

A Value Chain Approach

The Role of Research in Tourism Destination Management

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Agenda



- Value Chain Approach
 - Concept Evolution
 - The Experience Economy
 - Value Chains and the Tourism Industry
 - The Visitor Experience Value Chain (VEVC)
- Application of the VEVc to Tourism Destination Management
- Knowledge Management Research Issues
- Case Example: Jordan National Tourism Strategy 2004-2010

A value chain focuses directly on the customer experience

An Experience ...

is an event or events in the customers' lives, resulting from doing what we want them to do, with some end-result consequence for them in comparison to their alternatives, this relative consequence having some value, all expressed in measurably specific terms.

is not a description of us, characteristics of our products, services, processes, resources, functions or general excellence; *nor* a general mission, vague ambiguous topic or aspiration?

We need to ask “what value proposition (that is, what combination of resulting experiences including price) should be delivered and how exactly should all products, resources and processes be aligned to profitably deliver it, that is, to provide and communicate each resulting experience?”

Michael J. Lanning, *Delivering Profitable Value (DPV)*, Chairman, *The DPV Group, LLC*

“A key innovation in today’s business is experiences. In today’s environment of ever more sophisticated consumers, those who deliver memorable customer experiences consistently create superior value and competitive advantage.”

London School of Business

If we really want to take a demand-driven, customer-focused approach to product development (as opposed to just talking about it), then the primary focus of all future efforts must be on the **visitor experience**.

The Visitor Experience

concept evolution

Daily life vs. the visitor experience:

- Reversal of everyday life, quest for strangeness & novelty (*Cohen, 1972, 1979*); “experiencing change” (*Smith, 1978*)
- Quest for authenticity (*MacCannel, 1973*); suspension of daily norms & values (*Turney & Ash, 1975*)
- invasion of leisure and recreation in work life – combining business travel with leisure activities (*Ryan & Birks, 2002*)
- The increasing tendency to combine many activities and interests into the tourist experience – “intellectualization” and “professionalization” of the consumer (*Munt, 1994*)

The Visitor Experience

concept evolution – cont.

Individual vs. group visitor experience:

- **Homogeneous** across people (*Boorstin, 1964; MacCannel, 1973; Turner 1973 as quoted in Uriely, 2005*)
- Classification of travel based on **type of individual**; combining **pleasure with meaning** (*Cohen, 1979*)
- “**Multiplicity**” of experiences combined in one trip (*Feifer, 1985*); individualization of the experiences even within one type; tourist experience as a plural and diverse phenomenon (*Uriely et al., 2002*)
- **Decreasing role of the industry** in actual shaping of the visitor experience (*Uriely, 2005*)

The Visitor Experience

concept evolution – cont.

Connecting experience with the destination:

- Significance of the destination – invasion of **local culture** and the quest for **various individual experiences** (*Wickens, 2002*)
- The importance of **authenticity** (*Cohen, 1988; Tasci & Knutson, 2004*)
- Increasing role of local community and **host attitudes** (*Gursoy & Rutherford, 2004*)
- Focus on **local impacts** of tourism, **responsibility** of tour operators for sustainable development (*Curtin & Busby, 1999; UNEP, 2005*) responsibility of the traveler & the industry (*Dinan & Sargeant, 2000*)

The Visitor Experience

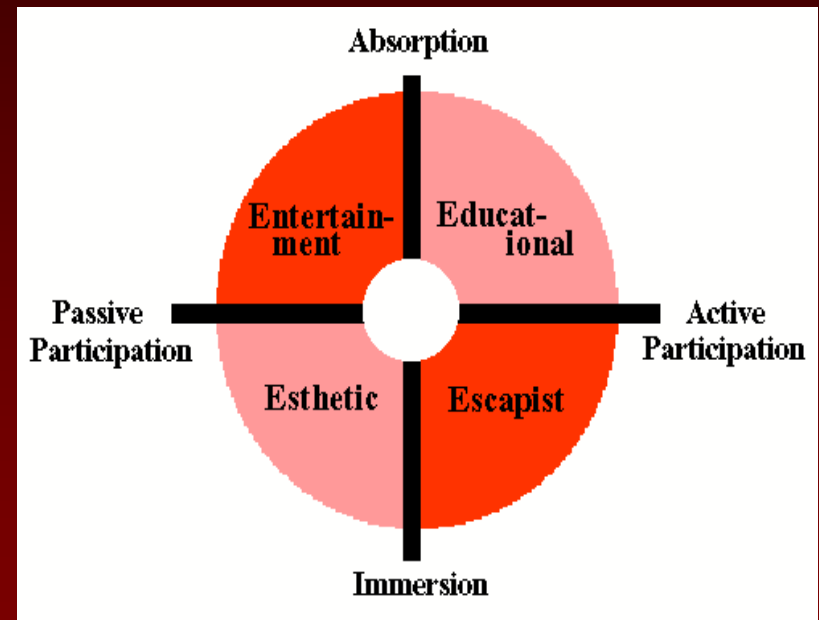
concept evolution – cont.

Individual social responsibility

- Mindfulness and participation of visitors (*Frauman & Norman, 2004*)
- Experience combined with involvement & contribution – SAVE concept (GWU, 2003)
- Shifting from family bonds, relaxation, producing memorable experiences – demand for more individual experiences, with great emphasis on stimulation, social interaction and learning (*Ritchie & Crouch, 2003*)... relaxation is combined with social value (*Foot & Stoffman, 2001 as quoted in Ritchie & Crouch, 2003*)

The Experience Economy

- Focus on the experience with a product or service – the *experience economy* (Pine II & Gilmore, 1999)
- The 4 Realms of Experience
- Design guides
 - ✓ *theme the experience*
 - ✓ *harmonize impressions with positive cues*
 - ✓ *eliminate negative cues*
 - ✓ *mix in memorabilia*
 - ✓ *engage all five senses*



Value Chain and the Tourism Industry

- Original concept – “a **systematic way of all the activities a firm performs and how they interact**”, “necessary for analyzing the sources of competitive advantage” (*Porter, 1985*)
- How is **value create in tourism industry** – primary & support activities in the tourist industry (*Poon, 1993 as quoted in Vanhove, 2005*)
- ‘***harm chain***’ – monitoring the potential negative outcomes from firms and public policy makers in several industries (*Polonsky, Carslon & Fry, 2003*)
- Measuring the efficiency & elements of the **different sectors within tourism**:
 - **hotel sector** (*Georgantzas, 2003; Barros, 2005*);
 - impact of **technology** on tourism VC (*Wynne & Berthon, 2001; Buhalis & Deimezi, 2004*);
 - maximizing revenue in the **short breaks** segment (*Edgar, 1997*)
 - Impact of policy on **wine tourism** (*Martin & Williams, 2003*)

