

Application of theory of marketing environments for destination management organizations in Slovak republic

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Abstract: General marketing theory defines actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with their target customers. The paper examines these actors and forces in the destination marketing that affect the destination management organizations to be build, to maintain relationships with the actors and their visitors. The deepdive into macroenvironment and microenvironment in the Slovak conditions is a base for destination management organizations to be taken into consideration when developing their strategies.

Keywords: destination marketing, marketing environment

JEL Classification: C22; C51; Q11; Q13

1. Introduction to destination management and theory of marketing environment

Application of business principles into management of a destination directly implies that an organized way of management will be introduced. The concept of a destination as a competitive unit in tourism led to development of destination management. Destination management is currently defined in two ways, depending on the authors' perceptions: first as a process, or second as a steering organization of a certain destination.

The understanding of destination management as a process is depicted in works of authors Kuhn and Tomášová (2011) and Holešinská (2007), where the destination management is presented as a complex process which is based on cooperation between the various stakeholders for the purpose of efficient management of tourism in the territory, the coordination of planning, organizing and decision-making in the area. A key factor in the successful implementation of destination management is mutual communication.

Authors Wang and Pizam (2011, p. 5) accurately define the process topics of destination management and marketing:

- „concept, scope and structure of the actual destination marketing and management (see below as model of the functioning of the DMO);
- Purchase consumer behavior connected to the destination;
- principles and functions of destination image, positioning (positioning) and communication;
- strategies and tactics for creating destination products;
- strategies and tactics for the distribution of destination products;
- strategies and approaches for managing stakeholders in destinations;
- principles and strategies for the management of competitiveness and sustainability of destinations; and
- principles and strategies for security, management of natural disasters and crisis management.“

The second, constitutive view on destination management in the form of a destination management organization (further referred to as „DMO“) is defined in the way that the DMOs are considered clusters of tourism resources. The most suitable definition of clusters is listed in Article 1 of Regulation (EU) No. 1305/2013, which defines clusters as "a grouping of independent undertakings, including start-ups, small, medium and large undertakings as well as advisory bodies and/or research organisations - designed to stimulate economic/ innovative activity by promoting intensive interactions, the sharing of facilities and the exchange of knowledge and expertise, as well as contributing effectively to knowledge transfer, networking and information dissemination among the undertakings in the cluster."

Applicably, the DMOs are the clusters to stimulate tourism in an area. As reported by Pike (2008), historically DMOs originated in the late 19th century through regional, or, in the US, state tourism organizations which have different structures and geographical coverage. National DMOs, also called the national tourist bodies (National Tourist Boards), emerging at the level of politically defined states, began to form in the early 20th century as a state controlled government departments. 1970s brought a shift from direct management of DMOs by state / government to more effective public-private partnerships (PPP). The main motivation was to apply already mentioned business principle to the management of DMOs with orientation on profit, efficiency and competitiveness, but also to benefit from the experience of the tourism sector. Further motivation was to involve key players in the development of destinations, financially and administratively separate the topic of development of tourism destinations, or in some cases to increase the budgets for DMOs. The biggest amount of DMOs have been created only relatively recently after the community and key players in the area realized the abovementioned benefits and the associated need for a coordinated approach to promoting the place to get the competitive position of destinations in the global market (ie. cooperate to compete, meaning "cooperate in order to compete").

The theory of marketing environment was introduced by Kotler and Armstrong (2010, p.90) who defined that „the marketing environment is made up of a *microenvironment* and *macroenvironment*. The **microenvironment** consists of the actors close to the company that affect its ability to serve its customers-the company, suppliers, marketing

intermediaries, customer markets, competitors, and publics. The **macroenvironment** consists of the larger societal forces that affect the microenvironment—demographic, economic, natural, technological, political, and cultural forces.“ The microenvironment can be further divided into internal one being the company itself, and external one, being the other actors.

2. Theory of marketing environments in Slovak destination marketing

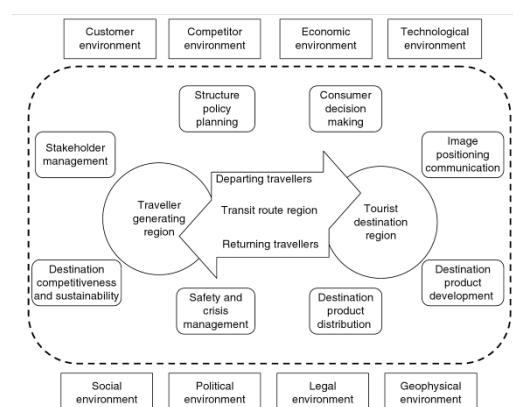
The marketing environment of DMOs in Slovak conditions reflects the same three levels defined by the general theory of marketing environment:

- a) Macro-level, or **macroenvironment** level, leaves the DMOs under influences of all the large societal forces. The most decisive force which defines the DMOs themselves is the political force which defines the legislative framework, represented by macromodel of DMOs. Macromodel depicts the linkage of national and regional DMOs as they are defined by the laws which govern the structure of DMOs in the respective environment;
- b) External micro-level, or **external microenvironment**, respectively called conceptual framework depicting interdependencies of a DMO with other components, or as defined factors in the microenvironment;
- c) Internal microenvironment of DMO is represented by form of management and internal structure of the DMO.

