Smart marketing of an alpine destination – a conceptual framework

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TTRA 2016 Extended Abstract:

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Abstract

Facing strong competitiveness and increasing stagnation in alpine tourism, innovative marketing strategies are becoming more important than ever. This abstract presents the case of an alpine destination striving for a successful turn-over through collaborative marketing campaigns. These marketing activities are not only built on top of an innovative technological platform, but are paired with building knowledge of the Destination Marketing Organization (DMO) and the service providers as well as a change process in order to enhance cooperation between the different actors. The conceptual framework derived from the case study approach offers new insights for the implementation of collaborative online marketing activities in an alpine destination. On this basis, key success factors and preconditions for the effective management of the collaborative marketing approach are discussed from theoretical and practical perspectives.

Introduction

The market of alpine tourism is confronted with increasing stagnation and competitive pressure (Pechlaner & Sauerwein, 2002, pp. 157–158). As the competition among tourism destinations continues to intensify, a joint coordination of offers, a consistent brand management and a networked sale of services are becoming increasingly important. However, most European alpine tourism regions, particularly in the German speaking part of the Alps, are structurally based on a set of economically independent actors, who function without a clear hierarchy (e.g. Flagestad & Hope, 2001). The strong competition between the single service providers (e.g. hotels, apartments, ski schools, etc.) that mostly are driven by particular interests leads to fundamental challenges in destination marketing. The situation can be compared to a public-good problem, where all actors in a destination benefit from the marketing activities of their competitors (see Bergstrom, Blume, & Varian, 1986). Without guidance and integration of this externality, the public-good problem results in an underinvestment in marketing activities, which has a negative impact on the overall destination brand.

The advantages of marketing a tourism destination by involving public agencies and private businesses in the production and promotion of touristic offers has been widely acknowledged (e.g. Buhalis & Cooper, 1998; Fyall & Garrod, 2005; Palmer & Bejou, 1995; Prideaux & Cooper, 2003). According to d’Angella & Go (2009) collaboration, defined as formal institutionalized relationships among existing networks of institutions, interests and/or individual stakeholders, is a necessary condition for the competitiveness of a destination management organization (DMO) and its tourism firms. On the other hand, Wilson et al. (2001) argue that although the community and partnership approach may be an effective way to develop and promote tourism, creating the necessary inter-community cooperation and collaboration is a complex and difficult process. Particularly the diverse and fragmented nature of destination products has often been a barrier to the recognition, acceptance, and adoption of collaborative practices (Aas, Ladkin, and Fletcher 2005; Bramwell and Alletorp 2001).
Despite collaboration marketing has long been recognized as a legitimate approach, few theories have been developed to explain how to set the preconditions and manage the critical success factors in order to implement collaborative destination marketing in the digital age (DMO perspective). Particularly in alpine tourism the implementation of the collaborative marketing approach poses major challenges. This illustrates the case of Saas-Fee, an alpine destination located in the South-West of Switzerland, facing the pressure of global competition and the constant need to gain the competitive edge. The case study was used to build a holistic framework for the implementation of a collaborative marketing approach in order to enhance the competitiveness of an alpine destination. The framework can be related to the smart tourism approach, which acknowledged that the use of innovative information and communication technology (ICT) not only means to implement new technology. It is also necessary to empower the relevant players through knowledge building (human capital) and to pool available resources through cooperation (social capital) in order to take full advantage of technological advancements.

The goal of this study is to understand the preconditions and key success factors of collaborative marketing activities and how they should be managed by the DMO in an alpine destination. Beside the alpine context, the study focuses on online marketing, taking into account that the Internet became the major communication and distribution channel in tourism today. While most existing theories address singular aspects of collaborative online marketing such as the cooperation processes (e.g. Wang, 2008; Wang & Fesenmaier, 2007; Youcheng Wang, 2008, digital destination marketing (e.g. Buhalis, 2000; Gretzel, Yuan, & Fesenmaier, 2000; ) or ICT and corresponding know-how development (e.g. Collins, Buhalis, & Peters, 2003, Buhalis, 1999), no comprehensive model bridging these different aspects and showing how a destination can manage the key elements of successful marketing cooperation in the digital era has been developed. Further, relatively little research has been conducted on cooperative marketing alliances or on alliance implementation issues at the level of small and medium-sized organizations (SMEs) as they prevail in alpine destinations (Palmer, 2002). By connecting major ideas of existing theories with an actual case study of an alpine destination, a new framework, called “smart marketing” was developed. It aims to complement the literature on inter-organizational marketing collaboration with a more integrated and practically-oriented approach.

