

## Comparing supply and demand perspectives of destination competitiveness

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### **Introduction**

The tourism sector has been transformed by a combination of progressive and drastic changes which have required destination managers to better understand how the competitive position of destinations can be achieved, sustained and enhanced. Within the broad importance of understanding the competitiveness phenomenon, its measurement is particularly significant as it helps destination managers to understand their competitive position and gives them the necessary information to improve that position (Gomezelj and Mihalič 2008). In fact, the measurement of destination competitiveness has been one of the main focuses of the recent wave of academic interest on the topic (Abreu Novais, Ruhanen, and Arcodia 2018, Armenski, Dwyer, and Pavluković 2017, Dwyer, Dragičević, et al. 2016, Kozak, Kim, and Chon 2017, Mendola and Volo 2017, Queiroz Neto et al. 2017, Zehrer, Smeral, and Hallmann 2016). Much of the contemporary research on the topic has moved away from developing conceptual models and identifying the determinants of destination competitiveness to focus on investigating the competitive position of specific destinations or groups of destinations using a wide range of perspectives, tools and indicators. This stream of research is aimed at contributing to the search for the most appropriate measurement approach, as well as to provide destinations with useful information and advice for strategy development.

Overall, the measurement of tourism destination competitiveness is acknowledged as complex and time-consuming given the numerous elements that need to be included (Hallmann, Müller, and Feiler 2014). In response to such complexity, researchers have resorted to a panoply of perspectives regarding what is measured, how and by whom in the search for the most effective measurement approach (Abreu Novais, Ruhanen, and Arcodia 2015). Naturally, there are several points of disagreement within this discussion, and consensus on best practice has not yet been achieved (Miličević, Mihalič, and Sever 2017). In particular, one of the greatest divides relates to the population used to perform the measurement with a polarization between those who adopt a demand perspective and those that adopt a supply perspective. The choice of perspective determines the population studied in the measurement process. While there have been calls for the combined use of both approaches (Dwyer et al. 2004) and initial steps in the direction of a merged approach to the measurement (Bahar and Kozak 2007, Zehrer, Smeral, and Hallmann 2016), these studies have not fully explored the underlying meaning regarding the differences between these perspectives. As such, there is not a clear understanding of how these approaches differ in terms of outcomes or their implications.

The purpose of this paper is to investigate competitiveness from the perspective of both supply- and demand-side stakeholders. The paper proposes a holistic and practical framework for destination competitiveness measurement that includes both supply and demand perspectives - the Supply-Demand Analysis of Competitiveness. Specifically, the use of the Supply-Demand Analysis of Competitiveness allows for the identification of specific elements within the destination where there is a discrepancy between perceptions of competitiveness between supply- and demand- side stakeholders. Additionally, this evaluative framework supports the provision of

practical guidance on how to reduce the discrepancies between supply- and demand-side destination stakeholders.

## **Literature Review**

The measurement of destination competitiveness has been a major focus of tourism destination competitiveness researchers. Since the early conceptualizations of destination competitiveness theory, scholars have attempted the challenging task of its measurement using a wide range of methodologies, tools and indicators. These efforts have in effect resulted in a number of disjointed measurement efforts marked by inconsistency and fundamental points of discord. Details of the approaches and the disagreements between them have been identified and discussed elsewhere (for a detailed review see Abreu Novais et al., 2015) but it is clear that at the core of these discrepancies is one dichotomy that scholars interested in the measurement of competitiveness face: supply versus demand perspective.

This dichotomy relates to the population approached to provide the subjective measurement of destination competitiveness. Some use a demand perspective which entails surveying tourists about the list of competitiveness indicators. This approach is underpinned by the belief that tourists are the ones who experience the tourism destination (Raj 2004) and therefore the performance of several factors of destination competitiveness is ultimately determined by how these are perceived by tourists (Ritchie, Crouch, and Hudson 2000). Surveying the marketplace allows for the understanding of their opinions and feelings towards a destination (Kozak and Rimmington 1999).