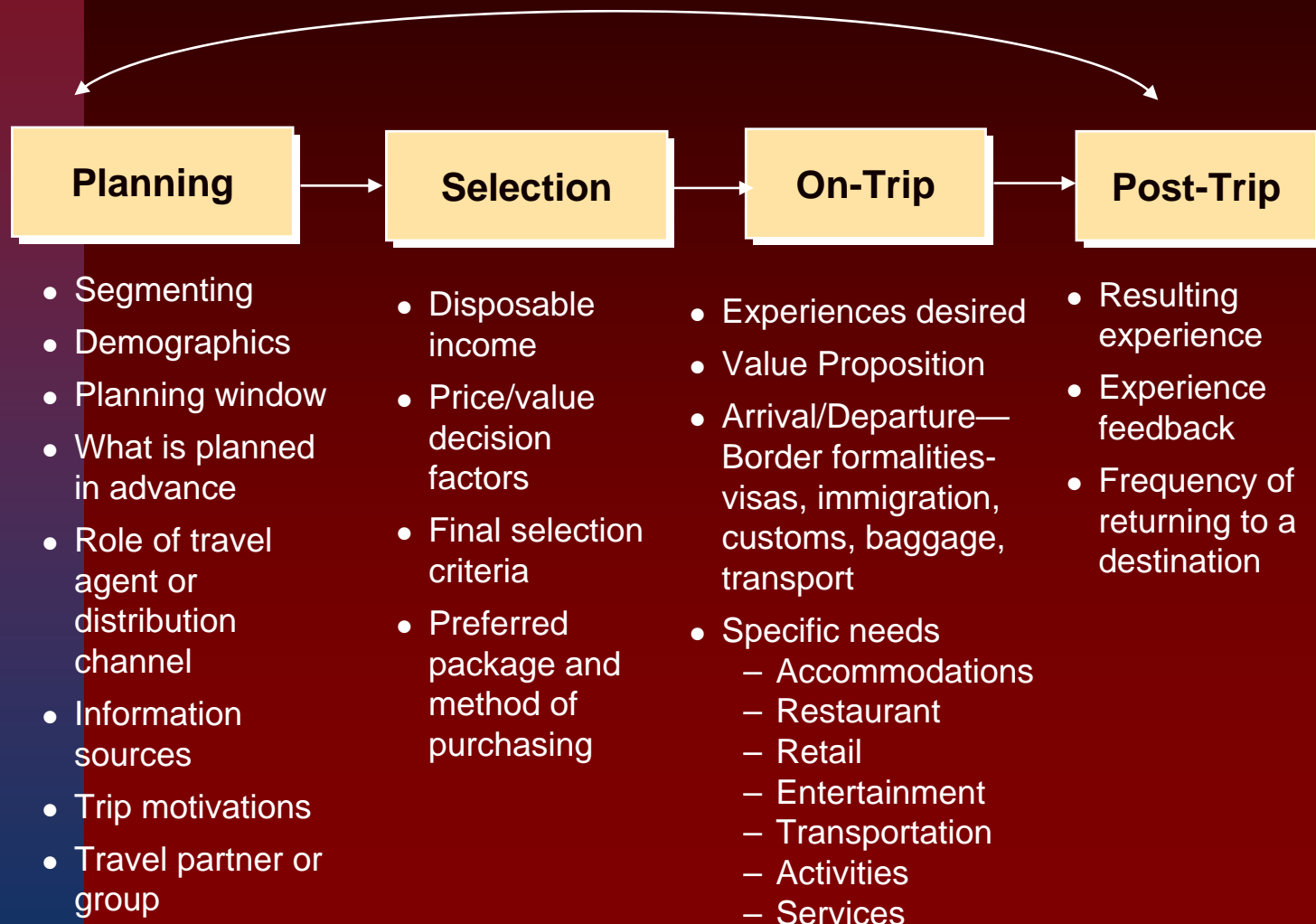
Visitor Experience Value Chain (VEVC)

- The satisfaction with the **total visitor experience** depends on the “entire **series** of events and/or service transactions that occur from the time the individual/group **leaves home** until they **return**” (*Ritchie & Crouch, 1996 as quoted in Ritchie & Crouch, 2003*)
- "value chain" approach for assessment of the visitor experience - a value chain that stretches across the different sub-sectors of the industry - "experience points" producing value for the customer starting from the **choice of destination** to the **taxi ride to home** (*Brathwaite, 1992*)

The VEVC describes the continuum of activities needed to provide a quality tourism experience for a customer

- A visitor experience value chain is simply defined as a system which describes how private sector firms in collaboration with government and civil society receive or access resources as inputs, add value through various processes (planning, development, financing, marketing, distribution, pricing, positioning, among others) and sell the resulting products to customers.
- The value chain describes the full range of activities that are required to bring a product from its conception to its end use and beyond.

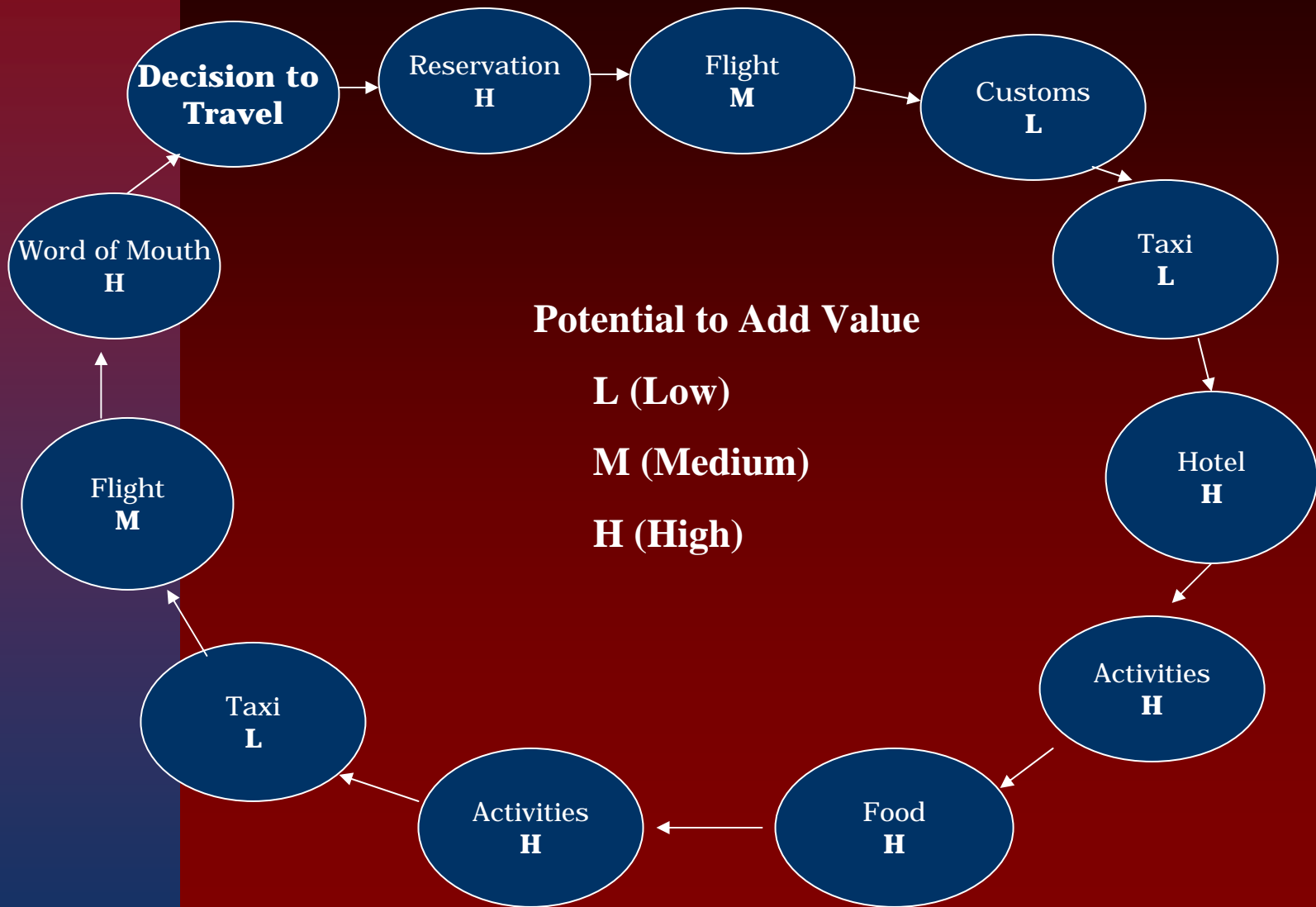
The VEVIC starts at the planning phase of a visit and extends through to the post-trip analysis for any segment of the market