**Literature Review**

*Cooperative (online) marketing*

The fragmented nature of the tourism industry requires a high degree of coordination and collaboration among the various actors in destination marketing. Collaborative destination marketing has therefore been a major topic in tourism research. Diverse studies investigated collaborative strategies, the development of local tourism networks, the actors and their roles within the collaboration process as well as its determinants and consequences (e.g. Palmer & Bejou, 1995; Gibson, Lynch, & Morrison, 2005; Jamal & Getz, 1995; Wang & Fesenmaier, 2007; Naipaul, Wang, & Okumus, 2009).
Collaborative initiatives can be defined as voluntary arrangements between tourism organizations involved in managing and promoting destinations (Wang, 2008). While the term “integrated destination marketing” often relates to a common strategic orientation, Wang (2008, p. 151) stresses the relevance of collaborative action: “destination marketing is a collective effort that requires various organizations and businesses in a geographically limited area to harmoniously work together to achieve a common goal.” While the patterns of marketing alliances or the success factors of cooperative buyer-seller relationships have been extensively researched (e.g. Palmer & Bejou, 1995; Baggio, 2011; Morgan & Hunt, 1994) there is relatively little attention paid towards the understanding why some cooperative marketing relations are more successful than others (Palmer, 2002, p. 135). Palmer (2002) investigated the antecedents of effectiveness of touristic marketing associations, using a LISREL model. He shows that a highly structured, formal governance style, followed by high levels of commitment and diversity among exchange partners are the most important factors for sustaining long-term, mutually beneficial marketing relationships. A lower but still significant role for effective marketing associations plays the perception of reciprocity. In similar vein, Wood and Gray (1995) argue that collaboration occurs when a group of autonomous stakeholders of a problem domain engage in an interactive process, using shared rules, norms and structure. Wang and Fesenmaier (2007) examined the nature and dynamism of collaborative marketing actions through a sequential model of the collaboration process. They defined four important preconditions for destination marketing alliances: crisis, particularly when requiring collective action, increasing competition in the market place, organization support for entering into collaboration relationships and technology support.

Information technology seems to be playing important roles either as a driving force to collaboration or as a facilitating tool during the collaboration process. The increasing importance of ICT for the competitiveness of tourism organizations and destinations as well as for the entire industry as a whole has been broadly recognized in the literature (e.g. UNWTO, 2001). According to Buhalis (2000, p. 114; 2000, p. 114) using new technologies and innovative marketing and will be the only way to manage and market tourism destinations as increasingly complex and competitive constructs. In fact, ICT does not only empower consumers to identify, customize and purchase tourism products, but they provide effective tools for suppliers to develop, manage, and distribute their offerings worldwide (Buhalis, 1998). From a supplier’s perspective, the Internet propels the re-engineering of the entire process of producing and delivering tourism products, as well as it boosts interactivity between partners that can design customized products and promotion targeted towards individual consumers (Buhalis & Law, 2008, p. 618). According to Hagel (1999) the real opportunity on the Web is to rethink the business models that organizations employ, both in terms of delivering value to the customer and in building relationships with customers, suppliers, and other business partners. He calls this new business model “collaboration marketing”.

