for-money relationships across the destination, quality control and product development, all of which affect the competitive strength of the destination.

Proposition 2: Successful tourism destinations have more SMEs networking on internal (destination) marketing issues.

Solving this dilemma is not a trivial matter as communication partners are not only competitors with differing business cultures but, as partners, they are not always easily identifiable. This is because the tourism product is not created within each one of the tourism SMEs but *between* them. In other words, each SME provides merely part of the total product which, as a whole, exists only in the tourist's perception. In many cases, especially in the Free and Independent Traveller (FIT) segment which is experiencing the strongest growth world-wide, the manager of one provider (e.g. transport) has no knowledge of who the next provider (e.g. attraction) will be. The question therefore arises, who should a manager talk to if they cannot perceive the 'channel'?

The case is similar with semi-packaged tourists but largely avoided for totally packaged tourists, as the tour-operator constructs the service chain. The operator has thus some control over product fit and quality and can even be instrumental in the creation of communication links between the facilitating SMEs. In the majority of cases, however, the 'path' which the tourist follows as s/he moves through the destination from one service provider to the next (Bieger 2002) is out of each manager's control. In essence, then, the individual SME- manager cannot 'see' nor control the 'path', i.e. the production process and place, as it is hidden from view once the tourist leaves his premises. While there usually exists some tenuous knowledge why tourists come to the destination, the question must be how the consumption of the destination in general, and the focal SME's services in particular, fit into visitors' travel life-style.

Indeed, it is the FITs who generate the product when assembling the services they demand. As they move through the destination, tourists 'beat a path' while 'picking and choosing' from what the destination offers. The tourist thus creates a value-chain him/herself. For the SME, the resulting customer interactions are therefore more transactional than relational because the SME manager does not 'see' the tourist's path through the destination but has to rely on unknown 'channel members' to produce services of commensurate price and quality while selling the destination experience as a whole.

Proposition 3 : Successful destinations have SMEs that are more motivated to gain better knowledge of and try to control more of the tourists' path through the destination than less successful destinations. This materialises in SME's interest in alliances, consumer research, and in facilities such as recommendation and referral systems, and loyalty schemes.

Destinations as Virtual Firms

A less than perfect understanding of how tourists perceive destinations and of the path they would like best while passing through the destination, may be considered the reason for the prevailing assumption that services have only short distribution channels. When surveying service management and marketing textbooks (e.g.(Lovelock 2001; Zeithaml 2003) and even frequently cited tourism marketing textbooks (e.g.(McIntosh 1995), service distribution channels consist mainly of a supplier, sometimes intermediaries, the service firm itself, and the customer.

At least for tourism, this perception is myopic (Levitt 1960). The 'short version' of the distribution channel does not reflect nor get anywhere near the holistic nature of the tourism product as perceived by the tourist. Since the product is created *between* SMEs, rather than by just one firm, there appears a channel of sorts in the form of what has been called a path or a chain of businesses. Whereas a manufactured product reaches the consumer at the end of the channel, tourists' needs and demands are satisfied along the path, as well as overall. It is therefore both the process of the various service experiences (conceived of as a chain) and the experience overall (as the outcome of the total channel's effort) that delivers the holiday product. The essential point is here that all experiences at a successful destination have something in common; they generate something *between* themselves that amounts to causes for holiday satisfaction with a destination. Once tourists begin to experience and accept the services on offer as part of the 'destination experience', it becomes easy to conceive of the tourism destination as a virtual service firm (VSF).

From an institutional point of view, a virtual organization is a network of enterprises, which are using resources jointly and which organize their cooperation in a joint effort. Traditionally, virtual enterprises (e.g. Davidow and Malone 1992; Sydow 1996; Bieger and Rüegg-Stürm 2001) form around given marketing opportunities lasting for the length of the opportunity (Byrne, Brandt and Port 1993).

The construct of 'virtual firm' has predominantly been conceived for the industrial sector. The concept differs regarding (personal) services (Bieger and Laesser 2001). Firstly, especially in the free and independent tourism market (FIT), there is no focal company in charge of the overall management of the tourism production process. Secondly, the contribution of each tourism SME is not summative as are, for example, the contributions of different firms in the motor industry add up to a car. Rather, tourism is experienced holistically and from what is created *between* the various services. In other words, the essential knowledge of what the total service experience contains relates to the destination ambience, the atmosphere, the opportunity and special quality that are at once promise and experience. SMEs both have and learn about this often tacit knowledge that creates common processes and process attributes.

It becomes a resource over time that adds to the uniqueness of the resort and a feature of its brand.