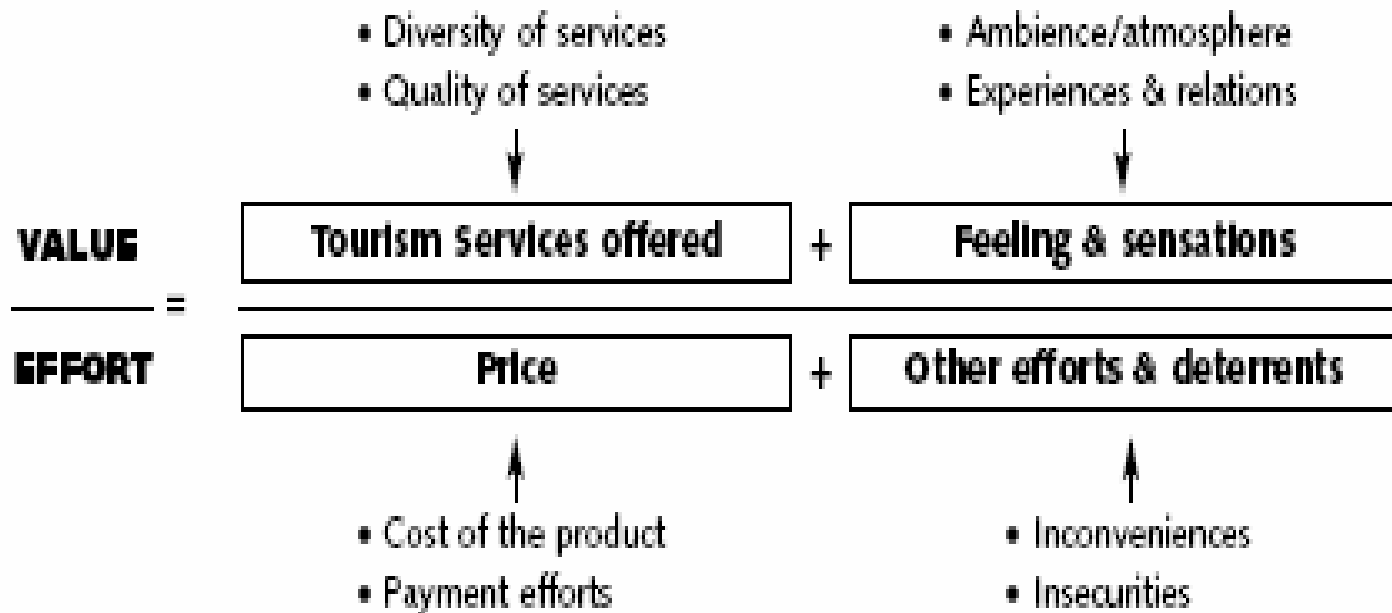
The VEEVC as a Management Tool

- **Identification** of the different components that go into the visitor experience
- **Assessment/diagnosis** for weak or strong points in the experience a destination offers
- **Decision making** allowing for prioritization of public sector/private sector intervention
- **Monitoring and evaluation of** peak visitor experiences

VEVC Application



Visitor Experience—Value for Effort



Source: Prof. Luis M. Huete, adapted by THR

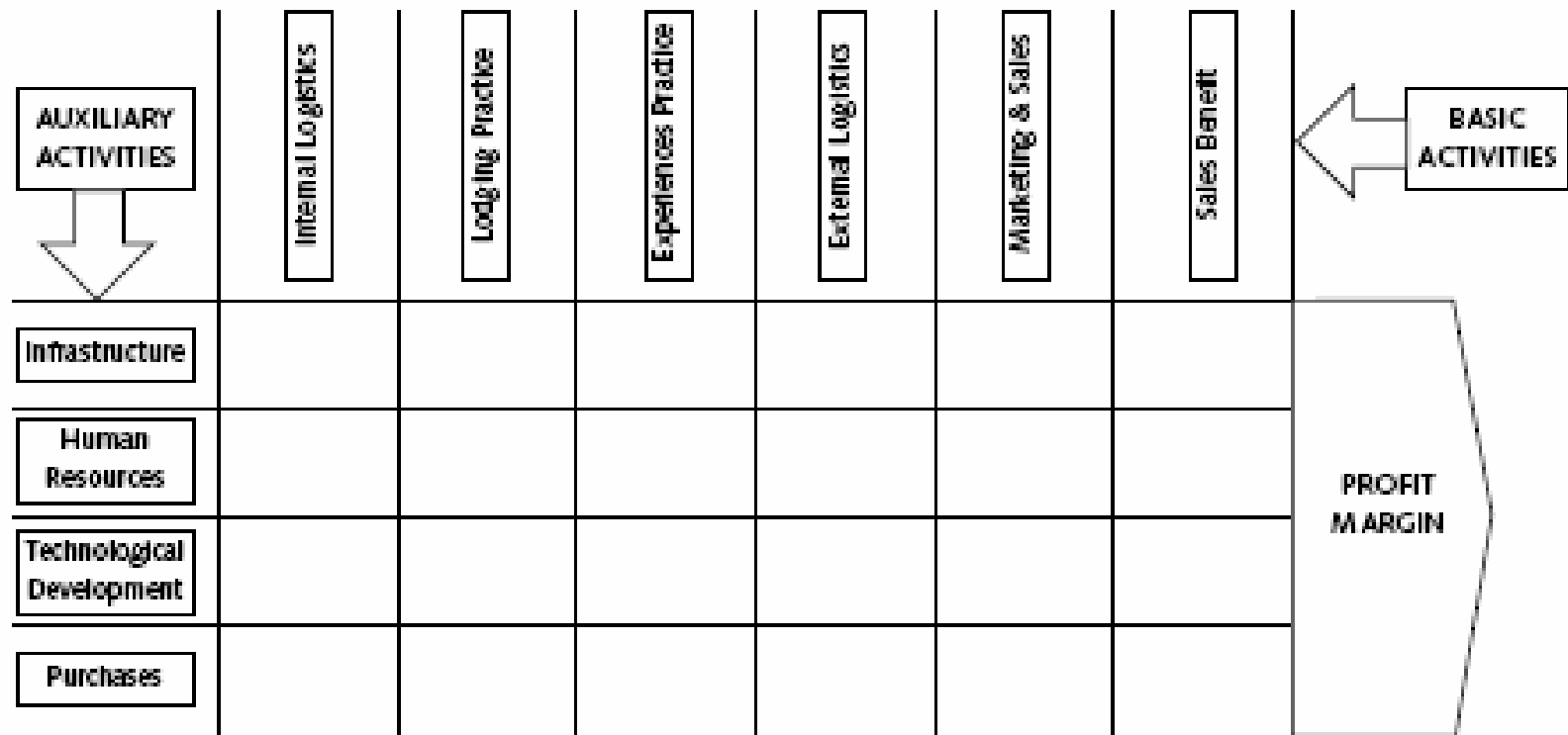
Example of Adding Value – Experiential Learning

