Identifying Competitive Strategies for Successful Tourism Destination Development

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ABSTRACT. The 1990s are shaping up to be a competitive battleground for the tourism industry where only the best managed tourism destinations will prosper. For that reason alone comprehensive strategic business plans must address the many factors that impact the quality of the tourism product including: overcrowding, environmental problems, visitor safety and security, seasonality problems, and sensitivity to local culture. Developing and implementing strategic plans that produce results in a mature industry, are an essential requirement if tourism destinations hope to succeed in the future. The paper utilizes Michael Porter's widely accepted theories in strategic management to guide destination managers in this planning process.

Despite the optimism for growth in tourism, the industry is in a state of rapid change. Change is reflected by a variety of factors including new tourism products, regulatory changes, globalization, use of new technologies, environmentalism, increasing world debt, and economic cycles. Furthermore, few doubt that the business environment will continue to be fiercely competitive throughout the next decade (Lovelock, 1992). It is apparent, therefore, that the

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1990s are shaping up to be a competitive battleground where the best managed tourism destinations will prosper. This competitive U.S. marketplace has spurred almost every city, urban and rural county to create or expand a convention visitors bureau (i.e., destination marketing organization or DMO) to act as a catalyst for action on behalf of the area’s travel and tourism industry. Today, destination management and marketing involves not only simple promotional efforts but also the sophisticated planning of knowledgeable professionals focused on economic development (Gartrell, 1988).

Evans and Chon (1989), Edgell (1990), Chon and Olsen (1990), Perdue and Pitegoff (1990) and others have proposed that the tourism industry (i.e., DMO’s national, state, local) adopt new and more innovative techniques for the formulation, implementation, and evaluation of strategic plans by both tourism managers and community leaders. Strategic planning considerations become increasingly complex as the ideas and needs of each of the industry partners (i.e., hotels, restaurants, attractions, etc.) are incorporated into the process. According to Chon and Olsen (1990) the basic premise of the strategic management concept involves long term planning for the development and continued optimal fit between the organization’s resources and its opportunities in the changing environment, in order to gain some competitive advantage.

Comprehensive strategic business plans (i.e., both development and promotional plans) need to address the many issues that impact the quality of the tourism product, including: overcrowding, environmental problems, visitor safety and security, seasonality problems, and sensitivity to local culture. The concept of planning may not be new to public and private sector tourism managers. However, developing and implementing strategic plans that produce results in a competitive industry is an essential requirement if DMOs hope to succeed in the future. Strategic planning is important to DMOs because it links the destinations’ goals with the destinations general and task environments (Olsen, Tze, & West, 1992). A brief overview of the strategic management process is in order to demonstrate this contention.
THE STRATEGIC MANAGEMENT PROCESS

The generally accepted first phase of the strategic management process is the preparation of a mission statement defining the purpose of the endeavor (Chon & Olsen, 1990). A properly constructed mission statement, developed by a broad base of industry and community leaders, presents a clear direction to all tourism partners. The mission statement fosters common business goals, and serves as a basis for communication, and, finally, the effective evaluation of actual efforts. Once a common direction and purpose have been agreed upon, managers may then establish goals or objectives whereby the progress towards the common mission can be measured.

MISSION → GOALS → ANALYSIS → STRATEGY → IMPLEMENTATION

After the objectives are established, the process of crafting a strategy, the pattern of actions or plan to achieve those objectives, is begun. This starts with an analysis of the organization’s external and internal environments, so that the organization’s strengths and weaknesses might be best matched with the opportunities and threats in its environment. Finally, a strategy emphasizing the core competencies of the organization is developed and systems are established for its implementation.

A STRATEGIC MANAGEMENT MODEL FOR TOURISM DESTINATION MANAGEMENT

Drawing from the literature of Industrial Organization Economics, Harvard University Professor Michael Porter has developed one of the most widely accepted generic models of competitive strategy (Porter, 1980). Porter simplifies the myriad environmental forces and organizational options into a well-presented, easily comprehended model. He has identified three generic strategies by which firms can outperform others in their industry. This paper develops Porter’s model in terms of the tourism industry, and provides examples of how it might be applied by tourism managers.
1. Overall Cost Leadership Strategy—The overall (low) cost leadership strategy requires managers to develop a sustainable cost advantage over their competitors. This allows the organization to earn strong profits while attracting consumers with lower prices. We might view this as the McDonald’s or Motel 6 approach to tourism development with a no-frills quality product, producing high volume revenue. The perceived value of the product becomes the competitive advantage. The success of this strategy depends on efficiency, economies of scale, tight cost controls, and high market share.