Despite the new potentials of ICT for marketing and collaborative efforts, it has been acknowledged that its use alone does not necessarily bring a competitive advantage. The integration of IT into the destination marketing organization (DMO) and the marketing processes is an important success factor and it is difficult for most DMOs to keep pace with the new technologies (Gretzel et al., 2000, p. 146). Particularly smaller DMOs are found to be overwhelmed by the amount and complexity of barriers they encounter when trying to establish
online advertising strategies. It was therefore argued that success of destination marketing organizations in the new economy is not about technology itself but more about change in approach (Gretzel et al., 2000). Having the tools for collaboration, does not automatically imply that collaboration will happen. Collaboration in the virtual world requires flexible and open structures, a change in the organizational mindset and new business processes (Grenier & Metes, 1995). d’Angella & Go (2009) propose the concept of “social inclusion” as a possible solution for coordinating cooperation networks. For applying stakeholder theory in an urban touristic context they conclude that a strategy of social inclusion is a precondition for collaborative tourism marketing practices.

The smart tourism approach

Beside the classical approach to cooperative destination marketing, collaboration and pooling resources is also gaining new importance in the field of smart destination concepts. The approach of smart tourism is derived from the concept of smart cities and aims for improving public issues through ICT-based solutions and “multi-stakeholder, municipal partnerships” (Maniville et al. 2014, p. 9). As cities have become more competitive and complex, ICT helps to address common issues by coordinating different activities and services. One main goal of smart cities is to increase the living standard for its citizens by better informing and engaging them (Buhalis & Amaranagana, 2013). Boes et al. claim that smart cities are developed with special focus on leadership, entrepreneurship and innovation, social capital, and human capital as the most fundamental constructs (Boes, Buhalis, & Inversini, 2015, p. 395).

The approach of smart cities has been transferred to the context of tourism destinations by several authors. Since tourism destinations are “initiated out of smart cities” (Zhu, Zhang, & Li, 2014), Boes et al. claim that “Smart Tourism Destinations should be built on top of the constructs of Smart Cities” (Boes et al., 2015, p. 399). Buhalis & Amaranagana (2013) state that a smart destination dynamically interconnects stakeholders through a technological platform, which supports the instant exchange of relevant information related to tourism activities instantly, to improve the resource management and to maximize the destination’s competitiveness as well as the customer satisfaction. The concept underlines that information sharing plays a crucial role in smart tourism destinations. Gretzel et al. confirm that smart tourism can be seen as a “logical progression from traditional tourism to more recently e-tourism” (Gretzel, Sigala, Xiang, & Koo, 2015, p. 180) (2015,p.’. The manifold roles of ICT in tourism refer to operational, structural and strategic issues of managing a destination such as developing product innovations or attraction and retention of visitors (Neuhofer, Buhalis, & Ladkin, 2012). With technological advancements the amount of available information resources has increased. In order to exploit such data and to turn it into business value propositions, smart destinations collect, exchange and process data (Gretzel et al., 2015, p. 181).

As Boes et al. (2015) claim, smartness is often connected with innovative and transformative changes enabled via ICT. However, socio-technical aspects such as the human and social capital should not be neglected. Best practice examples show that smart places have not only introduced a state-of-the-art technology but have also enabled their citizens to create innovative ideas that
are driven by the human capital (Boes et al., 2015, p. 399). Coleman (1988) defines human capital as the embodiment of skills and knowledge that are developed by an individual. This development within a destination becomes an increasingly important success factor, as DMOs are facing the technological advancements in the fields of e-tourism (Schegg, 2015). According the St. Gallen Consensus on Destination Management the destination management of the future needs to enable its actors “to improve their performance and by making them future-ready by means of providing them with essential immaterial and intellectual resources” (Reinhold, Laesser, & Beritelli, 2015, p. 139). Particularly the small-scale structure in the Swiss tourist regions poses a major challenge to the (Pleitner, 1991). Furthermore, building social capital through collaboration and cooperation is another fundamental element of a smart destination. The fostering of social capital in a community was recognized for a long time to facilitate common actions of individuals, who are within a social structure (see Coleman, 1988, p. 98).

Taking the technology as a frame, the concepts of building human and social capital are at the forefront of implementing smartness within a destination. As the smart destination approach is about the successful implementation of new technologies with a focus on cooperative activities, the concept also offers valuable insights for the understanding and realization of collaborative online marketing in a destination.