- Reliving Ancient and Modern History
- Touching Archeology
- Exploring the Roots of Spirituality
- Experiencing Local Hospitality
- Protecting and Communing with Nature
- Adventuring in the Desert, Mountains and the Sea
- Tasting and Preparing Ethnic Cuisines
- Seeing Artisans in Action
- Being Involved with Local People's Way of Life

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VEVC Delivery System



Source: Adapted by THR from M. Porter

For example, an on-trip component audit can provide a detailed analysis of what the Government and the private sector need to address together to fulfill the value proposition.



- Airlines
- Shipping Companies
- Car Hire
- Coach
- Taxi
- Ports
- Roads
- Airports
- Telecom

- Builders
- Fitting
- Developer
- Utilities

- Hotels
- Other Lodging
- Camping

- Food
- Drink
- Farm Produce
- Fruit
- Restaurant

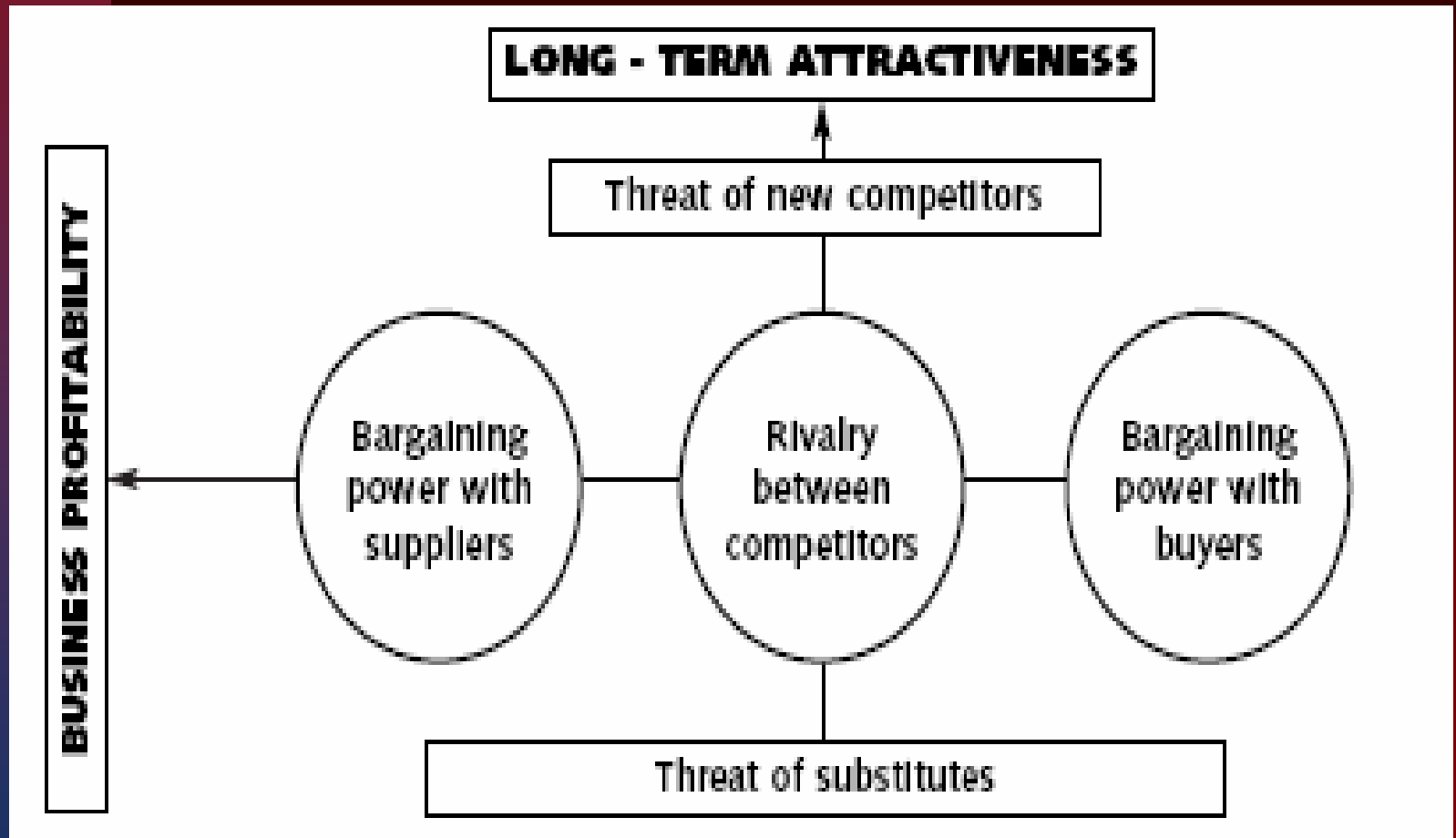
- Retail
- Craft
- Art
- Books
- Guides

- Admission
- Tours
- Equipment Hire
- Diving
- Rock Climbing
- Nature Reserve

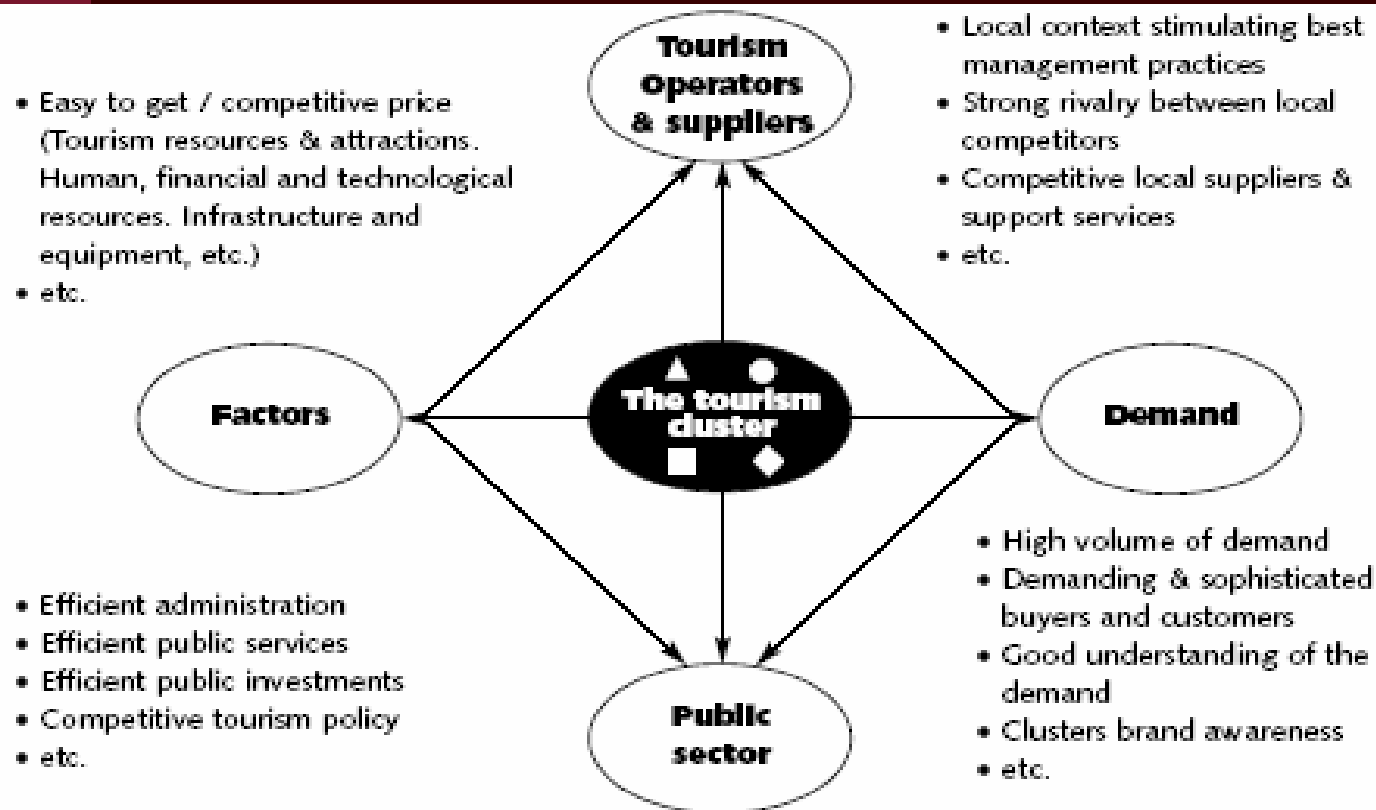
- Guides
- Medical Health Business