Destinations such as: Myrtle Beach, South Carolina, Daytona Beach, Florida, Virginia Beach, Virginia, and Atlantic City, New Jersey, come to mind in this category. These destinations have a broad customer base and offer a variety of travel experiences at a great value. Part of this success is through low pricing (gambling subsidizes lodging and restaurant prices in Atlantic City), group marketing efforts, and maintaining year round business volume. For example, Myrtle Beach, South Carolina, which has creatively packaged the sun, surf, and golf experiences at budget prices for the east coast market (see Figure 1).

2. Differentiation Strategy—The differentiation strategy seeks to gain a price premium by creating extra value for which the buyer is willing to pay. This price premium allows the firm to earn strong profits while covering the extra costs necessary to better meet the consumers’ needs. The strongest differentiators offer a product with features that are truly unique in relation to other products available in the industry. This uniqueness may be based in product features, technology, and quality; or it may be based in intangibles such as customer service, marketing, or the design and image of the product. We would view this as the Ritz Carlton Hotel chain approach to tourism development. The Ritz Carlton hotel chain of twenty-five properties earned the coveted 1992 Malcom Baldridge National Quality award by setting high product standards for the up-scale lodging market in the U.S.

The exceptional and/or unique product becomes the competitive advantage with this strategy. Differentiation strategy destinations such as: Williamsburg, Virginia; San Francisco, California; Palm Springs, California, and Orlando, Florida come to mind. These
FIGURE 1. Examples of Possible Tourism Strategies Using the Porter Model

1) OVERALL COST LEADERSHIP STRATEGY:
- Atlantic City, New Jersey
- Myrtle Beach, South Carolina
- Daytona Beach, Florida
- Virginia Beach, Virginia

2) DIFFERENTIATION STRATEGY:
- Orlando, Florida
- San Francisco, California
- Williamsburg, Virginia
- Palm Springs, California

3) FOCUS STRATEGY:
- Branson, Missouri (Focused Cost)
- Pigeon Forge, Tennessee (Focused Cost)
- Aspen, Colorado (Focused Differentiation)
- Hilton Head, South Carolina (Focused Differentiation)

destinations offer a combination of unique product factors including natural beauty, interesting architecture and landscaping, regional cuisines, first class entertainment, and original hospitality and culture (see Figure 1).

3. Focus Strategy—While the low cost and differentiation strategies attempt to appeal to customers industry-wide, the focus strategy is founded on serving a particular target group (consumer group, product line segment, geographic market) better than competitors who are competing more broadly. These services may be based on cost advantages (low cost focus) or on more effectively meeting the target group’s needs (differentiation focus). A low cost focus strategy is based on a target group whose needs can be met at a lower cost than those of the broader market. La Quinta Motor Inns, for example, has chosen to focus on the traveling salesperson. This target
group does not require room service, bars or restaurants in the
motels, or many of the amenities that must be provided to the
broader market. The savings La Quinta obtains by not offering
these broader services allows it to offer all services demanded by its
target group at lower prices than its competitors, giving it a signifi-
cant competitive advantage. A firm might also choose to focus on a
specific geographic market, saving the costs of national advertising,
distribution and travel. Focused cost destinations that come to mind
include Branson, Missouri, which offers a country music experi-
ence at budget prices to the central U.S. market. Pigeon Forge,
Tennessee, home of the Dollywood theme park, offers the same type
of country music product to the southeast U.S. market (see Figure 1).

The differentiation focus strategy centers on offering extra value
that better meets the unique desires of a specific target group. Firms
using this strategy offer the targeted market niche types of products
and levels of service they can’t find elsewhere in the industry.
Destinations in this category exploit unique features (climate, cul-
ture, history, environment, etc.) which allow them to cater espe-
cially to target groups (like outdoor buffs, history buffs, the wealthy,
etc.). In some cases, this focused strategy yields a world class leader
setting an industry standard for quality. Destinations such as Aspen,
Colorado, and Hilton Head, South Carolina, are appropriate in this
category (see Figure 1). These destinations offer prominent outdoor
activities (i.e., skiing and golf, tennis, beach) in a sophisticated
setting. Many rural tourism destinations that offer unique “adven-
ture” tourism experiences to regional geographic markets might
also fit perfectly in this frame.