**Methodology**

Given the goal of this study, a qualitative case study approach was adopted (Yin, 1989; Eisenhardt, 1989). Since there is still little known on collaborate marketing in the Alpine tourism, interpretative and evaluative knowledge should be generated by using various channels of information. Further, the qualitative methodology was used to address the complex social aspects and processes such as cooperation between stakeholders or power and influence structures, which play a key role in answering the research question.

The destination Saas-Fee was selected for several reasons: First of all, Saas-Fee represents the current challenges of the alpine tourism, as faced by many European alpine destinations. Being a popular destination in the past, Saas-Fee has suffered from a massive decrease of overnight stays of 40% within the past eight years (from 1.1 to 0.8 million). Despite issues such as insufficient profitability of the local service providers’, an unclear destination brand positioning or obsolete infrastructures, the destination is forced to meet these challenges in order to become again competitive on a national and international level. The DMO decided to achieve a turnover by implementing a cooperative marketing approach. This also implied a considerable investment in a new ICT-Infrastructure which allows an active involvement of local service providers in collaborative marketing activities. Therefore, the case of Saas-Fee offers a very suitable environment to study the implementation of cooperative marketing in a typical Alpine tourism context.

The research method is based on the grounded theory by Glaser and Strauss (1967), i.e. the derivation of an explanatory framework beginning with an analysis of a real world situation. The case study approach was chosen because it allows to describe a real industry case by gathering interesting insights, explain current practices and experiences and helps addressing the research problem at hand (Neuhofer, Buhalis, & Ladkin, 2015). To foster different perspectives and to
reach a synergistic view of evidence, data was collected by multiple methods: First, the study used personal interviews of representatives from different branches of the local tourism industry. These representatives were selected on the basis of an ethnographic stakeholder-analysis, systematically describing the different stakeholder groups and important actors on-site. Further data sources were document analysis (flyers, training-documents, presentations, mailings, webpages, newsletters etc. related to collaborative marketing attempts) and observations of information events, workshops and brainstorming sessions with touristic actors on-site. By using a within-case analysis, hypotheses were shaped and the framework was developed in an iterative process (see Kämpf, 2005).

Results
Combing the insights of the case Saas-Fee, the critical preconditions and success factors from the literature, the “smart marketing framework” was developed. Smart marketing means not only to implement a state-of-the-art technology in order to carry out (online) marketing activities but also to build human and social capital in order to fully exploit the technological opportunities.

![Figure 1: Smart Marketing Framework](image)

Technology
Consistent with existing studies on marketing collaboration, the technological infrastructure is a critical environmental factor for the implementation of collaborative activities. In order to address the future challenges of digitalization, the destination Saas-Fee decided to introduce a
A technological platform called Marketing Engine. It consists of different online tools (e.g. app, eCRM, social media manager) in order to present and market the destination digitally. The Marketing Engine is made available to the service providers, who can use the tools for their individual marketing activities (e.g. sending out newsletter, organize social media activities). Furthermore, the modules of the Marketing Engine provide the technical tools for the realization of digital marketing campaigns which are performed with the collaboration of multiple service providers (see next section).

**Marketing (cooperative digital marketing campaigns)**

To reach their target group(s) and to increase bookings or frequencies, the destination performs online cooperative marketing campaigns and thereby simultaneously uses a variety of online channels. Within a cooperative online campaign, multiple service providers coordinately launch predefined marketing measures, which are consistent with the overall destination strategy and oriented towards the relevant target group(s), with the help of the Marketing Engine. To specifically address the right target groups, the customer journey is analyzed and empirically clustered in a prior step. After the service providers indicated interest for participation in a certain campaign, the specific offers are defined in detail in coordination with de DMO. Then, the individual marketing budgets of the service providers are set (depending on the businesses’ size and level of competitiveness) and pooled. This pooling of resources and the coordination of the marketing activities by the DMO are aiming for greater impact. All online marketing actions should no longer be based on the individual service providers, but on a common landing page for the entire destination. The common landing page includes the offers of all participating partners.