Others, criticizing the possible lack of detailed knowledge tourists will have about a particular destination and its main competitors (Omerzel 2011), consider that the opinions of supply-side stakeholders are more realistic and reliable for a number of reasons. Firstly, tourism experts have a deeper knowledge given their experience with tourist businesses in their own country, coupled with their first-hand observations as tourists in other countries (Bahar and Kozak 2007). Secondly, given their vast experience, it is believed that the opinion of a single tourist expert is representative of a large group of tourists (Enright and Newton 2005). Thirdly, there is a potential gap between the expressed opinions of tourists and their actual behavior (Enright and Newton 2004, Mihalič 2013). Finally, the supply-side approach has the additional advantages of lower costs and the ability to include a larger number of competitiveness aspects, including supporting factors and destination management (Mihalič 2013), which tourists may not have the knowledge to assess.

While the vast majority of empirical studies falls into only one of the aforementioned categories, in the early stages of research on the topic, pioneer scholars (Enright and Newton 2004) had already raised the issue of the potential lack of consistency between the two perspectives. Calls for the combined use of perspectives (Dwyer et al. 2004, Formica 2002) and the exploration of the gaps between them (Zehrer and Hallmann 2015) were also put forward while others emphasized its importance by noting the discrepancies between perspectives across different studies of the same destination (Mihalič 2013). It is then surprising that only a very limited number of studies (Bahar and Kozak 2007, Zehrer, Smeral, and Hallmann 2016) have indeed included both perspectives when measuring the competitiveness of a destination. In both cases, discrepancies between perspectives were confirmed although the implications of such differences were neither

explored nor leveraged. Thus, in this study both demand and supply-side perspectives are investigated, with particular emphasis on the potential differences and the implications of this.

### **The framework: the *Supply-Demand Analysis of Competitiveness***

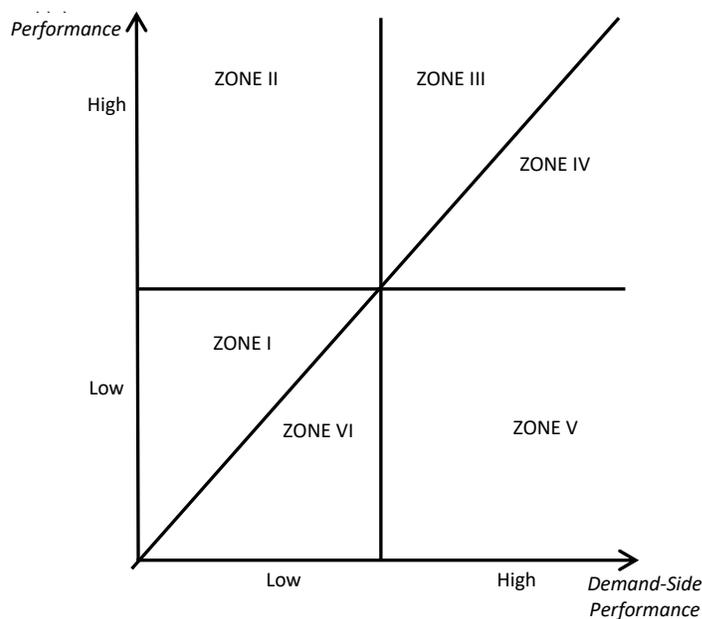
The proposed framework (Figure 1) - the Supply-Demand Analysis of Competitiveness - is premised on the integration of supply- and demand-side stakeholder perspectives of the competitiveness of a particular destination. In it, the performance of competitiveness indicators as perceived by supply-side stakeholders – government, businesses and local residents – is compared with the perceived performance according to demand-side stakeholders – tourists. This comparison has the purpose of diagnosing different situations based on the possible gap between demand- and supply-side stakeholders perceived competitiveness. Arguably, any discrepancies between perceived performance require specific responses from destination managers.

The framework is conceptualized as a graph where the vertical axis reports the mean values of the performance of the different destination competitiveness indicators according to the supply-side stakeholders and the horizontal axis reports on the same mean values but from the perspective of the demand-side stakeholders. In addition, the different framework zones are defined by three lines. The first of these is an iso-performing line which is characterized by the union of the points where perceived competitiveness has the same value for both supply- and demand- side stakeholders. This 45 degree upward sloping line divides the framework area into two overall zones: one where performance according to the supply side stakeholders is higher than the performance according to the demand side stakeholders, and the other where the reverse happens. This line is used given that, ideally, destinations want to be performing along with the line where performance according to the demand side group equals the performance according to the supply-side group and deviations from either side of the line represent and require different responses. The second line is a vertical line that corresponds to the mean value of the observed performance means from the demand-side assessment. Similarly, the third is a horizontal line created at the mean value of the performance of all indicators according to the supply-side perspective. These three lines allow for the creation of six different zones, as shown in the figure, which aim at guiding action. Each zone is labelled with the strategy required: 'revive and enhance but align with demand reality', 'align according to demand reality', 'maintain, promote but align with demand reality', 'maintain and promote but build confidence', 'build confidence', and 'revive and enhance but build confidence'.