- Telephone Exchange
- Hair Dressing

- Taxation
- Streams to Gov-t
- Landing
- Entry
- VAT
- Duty

Five Competitive Forces



Competitive Diamond--Tourism Cluster



Source: Prof. M. Porter; adapted by THR.

Tourism Cluster—AMPM Approach

Attractiveness

Determines the *price level* that the market is ready to pay to enjoy a destination and the efforts and discomforts that tourists are ready to bear to visit it. Also determines the levels of loyalty and recommendation

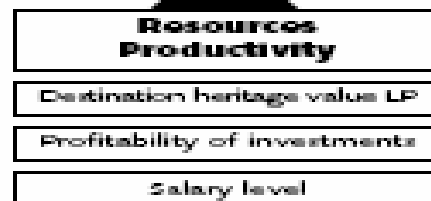


Marketing

Determines the capacity of a destination to adapt to the demand, to sell efficiently, to make clients loyal and to regularly identify new sources of competitive advantage



Improving the tourism competitiveness of a cluster
(The goal of the tourism policy of the cluster)

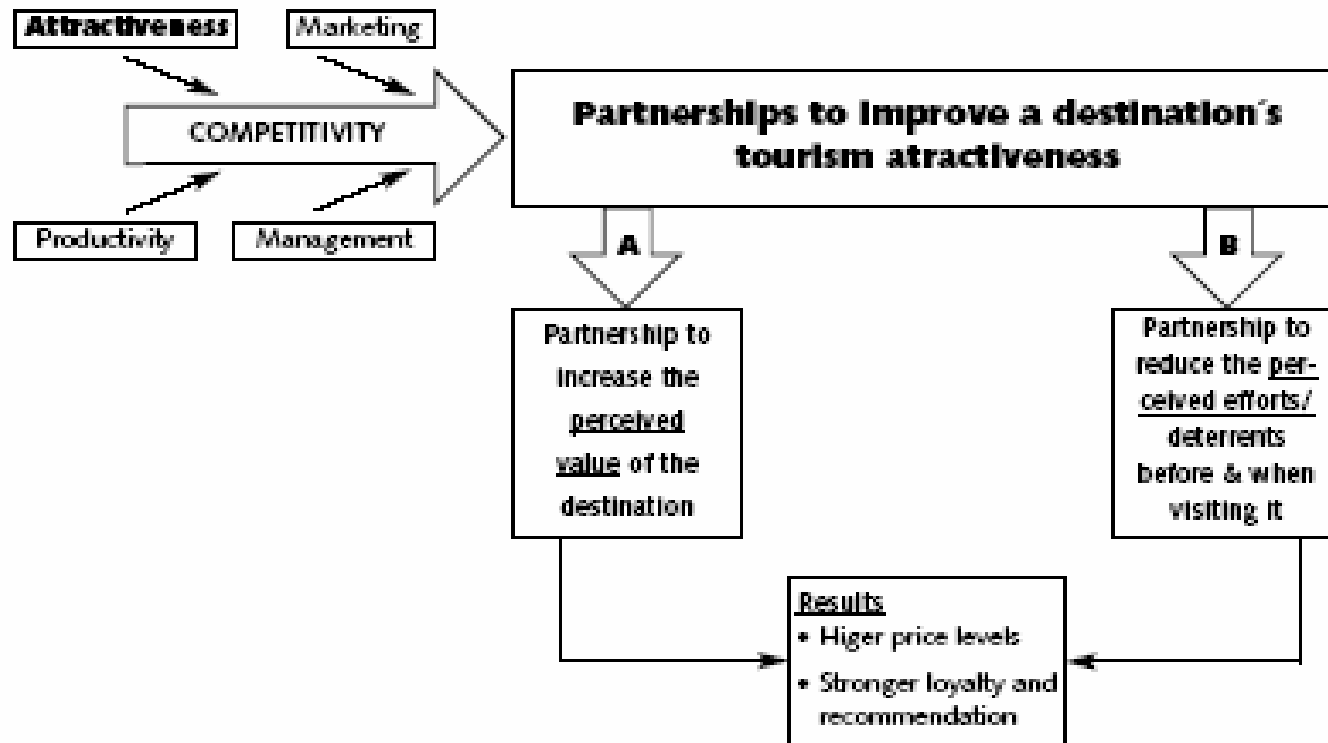
Productivity

In using resources determines the "capital value" in the long term of a destination. While the productivity in using financial and human resources determines, respectively, profitability of investments (public and private) and the level of