An innovative element of the cooperative marketing approach in Saas-Fee is that cooperation goes far beyond resource pooling and the execution of the online campaigns. Important potentials of the Web are its interactivity and the possibility to track the behavior of single customers, opening up new potentials for the design and measurement of advertising (Gretzel et al., 2015, p. 149 f., 2015). In Saas-Fee cooperation also includes information sharing in order to specifically target the potential guests and a common evaluation of the marketing campaign’s effectiveness as a whole. According to Day (1998, p. 47) interactive media calls for interactive marketing which is “the use of information from the customer rather than about the customer”. Correspondingly all activities of the marketing campaigns in Saas-Fee are based on existing guest data of all service providers which are stored in a common data warehouse. Combined with additional information of external factors (such as weather forecasts, holiday periods…) and service provider-specific information (such as occupancy rates or historical overnight stay statistics), this data warehouse builds a comprehensive decision basis for the online marketing campaigns. It is used to define the optimal channels, contents, timing and participants. After its realization the effectiveness of the campaign is tracked whilst all service providers reveal their individual KPI. This information is then again used in future campaigns, leading to a permanent optimization of the collaborative marketing approach.

The implementation of cooperative online marketing campaigns is Sass-Fee demonstrated that proper evaluation of the online marketing activities is crucial for justifying the move toward Web-based advertising, since resources usually are allocated only to initiatives that have are
proven to be successful. A major difficulty is however, that advertising success cannot be directly translated into sales volume or other monetary measures without having installed all the necessary interfaces among all service providers. Another key learning of the development process was having the technology for collaborative marketing is completely useless without the digital enabling of the service providers and their willingness of cooperation.

Empowerment

A successful implementation of the new technological opportunities requires the necessary know-how of the relevant actors. In order to develop a customized training program for the DMO as well as for the service providers in Saas-fee, the needed competencies for an effective implementation of digital marketing campaigns were determined by using best practice examples and expert interviews. The case of Saas-Fee demonstrated that it is crucial to evaluate the existing skills of the DMO and the service providers in the fields of eTourism not only to detect knowledge gaps but also to create trust and willingness to participate in the new training programs. The personal exchange and persuasion is of major importance because many service providers seal themselves off due to excessive demand and fear of contact. In Saas-Fee the online marketing training program for empowering the DMO and the service providers addresses different levels of difficulties and is systematically promoted in various events, mailings and newsletters. The program is regularly evaluated and consistently developed.

It is also important to recognize that closing knowledge gaps does not only enable actors in terms of content but also helps to bridge confidence gaps and allows the development of a common understanding of problems. Training can therefore foster common problem-solving processes and in this sense promote cooperation (see Schianetz, Kavanagh, & Lockington, 2007).

Cooperation

The implementation of new technologies cannot be realized without changes in the organizational structure and culture. According to Gretzel et al. (2015, p. 153) the most important reason, why the implementation of technologies fails is that organizations do not succeed in initiating these necessary changes. In the case of Saas-Fee, both the design and implementation of cooperative online campaigns require collaboration among the service providers as well as between the service providers and the DMO. With cooperation being the foundation for the effective use of the marketing engine, the existing culture of competition and distrust turned out to be the major barrier for the realization of the collaborative marketing campaigns. This is consistent with existing contributions which recognized the high importance of cooperative structures and the enormous challenges associated with it, particularly in rural or alpine destinations (e.g. Wyss, Luthe, & Abegg, 2014, p. 3; Beritelli, 2011). Beside the technology, marketing and empowerment dimension, cooperation therefore builds another key aspect in the smart marketing framework.