2.1 Destination macroenvironment

Destination macroenvironment reflects the societal forces as the general model introduced by Kotler (2010). The destination macroenvironment is enhanced by customer and competitor environments.

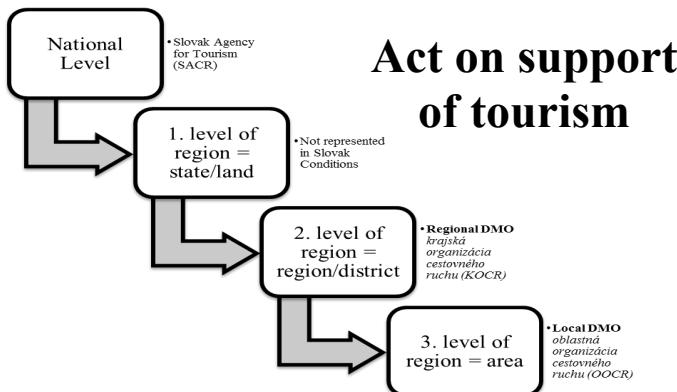
Figure 1. Concept and scope of destination marketing and management



Source: WANG-PIZAM 2011.

We would like to dedicate special attention, as already mentioned, to political, or rather legal environment in destination marketing. The legal environment is the decisive societal force which defines existence and interconnection of several layers of DMOs, which we call macromodel of DMOs.

Given the high diversity, both linking national and regional DMOs and a ratio of the involvement of the state, as well as legislation governing the functioning and funding of DMOs from the side of state, there are numerous macromodels, which are addressed in the works of the authors of Pike (2008), Morrison et al. (1995), Kerr & Wood (2000), and others. To better illustrate the functioning of the macro-level we will present the Slovak macromodel, illustrated in Figure 2.

Figure 2 Slovak macromodel (Legislative environment)

Source: authors

Slovak makromodel is based on Law no. 91/2010 Z.z. on support of tourism as amended (the "Act on support of tourism"). It explicitly defines three levels of DMOs in Slovak conditions. The national level is represented by the Slovak Agency for Tourism (hereinafter referred to as "SACR"). Based on the definition of the Act on support of tourism Section 7 SACR is a budgetary organization (according to Law no. 523/2004 on budgetary rules and amending certain laws, as amended), which is established by the Ministry of Transport, Construction and Regional Development of Slovak Republic, and whose activities are focused on the promotion and presentation of the Slovak Republic as a tourist destination at home and abroad. SACR is primarily funded from the budget of the above ministries, and therefore is fully state-funded. As a result, the application of business principle is not present.

The second level doesn't exist in the Slovak conditions due to the size of the country. It is applied in the United States or in Australia, where a geographically vast country is initially divided into states, territories or provinces in accordance with the federal arrangement of the country (Pike 2008).

Third level of the DMOs, the regional level, is represented by **regional DMOs**, originally called *krajská organizácia cestovného ruchu* (hereinafter "KOCR"). KOCR is in accordance with article 8 of the Act on support of tourism, a legal entity which promotes and creates conditions for development of tourism in region, and its members are the higher territorial units and at least one **local DMO**, originally called *oblastná organizácia cestovného ruchu* (hereinafter "OOCR") operating in the territory of an area.

Fourth level of DMOs, already mentioned OOCR, is as under article 13 of the Act on support of tourism, a legal entity which promotes and creates conditions for development of tourism on its territory and protect the interests of its members. OOCR membership base, pursuant to article 14, section 1 of the Act on support of tourism, are businesses with at least five municipalities or districts in the capital of Slovakia Bratislava and Kosice city, with a condition that, in summary, the number of overnight stays counted by accommodation establishments in the territory of the founding municipalities in the previous calendar year must reach at least 50 thousand. OOCR can be also founded by less than five municipalities, if the total number of nights spent in accommodation establishments in the territory of the founding municipalities in the preceding calendar year is at least 150 thousand.