Zone I – ‘Revive and Enhance but Align with demand reality’. In this first zone fall those indicators that are perceived by both supply- and demand- side stakeholders as low overall performers. In addition to the overall low scores, there is a mismatch between groups in that the performance according to supply-side stakeholders, while low, is still higher than the performance according to the demand-side stakeholders. Such a result signals the need for the destination to take one action: to attempt to revive and enhance that particular aspect of the destination, and to help supply-side stakeholders to adjust their perceptions according to the tourists’ reality through, for instance, communication and training.

Zone II - ‘Align according to demand reality’. Similar to the previous zone, this area of the graph represents an amplified perception of the destination’s performance by supply-side stakeholders. In this zone there is a mismatch as supply-side stakeholders’ perceptions of performance is high compared to a perceived low performance according to tourists. This indicates to the destination a need to ‘align according to demand reality’. Specifically, this alignment can occur in two ways: either supply side stakeholders adjust their perceptions according to the tourists’ reality through communication, or they aim to improve the quality of the given aspect so that tourists can benefit from an improved experience.

**Figure 1 Supply-Demand Analysis of Destination Competitiveness**



Zone III – ‘Maintain, Promote but Align with demand reality’. This is a positive zone within the framework as it indicates that both supply-side and demand-side stakeholders perceive the destination to be performing well. Within this high performance however, there is still a gap between the two perspectives in the sense that supply-side stakeholders assess performance of indicators more highly than demand-side stakeholders.

Zone IV: 'Maintain, Promote but Build confidence'. This is the strongest zone in the framework. In this zone, the assessed items are perceived by both sides as performing highly. Indeed, here tourists perceive the destination to be performing better than the supply side stakeholders do.

Zone V - 'Build confidence'. In this zone there is an emphasized gap between supply and demand perspectives. Here items are perceived by supply-side stakeholders as poor performers but high performers by demand-side stakeholders. Accordingly, this zone signals that the destination should 'build confidence' in the delivery of that aspect of the destination.

Zone VI - 'Revive and Enhance but Build confidence'. The last zone is characterized by competitiveness items that are assessed by both the supply- and demand- side stakeholders as low performers. Within this overall low performance, these aspects are assessed slightly higher by tourists than supply-side stakeholders.

## **Methodology**

A survey instrument was designed based on both an extensive review of the literature on destination competitiveness as well as a qualitative study about competitiveness and the competitiveness of Portugal and Lisbon specifically. An initial version of the survey was created based on the determinants plausible to be measured by both tourists and supply-side stakeholders keeping in mind the type of destination – a city. These indicators were then considered and adjusted to the context of the destination under investigation. In addition, the aforementioned qualitative study about the destination Portugal and Lisbon (Abreu Novais, Ruhanen, and Arcodia 2018) in specific enabled the process of eliminating irrelevant indicators and to add additional indicators that seemed to be important in the context of the competitiveness of Lisbon as a tourism destination.

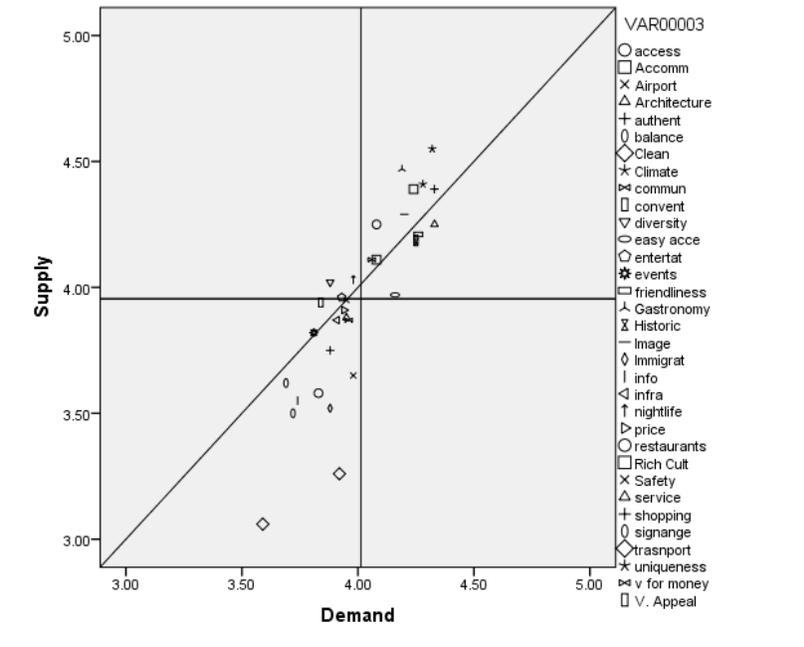
In a similar way to previous studies, a 5-point Likert scale was used to assess the performance of the chosen indicators. Data collection involved two simultaneous processes: self-administered questionnaire distributed at Lisbon's international airport and an online questionnaire aimed at gathering data from tourism stakeholders from both the public and private sector. The two data collection steps, and the discarding of incomplete questionnaires resulted in a final sample of 236 supply-side stakeholders and 1947 demand-side stakeholders.