Though it may be difficult to place specific tourism destinations
precisely into one element of Porter’s boxes, his model provides a
conceptual framework for tourism managers to consider. As pre-
viously noted, many destinations fail to develop a strategic compet-
itive advantage; that is, the destination is stuck in the middle (center
or no one box) and not focussed on any one of the three generic
strategies. Lacking this focus, these destinations will find it increas-
ingly difficult to attract consumers away from competing destina-
tions. Consider the problems of the ITT Sheraton hotel chain that
recently scaled back the number of U.S. properties since they have
lost market share to both budget and luxury lodging chains. Shera-
ton's positioning of its lodging product at the center of Porter's model was destined to create problems for Sheraton in the very competitive lodging industry (Bremner, 1990). This company has now repositioned the chain as only a luxury lodging chain.

**DESIGNING AND MANAGING TOURISM PRODUCT—APPLYING THE PORTER MODEL**

What are some other applications of Porter's model in destination development and promotion? That is, what are some possible generic functional strategies for low cost tourism destinations? Since the attraction of this strategy is lower relative costs, areas that choose low cost strategies will have to tightly control their costs and offer consumers great prices. Local governing agencies, for example, could set specific tourism taxes (sales, bed, airport, etc.) on travel services lower than their principal competitors. Note, however, that a low cost strategy does not mean lack of investment, rather it takes carefully planned investment targeted to achieve low costs. In manufacturing this would include investment in production processes, technology, and equipment. In tourism, costs for the consumer include travelling distance, time, and hassles as well as direct financial costs. Low cost destinations, therefore, may need to increase investment in infrastructure for roads, airports, etc., to lower consumers' costs, but need invest relatively little on extra facilities and amenities (convention centers, public parks, etc.). The tourism product will have to have a varied mix of economy lodging and limited service restaurants. Marketing efforts will focus on mass marketing methods, low cost industry trade-outs, free media publicity, or creative criss-cross marketing with industry partners. Labor productivity will have to be constantly enhanced while labor costs must be controlled through more computer technology, restricted service, and high impact training that may only deliver minimal service levels.

What are some generic functional strategies for differentiated destinations? There are many approaches in which destinations may differentiate themselves from competing destinations. DMOs must discover the distinct advantages they have over other destinations (their core competencies) and then build their strategy around these
competencies. Differentiation may be based on climate or other elements of the natural and historical environment (e.g., Hilton Head, San Francisco, Aspen). Destinations choosing this strategy may need to incur heavy capital costs for infrastructure, buildings, and landscaping. Community leaders may need to support strict building codes, sign control, litter control, and zoning restrictions. Hotels and restaurants may offer distinctive "eco-amenities" that nature and nurture both group and individual travelers. Other ways to differentiate include quality service, shopping, entertainment, technology, as well as state-of-the-art meeting and convention facilities for group travelers. Image advertising should reflect the unique culture of the community and its strategy. Firms that choose to differentiate should provide quality service and therefore should support management education and vocational training programs for all service employees. This could include collegiate programs, certification programs, and on-going continuing education programs. Finally, appropriate resources should be available for guest safety and security.

There is a growing concern for quality tourism products (memorable consumer experiences) in destination development. Visitors may demand quality tourism product and experiences, and even expect a broader selection of specialized travel services. In fact, there is growing evidence that quality tourism products will dominate the marketplace and force many destinations to examine whether they truly offer a acceptable product. The most important issue facing destinations with a focus strategy is choosing the target consumer group around which the strategy will be built and developing the means to attract that group. Most low cost focus destinations will choose to focus on regional tourists, highlighting the cost-savings in travel and prices over competing national destinations. Differentiation focus destinations must find a growing niche in the consumer market whose needs fit the strengths of the destination and then dedicate themselves to serving that niche. The temptation to broaden this focus must be resisted or the competitive advantage of the strategy will be lost. This means making tradeoffs in development (e.g., zoning, environment versus industry, infrastructure, number and types of hotels and attractions) between actions which serve the niche and those which have broader appeal.
CONCLUSIONS

Whatever strategies DMOs ultimately choose, some form of product innovation and improvement are inevitable if the destination hopes to survive or grow. It remains to be seen which destinations will take the initiative through strategic planning to provide consumers with quality travel experiences and which destinations will lose market-share to the competition through reactive strategies. It seems quite clear that not every tourism destination will be able to grow and/or expand in the future. Many tourism destinations will have to scale back their plans in order to focus on the needs of specific consumer segments, or specialize in a certain form of tourism product. A variety of strategic alternatives, or different choices for attaining organizational goals, may be considered by leaders at every level in the community. Using Porter's model provides one framework for these solutions.

REFERENCES