Empirical studies in the social sciences show that the initiation of a change process not only needs the consideration of the visible, consciously perceived influencing factors such as goals
and strategies or structures. Rather the underlying aspects such as cooperation between stakeholders, power and influence structures that change culture, taboos, etc. must be taken into account. These often undiscussed issues decide mostly about the success or failure of a change process (Jarmai, 1997; Kristof, 2010). After a comprehensive stakeholder analysis, the underlying aspects of cooperation in the destination Saas-Fee were analyzed by narrative interviews with selected key actors. Findings revealed the different understandings of cooperation among the service providers, existing patterns and states of cooperative relationships as well as the conditions and obstacles for cooperation which were encountered. Based on these results, organizational structures and behavioral guidelines for marketing cooperation were defined. In line with the insights of Palmer (2002) the case of Saas-Fee revealed the need of a leading party and formal governance structures such as clearly defined processes and targets. On the other hand, the attempt to apply of these structures in the online marketing campaigns confirmed, that the required cultural change is a long-lasting process with numerous learning loops for the service providers as well as for the DMO.

**Conclusion and Discussion**

Based on the case of the destination Saas-Fee, the smart marketing framework was developed as a practically-oriented and holistic approach, showing how a destination in an alpine context can successfully manage the key elements of collaborative online marketing activities. The smart marketing framework incorporates valuable insights of the smart destinations approach, which have not been explicitly addressed in literature on collaborative destination marketing so far. An important finding of this approach is that a smart destination is not only built on a state-of-the-art technology but also takes into consideration the building of knowledge and cooperation for pooling resources. As hypothesized by existing studies, both preconditions were shown to play a particular important role in an alpine destination.

The case of the alpine destination Saas-Fee demonstrates the importance of human and social capital as key issues underpinning the engagement of different actors in destination marketing collaborations. In complement to the widespread understanding, successful collaborative marketing not only means cooperation in terms of resource pooling but also in terms of information sharing to optimally target potential customers and to constantly evaluate and optimize the marketing activities. Consistent with the insights of Palmer (2002), the case study also revealed that for introducing digital transformation to a destination, the DMO needs to take a leading, coordinating position. This implies that the DMO does not only need to set up the technological prerequisites but is particularly asked to introduce the platform to the relevant actors, to build the required cooperation structures and to govern the cooperation process as formally as possible. In this sense, it is also of major importance to that the DMO has comprehensive know-how concerning online marketing and the implemented ICT. To guarantee an adequate DMO-internal training a professional consultant in both of the fields can be recommended. Gretzel et al. (2000) demonstrated that beside a lack of proper management and insufficient knowledge, limited resources and a lack of communication were the most important barriers to technology implementation and adoption. Therefore is also crucial for the DMO to plan sufficient financial and non-financial (e.g. staff) resources for the introduction and communication of a new technological platform.
First insights in the area of cooperation show that the needed transformational change within the destination outreaches the scope of the marketing-related, visible cooperation activities by far. Rather, the underlying power structures, historical experiences and attitudes affecting all areas of the touristic/economic and private cohabitation in an alpine destination must be reprocessed collectively. The creation of new, concrete cooperative structures in the area of online marketing activities and training (e.g. self-help groups, workshops for the joint development of offers…) should therefore be accompanied with a longstanding change process in the destination. The DMO can support the cooperation process by pursuing a clear strategy for the building of commitment, trust and a sense of reciprocity. Here, personal discussions and the targeted dismantling of fears of contact are important levers to foster cooperative relationships. Appropriate know-how and skill development for the service providers can also be used as an effective mean to foster cooperation. When designing new training programs it is important to keep in mind that most actors in an alpine destination face heavy lacks of knowledge in the field of eTourism. They therefore need strong guidance. For an effective empowerment, different requirements should be addressed on different levels, which is why a multi-layered training program is suggested.

Contrary to most existing studies, which focus on the description of collaborative marketing patterns and processes, the smart marketing framework offers a more practical, management-related approach. Taking the perspective of an alpine DMO it combined the different fields of action for a successful implementation of collaborative marketing in the digital age. Further project-related steps in the destination Saas-Fee will be the further development of the customer journey with all relevant touchpoints, the conception of a data warehouse as well as the development of a decision cockpit for the DMO and service providers. At the same time, the online marketing training program will be continually improved and the collaborative structures will be further developed and formalized. In terms of research, additional insights regarding collaborative marketing activities in alpine destinations and data-based marketing campaigns should be processed in future papers.
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