## **Results**

The Supply-Demand Analysis of Competitiveness was created by plotting the means of all 33 indicators for both the supply-side stakeholders (vertical Axis) and demand-side stakeholders (horizontal axis). The cross-hair point of the grid was defined using the mean values of the observed performance assessment from both the supply and demand-side stakeholders. In addition, the iso-performing line was added to indicate all points where performance according to both groups is the same. This line in the framework shows how the 33 competitiveness indicators are broadly distributed. This means that supply-side stakeholders assessed the performance of some indicators more highly than tourists and others lower than tourists. It is also noticeable that some of the performance points are not too far from the iso-performing line suggesting that there is some

level of agreement between both perspectives. Additionally, the vertical and horizontal mean value lines allowed the distinction of the six zones of the framework.

**Figure 2 Results of the Supply-Demand Analysis of Competitiveness**



## Conclusion and Discussion

The Supply-Demand Analysis of Competitiveness allowed for the combined use of approaches in a way which yields more information and guidance for the destination. For the specific context of this study, competitiveness items fell into five of the six zones within the framework. This framework allowed for the identification of a number of priority areas for Lisbon including the particular strengths of the destination. All items included in zones III (Maintain, promote but align with demand reality) and IV (‘Maintain, promote but boost confidence’) are aspects of the destination that can offer a competitive advantage that can be leveraged to promote the destination. Similarly, in terms of those aspects of the destination that require further attention and improvement, the framework highlighted that in both zones I (Revive and enhance but Align with demand reality) and VI (Revive and enhance but Build Confidence) further attention and focus is required. For the case of Lisbon, these pertain to the areas of infrastructure, tourism services, and activities.

Additionally, the framework subdivides those general areas of strengths (II and III) and weaknesses (I and VI) into four additional zones. The delimitation of these is based on the differences between supply and demand perceptions of competitiveness. These gaps show that the destination should engage in additional strategies in order to improve its competitiveness. Further

to these strategies it is also important to note that while the destination aims to be performing well and with a minimal gap of perceived performance between supply and demand, these gaps must continue to be monitored. A destination's situation, profile of visitors, evolves with time and therefore the framework should be updated periodically.

This study demonstrates that a forced approach is unnecessary and offers an incomplete picture in measuring destination competitiveness. The framework allows for the comparison of both supply and demand perspectives and the extraction of useful information that destinations can use to improve their competitiveness. This information relates not only to the strengths and weaknesses of the destination, but also the required actions in areas where the gap between the supply and demand perspectives of performance needs to be rectified.

By combining two valid approaches to the measurement of destination competitiveness (supply and demand) this framework presents a more complete snapshot of the competitiveness of a destination in a given moment. While frameworks such as this one can be criticized for simplifying a complex construct, they can still offer valuable information for destination managers. The nature of the *Supply-Demand Analysis of Competitiveness* can be compared to that of the Importance Performance Analysis, which has been widely employed as a framework to aid the precise identification and prioritization of actions to enhance destination competitiveness (Armenski, Dwyer, and Pavluković, 2017; Dwyer et al. 2016; Enright & Newton, 2004) through the identification of gaps between the importance and performance of various competitiveness aspects. Its extensive use highlights the significant value of diagnostic and intuitive frameworks. The presented framework has practical contribution and can be beneficial for destinations as it can enable the identification of the gaps between both perspectives which are by default a negative situation for a destination.

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