Innovative Performance Measures to assess Destination Competitiveness

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ABSTRACT

Many Destination Management Organizations (DMOs) have functionally expanded beyond their origins as information disseminators, to take on a more direct sales role, supported through innovative e-commerce capabilities. Central reservation systems (CRSs) not only provide DMOs with new sources of revenue, but additionally, the on-going accommodation and attraction booking process creates rich data bases that when mined, can provide DMOs with relevant and timely performance measures. While much has been written about destination competitiveness and industry performance, CRS data provides a relatively new source to tap. This paper mines data from 15 DMO reservation systems and presents new indices for measuring and benchmarking destination performance.

Keywords: destination marketing organizations, performance measurement

INTRODUCTION

The assessment of destination competitiveness has been a focus of tourism research for decades, with seminal works developed by Ritchie and Crouch over a period of 10 years and refined over another decade (Ritchie & Crouch, 2000; Crouch, 2011). Others have looked at performance gap analysis or benchmarking (e.g., Fuchs, 2004 & 2002; Kozak, 2002), i.e., determining best practices regardless of location (Walleck, O’Halloran, & Leader 1991). However, Kozak (2004) concluded that benchmarking studies in tourism that actually measure the performance of destinations are limited, and improvement is required to address gaps in the analysis. One of the missing factors to date in many studies is information technology as a driver of revenues at the destination level.

Advancements in technological capabilities have moved DMOs from being primarily marketers and information providers, to being product distributors, sellers, and revenue generators (Elliot and Joppe, 2010). The adoption of CRSs by DMOs at national, state and local levels have provided these organizations with sophisticated tools to operate effectively in today’s e-business environment. These systems capture large amounts of quantitative information that, with data mining and interpretation, can serve as valid measures of performance. Yet research of new measures in the context of destination competitiveness is limited. Strategic investment and
maximizing return on investment as well as monitoring and benchmarking progress against performance measurements are key to ensuring future success of the tourism industry. Measures that can quantify the impact of tourism related activities on economies can be used as important performance measurement criteria and form the basis for allocating financial resources to different destinations and attractions.

**DASHBOARD ANALYTICS**

To assess the performance of destinations, 42,693 bookings generated by fifteen DMO systems were accessed from the database of a CRS provider. Founded in 1998 and based in Niagara Falls, Canada, Meridian Reservation Systems provides reservation and ticketing technology to destination marketing organizations, major attractions, travel marketers, and accommodation providers. To maintain anonymity, the destinations are numbered in Table 1, from 1 to 15. They range from mid-sized regions to large urban cities, from three Canadian provinces and one U.S. State. Thus, the comparison indices do not measure scale (e.g. total sales), but relative performance (e.g. RevPar). All measures are defined in Appendix 1.

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Note: Revenue per available room (column i) figures are based on PKF data. All other indices are calculated using the Meridian Reservation System executive dashboard. See Appendix for definitions.
COMPARISON OF DMOs

On the common performance measure of Revenue per Available Room (RevPar), DMO 2 has the highest index score, 0.44 above the average RevPar for all 15 DMOs, which is given the index base of 1.00. With the additional index scores calculated using CRS data, it can be seen that this destination scores above the average in booking amount and length of stay, and most significantly, is a high draw in terms of client origins and number of properties booked.

The CRS scores can also suggest how to improve performance. In the case of DMO 6, who has the lowest RevPar, they may consider expanding package and attraction sales to increase booking amounts, and to extend length of stay - scores that are below the DMO average. For some DMOs, commonly used RevPar figures such as those produced by PKF, may only be available at a regional level, as is the case for DMOs 3, 4 and 5. But with CRS measures, distinctions in performance are evident. DMO 3 has the strongest draw from more than one origin; DMO 4 suffers from short stays; and, DMO 5 benefits from high package and attraction sales. Interestingly, the average of CRS indices ranks DMO 14 as the top performer, largely due to its relatively high package and attraction sales, whereas its RevPar is below average. The additional measures suggest that lower pricing may drive packaging, but also indicate that this DMO is actively involved in sales, and has diversified its product offer to include attractions.

IMPLICATIONS FOR DESTINATION COMPETITIVENESS

These new CRS-derived measures not only provide a sense of performance, but unlike RevPar, they also highlight operational areas of strength and weakness, and can direct strategies for improvement. Additionally, these measures are sourced from existing databases, and as such, can be used to measure performance in real time, without waiting for nationally produced statistical information, or customer survey returns. Smart DMOs are mining CRS data to inform marketing and improve strategies. It is hoped that with further exploration, meaningful measures will help to advance destination competitiveness.

REFERENCES

Meridian Reservation Systems, Niagara Falls ON, accessed online, December 2012: http://www.reservationsystems.com/


APPENDIX 1

(i) Revenue per available room (RevPar): accounts for average room rates and occupancy; presented as an index with the average set as the base of 1.00;

(ii) Package Sales represents total packages booked as a percent of total bookings – most being room only – presented as an index with the average share set as the base of 1.00;

(iii) Attraction Sales represents total attraction sales as a percent of total sales – most being room sales only – presented as an index with the average share set as the base of 1.00;

(iv) Lead Time > 0 days represents the percentage of bookings made 1+days in advance of stay; presented as an index with the average share set as the base of 1.00;

(v) Booked Amount > $100 represents the percentage of bookings made for an amount greater than $100; presented as an index with the average share set as the base of 1.00;

(vi) Stay > 1 night represents the percentage of bookings made for a length of stay greater than one night; presented as an index with the average share set as the base of 1.00;

(vii) # Properties Booked represents 100% of bookings less the percent booked at the most common property; higher indices indicate less reliance on one commonly booked property;

(viii) # Origins Booked represents 100% of bookings less the percent booked from the most common state or province of origin; higher indices indicate less reliance on one common origin;

(ix) Average of indices equals the average of indices (ii) through (viii).

(x) RevPar minus the Index Average equals RevPar (i) minus Ave. of Indices (ix).