Management of the system

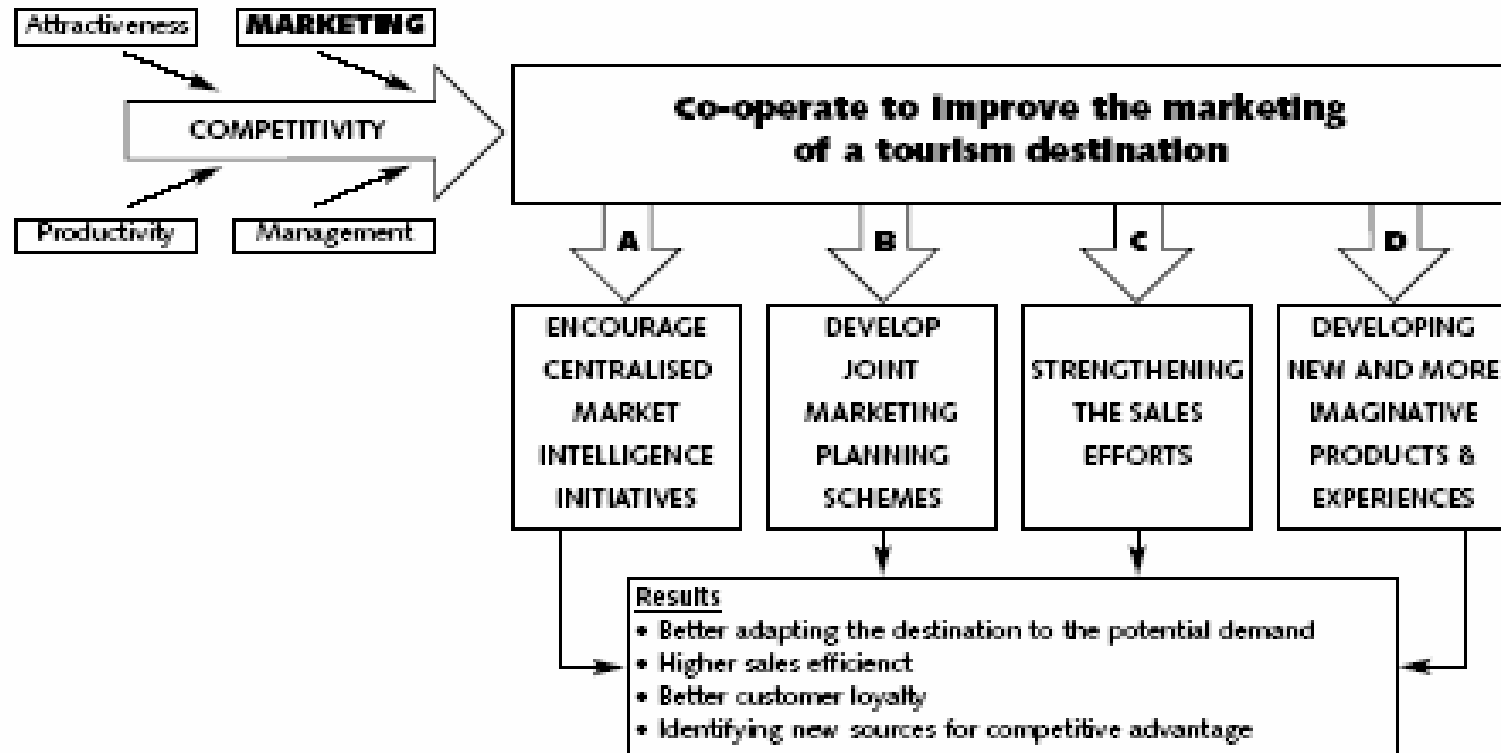
Determines the "*potential growth*" of a destination, its capacity to attract investments and the generation of the feeling of well being between the local population. This translates in long term sustainability

Destination Attractiveness



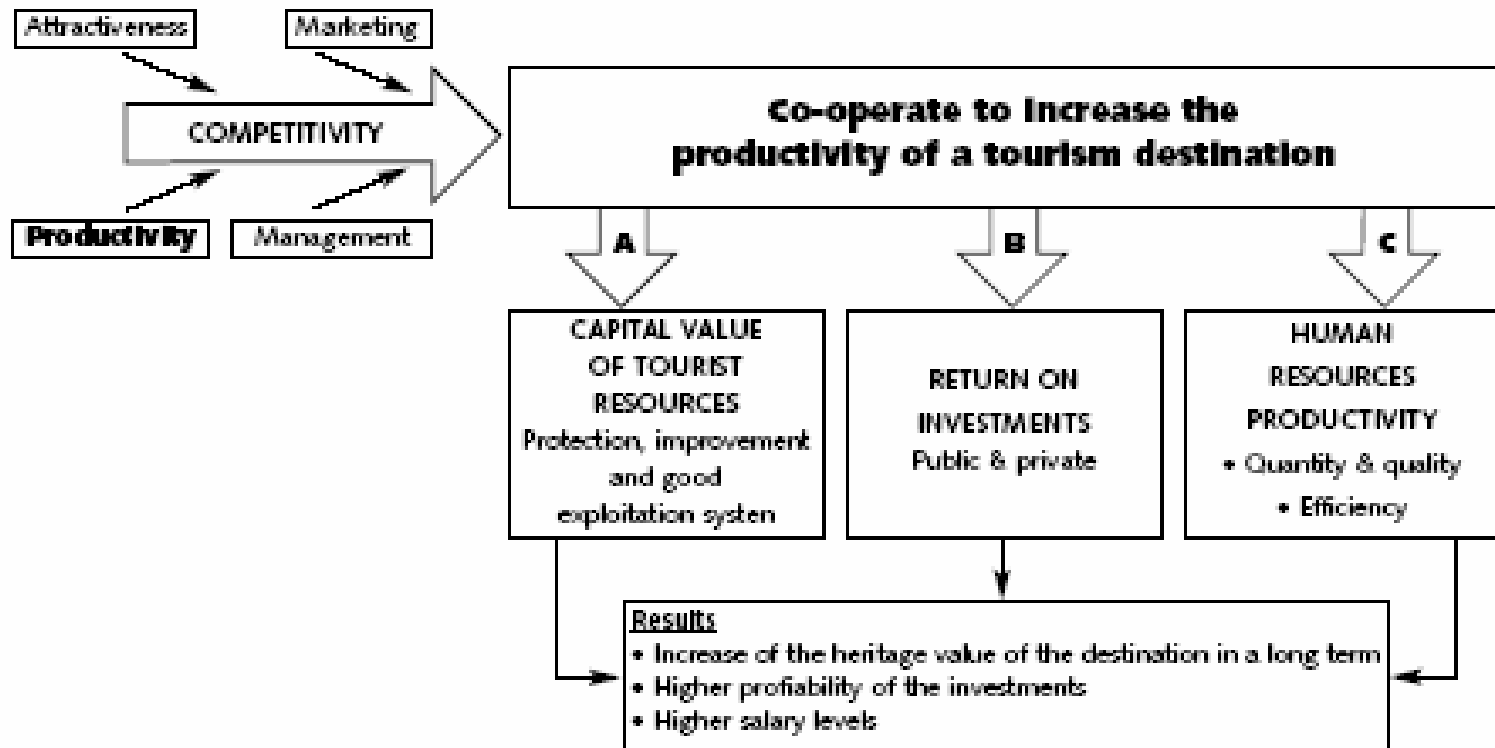
Source: THR.