Viewing a destination as a virtual service firm (VSF) has a number of advantages. Firstly, this approach creates conceptual substance and structure for the destination as an SBU, as we simply recognise the appearance of a common product (attribute) over and above its functional services that are delivered by the SMEs involved. Secondly, on the basis of an identified substance or product attribute, the determination of specific management skills and processes , customer research requirements to target the right markets, and competitors' strengths and weaknesses can be structured and organised. Thirdly, both product and market intelligence form the basis for the expansion of distinct competitive advantages.

If we consider the virtual tourism firm (VSF), initially, as an ideal type, it consists of the four key-service providers or tourism facilitators (attraction, transport, accommodation and hospitality). In contrast to a virtual manufacturing firm which has one focal company *actively* organising other firms for the length of a project, management in virtual tourism firms are often *passive*, because it is the tourist who comes to the destination and assembles the firm.

In this scenario the tourist alone creates his/her value-chain. As tourism destinations grow, they offer various options of such virtual firms. Consequently, there may be one tourist-created cluster of SMEs forming one VSF, while another cluster forms a different VSF. It may thus occur that, as an example of several options, one SME belongs to two or more, different clusters while all the other SMEs in these different clusters belong to only one tourist-created cluster. The tacit knowledge of common product attributes created between these members, and the members in different clusters of the virtual firm will be the result as well as the substance of contacts between SMEs. They are part of what Marshall called 'industrial atmosphere' (Marshall 1920). The way the destination networks develop may have a substantial influence on this atmosphere and how it affects the growth of the destination.

Proposition 4: In successful destinations, focal SMEs belong to more than one VSF and communicate more frequently with other members and on a greater variety of subjects and issues than less successful destinations. These exchanges tend to have a greater influence on destination-internal marketing strategies and tend to drive the development and specialisation of clusters of tourism SMEs (Porter 2000) or even full VSFs (i.e. containing members from all key-services).

The more destinations are conscious of the type of virtual firms tourists like to assemble, and the more these SMEs communicate and interact, the more are they likely to satisfy their customers. Such success leads to cuts in transaction costs, in sharing resources, and openly discussing further strategies of cooperation. Destinations can thus assume many of the advantages industrial or regional clusters can generate (see Porter 2000; Marshall 1920).

Proposition 5: Successful destinations have more networking clusters of SMEs who know about the 'paths' their tourist segments take through the destination than less successful destinations. In other words more successful clusters seek to form virtual firms with systems of recommendations and referral, based on perceptions of

similarity or compatibility of price and quality as seen compatible with their target market.

Business clusters may therefore be distinguished and grouped according to what type of experience they provide and/or who they target. Given this differentiation, destinations comprise clusters of SMEs forming virtual service firms without common management but with common targets and goals. Yet as much as the individual SME may try and improve its service, it can never be absolutely sure that the other cluster member is working as hard to achieve product quality and satisfaction. What it boils down to is that …

Proposition 6: Successful destinations exhibit higher levels of trust not only within but also between the various clusters compared to less successful destinations.

Destination Brands and their Roles

Destinations develop their own brands very much for the same reasons as the manufacturing sector. They help identify and distinguish the company's offering over time and represent both a promise and experience for current and future products. The conceptual basis of this homological function of brands for individual companies and destinations lies with the fact that destinations can be conceived of as virtual firms that create the holiday experience as its product.

There are some important differences between product and destination brands. They relate mostly to history, substance and ownership. Whereas a product brand is under complete management control regarding complexity, design and ownership, a destination brand for a geographical location is often related to a history and physical features that cannot be altered. Also, there may be ethical issues involved in as much as a destination brand seeks to represent its inhabitants. It follows that destination marketers who try to create a brand that would also cover its living culture and people, need to make sure that these people are consulted and feel comfortable with the brand. A further reason to make sure that the resident population is happy with the brand is because some of their personality is often part of it. As citizens and ratepayers, they are usually co-owners and could thus, potentially, interfere in its design and features which may create uncertainty in the market place as to what the brand is all about.

Proposition 7: Successful destinations have more brand support from inhabitants outside of the tourism sector than less successful destinations.

Apart from tangible, spiritual and other destination characteristics retained in the brand, it also contains knowledge that evolves between SMEs as they develop the tourism resort. It is this tacit knowledge about *what* it is that attracts tourists and *how* this attraction is interpreted and experienced. It is made tangible in service processes, staffs' interaction with customers and in physical features and décor. The expression of such knowledge is what creates (economic) capabilities (Verona 1999). These capabilities form brand assets as they are unique to the destination and have the opportunity to be further refined by one or several of its clusters of SMEs (Porter 2000).

Thus even if the interaction between an SME and a tourist is very short, as, for example, in a brief visit to a souvenir shop, leaving little opportunity for the SME to form a relationship with the customer (Czepiel 1990), the tourist can be made to feel the width and depth of the destination brand. If this SME exudes the destination's brand attributes, it creates a symbolic link to the whole of the destination. Thereby the service chain or channel is expanded, at least symbolically.