Destination Marketing



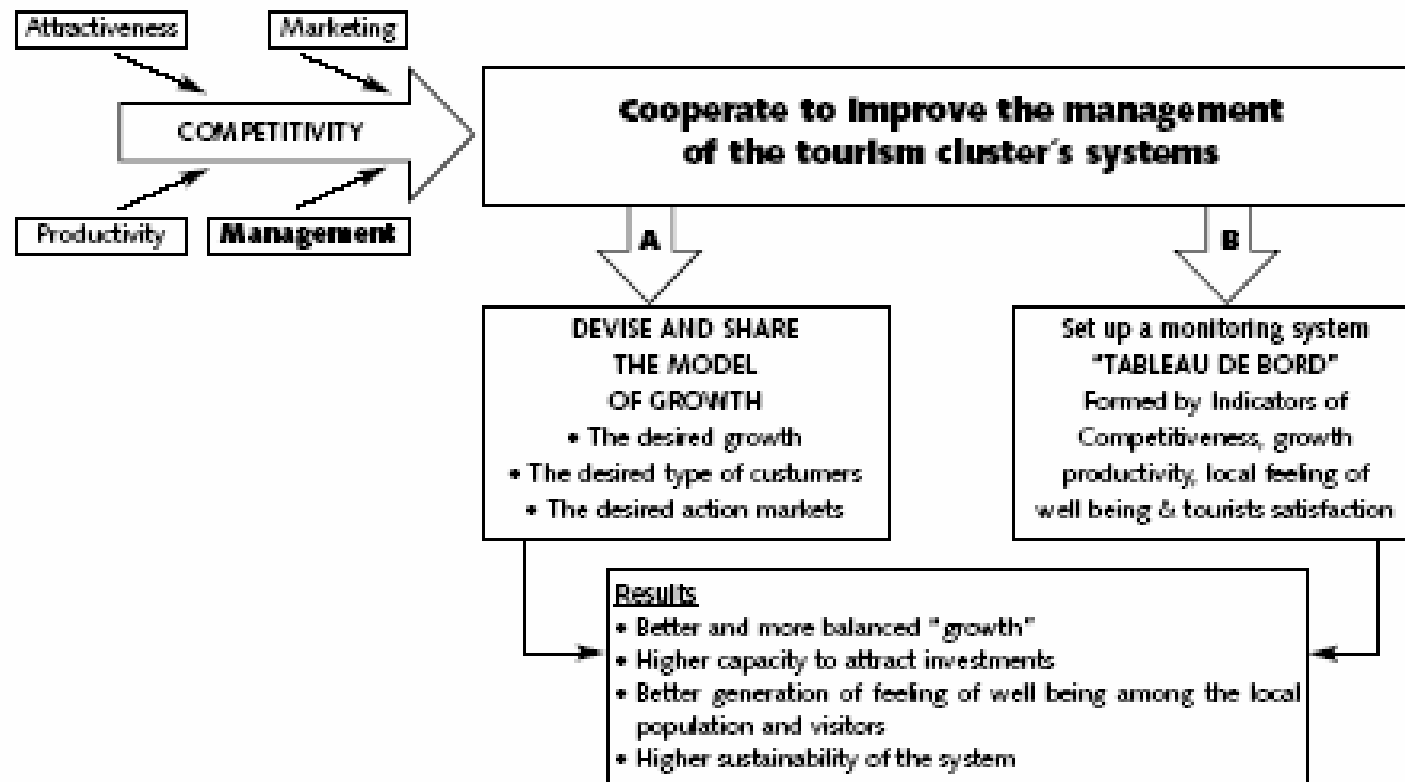
Source: THR.

Destination Productivity



Source: THR.

Destination Management



Sustainable Tourism Destination Management

- The first step is to prioritize product development needs, and to focus the efforts of all stakeholders, including donors, on priority projects. The priority should be on enhancing the value of the experience at the destination's most important visitor attractions.
- There is much more to be gained, in terms of the income derived from tourism, the country's image and future market development, in developing a limited number of world class sites, and the experiences that define them, than from creating many poorly conceived ones.

Importance of Local Communities

“Most of economics can be summarized in four words:
"People respond to incentives." The rest is
commentary.”

Steven E. Landsburg, The Armchair Economist

Incentives for Communities

- One of the most important issues to address in creating and managing memorable visitor experiences is the role of local communities near heritage sites.
- Today their participation is, with few exceptions, unsupported (through training, education, financing, etc.) and unregulated. In a word, it's largely a free-for-all.
- Without assistance most have little idea of how to earn a living from the thousands of wealthy foreigners they see pass through sites each year. They make valiant efforts, but in most cases both visitors and these would-be entrepreneurs part company frustrated and confused.
- As a result, many communities want nothing to do with tourism and in some areas actively oppose tourism development efforts. They see few benefits and numerous "costs," including increased congestion, unending construction (of facilities that provide no benefits to them), and having to deal with funnily-dressed foreigners parading through their neighborhoods

Incentives for Communities

- Regulation is not the answer. Prohibiting local residents from “free-form” vending within heritage sites will simply engender more negative attitudes toward tourism.
- What is needed are real incentives for local residents to support tourism development and welcome more visitors into their communities. Ideas include:
 - Having a percentage of gate receipts from protected area sites flow directly into community development projects (and not just tourism-related ones). If a higher quality visitor experience can be created at sites, visitors will be willing to pay more for it. Some of these incremental revenues can then be used to promote community development, which in turn will support a more positive visitor experience (a virtuous circle).

Incentives for Communities

- Provide training, technical assistance (e.g., product design, packaging, merchandising) and working capital to individuals who want to sell to tourists.
- Create visitor services that will in turn create good paying jobs for locals (like restaurants, accommodations, museum shops, etc.).
- Create cultural festivals, events and exhibitions that will both create jobs and celebrate local culture (i.e., fewer mannequin displays and more living culture).
- This kind of support will, along with tourism awareness programs, promote self-regulation of the industry. Vendors that are making an investment in providing services will actively discourage freelancers who are encroaching on their business and negatively impacting the experience of visitors – their customers.