Furthermore, the destination brand communicates between clusters of virtual firms which are not in direct contact with each other as they may not have members in common. In these situations, a destination brand maintains a form of communication between clusters as their common guideline and point of reference.

Proposition 8: Successful destinations have more SMEs that are aware of the destination's brand attributes than less successful destinations, and are more intent on expressing these attributes in all of their communications and interactions.

Successful destinations also know about the various levels of brand attributes that need to be linked to its services. They are the functional level (e.g. has the VFS accommodation available?), the experiential (e.g. is the bed comfortable, or the air crisp as promised?) and the expressive or symbolic levels (e.g. is the bed made out of native timber in a room with a view that is uplifting and getting the visitor in touch with nature?). If a destination and its SMEs manage to produce a service experience at all of these levels, and all of the attributes are clearly linked to the destination, the resort creates both the highest levels of satisfaction and a unique competitive advantage (Gnoth 2002).

Proposition 9: Successful destinations have higher proportions of SMEs that help create and develop more sophisticated internal destination brand strategies, than less successful destinations. These are the same firms that communicate more within their own services category as well as across tourism service categories. The proportion of those SMEs is higher in successful destinations, whose customers their products and brands as differentiated on the three brand-levels are less concerned about direct price competition.

Similar to product brands, destination brands communicate with its owners. They give direction to new service design, its processes and attributes; they discipline thinking and constitute a blueprint or structure by which the fit of new services is assessed.

The individual SME benefits from the destination brand and all the tacit knowledge that surrounds it or is represented by it. Competition amongst operators requires each SME to develop and maintain its own brand. It needs to be distinct and recognisable in the SME's offerings, but it also needs to fit with the destination brand. This fit is important as the SME brand can thus benefit from the overall brand. It also identifies the SME as part of the destination and gives it depth, not only physically but as a variation of what the destination brand offers.

Proposition 10: SME brands in successful tourism destinations are recognised by tourists to have more attributes in common with the destination brand, and have the

house-brand's attributes fit better with destination attributes than less successful destinations.

The reasons for developing cooperation between SMEs at resorts are, initially, to gain guidance and help for their external communication but closely followed by the need for internal development and consistency. However, the litmus test of the success of the destination brand and its virtual firms is the extent to which they satisfy the tourist.

As stated in the initial paragraphs, tourism represents 'life away from home'. The demand for services thus either replicates or contrasts life at home, or changes between these poles, depending on the 'role' tourists like to play (Adler 1989). For to produce the optimal service, it requires clusters of SMEs comprising distinct VSFs that maintain a close fit with the travel-life style of its customers.

This means that, successful clusters have formed actively, contain close contact, exchange information frequently, and have not only destination brand attributes but also cluster-specific attributes in common. The active formation of a cluster is in response to market research and the desire to cooperate with those businesses that fit best both, the targeted customer and the resources of the SME.

Proposition 11: Successful destinations have more successful clusters of operations that cooperate because they attempt to emulate the optimal value-chain the targeted tourist would ideally like to create. The proportion of those who would seek and use market research to develop their cluster in this way rather than just their own firm would also be higher.

Proposition 12: Tourist satisfaction with (members of) developed, cooperating clusters and with higher fit between SME and destination brand will be higher than for lesser organised SMEs.

Conclusions

The analysis of the destination system as a virtual service firm has allowed us to structure the tourism production system. The product is created by discrete organisations who are increasingly more successful, the more their own brand fits that of the destination. The growth of the destination brand is thus intertwined with the development of the SME's house-brand.

The development of the destination brand depends largely on SMEs' capacity to communicate with each other and overcome the obstacles of their competition on the ground. One way in which this can be organised is by actively developing clusters of businesses into virtual service firms that match the tourist segment's ideal travel life style. The notion of the VSF is very helpful here because the more the destination finds itself unable to generate open and productive communication channels that lead to innovations and improvements in customer satisfaction, the more is the tourist left to his own devices and continues creating his own value-chain.

The exploitation and improvement of the destination's value-chain is therefore closely intertwined with the creation of the ideal value-chain for the tourist. As indicated in

the sequence of the propositions, the more efficient the destination development, the more important is the integration of the tourist's entire travel life style into the design. Simultaneously, it is the same device by which SMEs get away from direct competition and the threat of looming price wars, because they differentiate and begin to target differing markets, making cooperation so much easier.

It is therefore surprising that, to date, there is no research that attempts to analyse and match the value-chains tourists ideally like to create with the value-chains that tourism SMEs are forming so that they become more alike. The propositions presented here are hoped to establish a basis for such a development.

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