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Knowledge Management Roles

- **Marketing and Market Development** – the most critical piece in developing new, experience-based products. Without dedicated outreach to targeted groups the proposed approach to product development will not deliver desired results.
- **Coordination and Communication** - Working to build bridges between local industry, the international travel trade, donors, government, and communities to insure that everyone knows what their role is and that they are making progress toward fulfilling it.
- **Monitoring and Evaluation** – Through site inspections, visitor satisfaction surveys, and travel trade assessments, insuring that a quality experience is being delivered to visitors.

Knowledge Management Roles – *cont.*

- **Technical Assistance** – Perhaps not in the initial phases, but over the longer term and on an ongoing basis, assisting communities, companies and individuals to identify and secure the kinds of expertise that will be required to create unique visitor experiences, from interpretation to live performances.
- **Event Management and Coordination** – This is clearly a good fit. The question is how long it will take to build internal capacity for event management and secure needed funding. Events are an increasingly important tool for stimulating visitor arrivals, particularly in shoulder seasons, and promoting new products and destinations.

Value Chain Knowledge Management Issues

1. What interventions are most effective for upgrading a destination's competitiveness--acquire new knowledge intensive competencies for private sector firms; government facilitation through legislative, regulatory or executive governance; fostering resource development and capacity expansion?
2. How can we connect knowledge workers in developed countries who possess needed know how and skills to build capacities of knowledge workers in poorer countries?
3. How can information and communication technology (ICT) play a more effective role— CAD (computer aided design); EDI (electronic data interchange; CRM (customer relationship management) data mining and web usage—for B2B, B2C and B2G systems?
4. What tools and strategies can be utilized for integrating small/micro businesses into global, regional, national, and local value chains and to improve competitiveness?
5. How can the tourism value-creating system be improved through collaborative activities in which suppliers, business partners, allies, and customers work together to co-produce value?
6. How can the value chain be applied to as a framework for knowledge management (KM) infrastructure (knowledge worker recruitment, knowledge storage capacity, customer/supplier relationships), and the KM process (knowledge acquisition, knowledge innovation, knowledge protection, knowledge integration, and knowledge dissemination)?

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Jordan

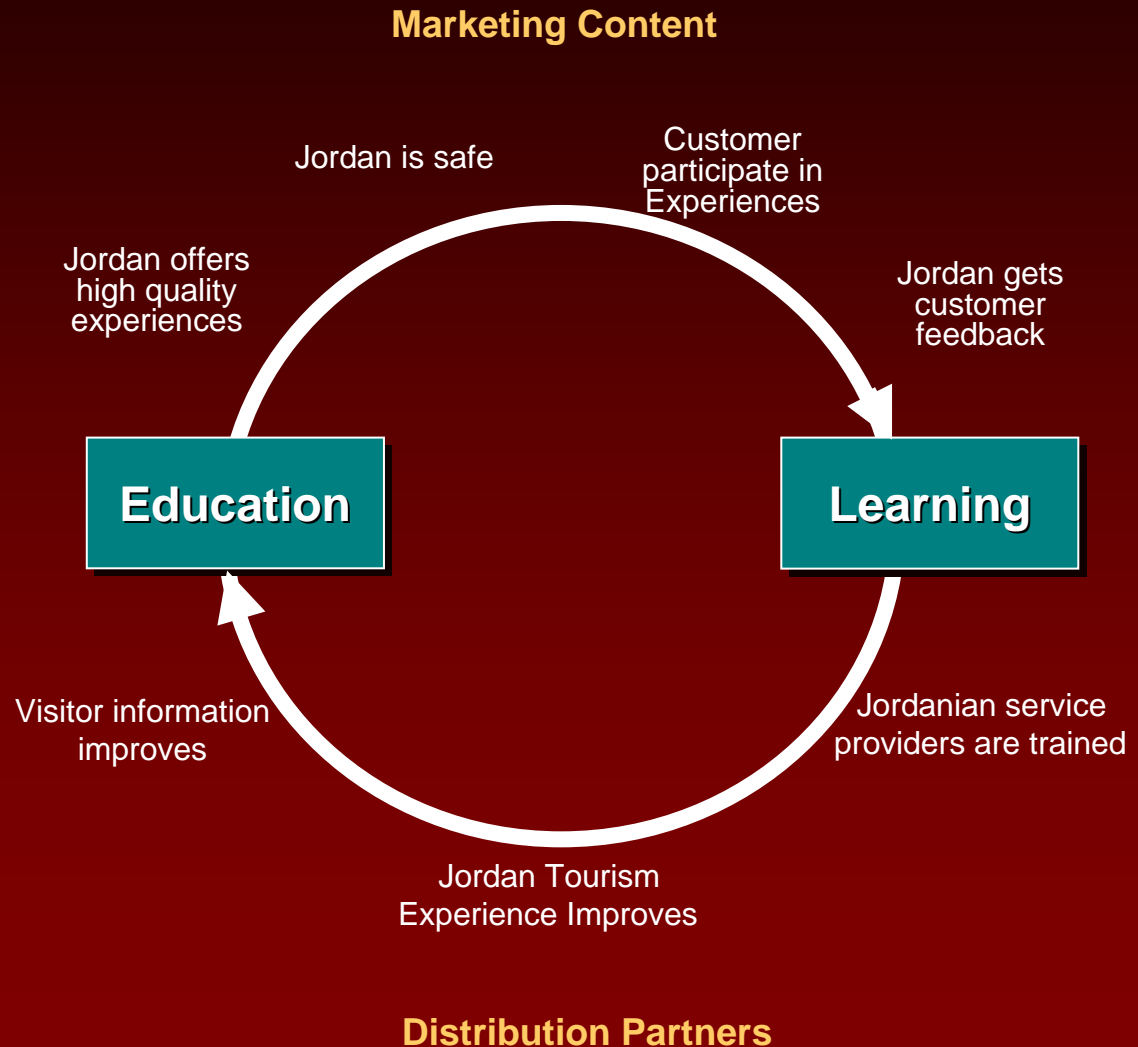
National Tourism Strategy

2004 - 2010

Involving the private sector in the monitoring of performance is essential

Objectives

- Diffuse negative perception of Jordan as a tourism destination
- Generate international tourism demand
- Build a network of regional and International specialized tour operators, travel agents and other partners willing to sell Jordan's tourism product



Summary

- In the world today, there is exceptional potential for the development of world class visitor experiences, based upon its rich mix of ancient and modern history, archeology, religious heritage, traditional culture, and natural wonders.
- The keys to success are focus, innovation, high levels of stakeholder collaboration, and community integration.
- Some funding commitments for product development (including human resources), infrastructure, and conservation have been made. The challenge is to define structures and strategies that will allow that funding to be put to work.

Summary – *cont.*

- As numerous examples from around the world have shown, innovative knowledge management approaches focused on the visitor experience value chain cannot be government driven.
- In fact, governments are, in general, not even capable of providing basic levels of visitor services on a consistent and sustained basis. A new model for visitor experience development and management is needed—the value chain approach.