To conclude, we can state the following about the legislative environment in Slovak conditions (based on Act on support of tourism)

- DMOs are conceptually governed by 1 legislation;
- The business principle of "cooperate to compete" is strongly represented only at the fourth level, that is by OOCRs whose members are compulsorily businesses. The application of this key principle is descending towards higher levels in the macromodel;

- Linking OOCR and KOCR is legislatively stipulated in the form that KOCR has to have at least one OOCR as its member. The OOCRs which are members of KOCR have to contribute a membership fee to KOCR of at least 10% of their membership fees collected from municipalities and enterprises in the previous calendar year;
- SACR is directly funded by the state (the Ministry), and KOCR and OOCR are financed by membership fees and subsidies in accordance with the Section 29 of the Act on support of tourism. Subsidy for KOCR and OOCR is a direct support of State towards these levels of DMOs (the amount is governed by article 29, sections 4 and 5 of Act on support of tourism).

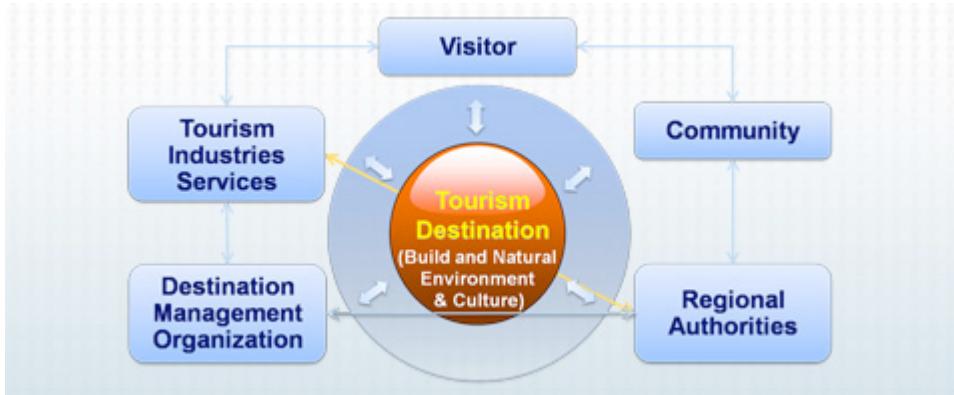
As already mentioned differences in the legislative environment in destination marketing (the macromodel) may arise in particular in the following areas:

1. The existence of (or number of laws) / absence of legislation governing the macromodel;
2. The existence / absence of representation at all levels;
3. The formal names of the DMO levels (eg national DMOs can be called an agency, authority, coalition, commission, destinations, administration or development);
4. Linkage of different levels.
5. Participation / State financial support at various levels;
6. Participation / proportional representation of business entities at various levels;
7. DMO sources of funding.

2.2 Destination microenvironment

The second level addresses the DMO's interaction with actors close to the DMO. It is the application of the general concept of microenvironment defined previously by Kotler. It includes circumstances, influences and forces near the DMO, which DMO can directly affect with its activities, and which together form a system providing the destination values. The general actors have been listed by Kotler (2010): company, suppliers, marketing intermediaries, customer markets, competitors, and publics. In the destination marketing, we consider those actors in terms of the conceptual framework illustrated in Figure 2 as follows:

Figure 2. Conceptual Framework



Source: WTO

The actors in destination microenvironment can be described as follows:

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5

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- **Destination management organization (DMO)** as an **enterprise**, or **company** which manages destination within the scope of the Act on support of tourism;
- **Tourism industries services**, which represent companies and organizations that help DMO in selling the destination by means of directly offering services which create tourism products. DMO subsequently offer these products separately or as a package (packaging). Tourism industries services take over the role of **a supplier** in this model, but also of **marketing intermediaries** who offer destination's products directly to visitors, thus helping DMO in the sale and distribution or making market research or other activities (within the active cooperation within the DMO);
- Visitor is a **customer** of destination, the customer market;
- **Community** is any group in host destination, respectively **public**, which is interested in developing and improving the competitiveness of destinations and has a direct impact on the development of destinations, encourages and supports them, or it is any group that should be included in the planning of tourism and destination marketing in destinations;
- **Regional Authorities** are other actors, or as well part of **public**, which directly create DMOs, for example in Slovak conditions the self-governing regions and municipalities or other authorities that may affect the way certain activities are done in DMOs.

In addition to the above components stated by the conceptual framework, destination external microenvironment includes also **competitors**. Competitors are other DMOs, but in a broader sense all other destinations on the global market.

2.2 Destination internal microenvironment

Internal microenvironment defines the way the DMOs are internally organized and managed. In general, the DMOs are managed by a director for all the operational matters, and by the Board for all strategic topics and issues. Slovak Act on support of tourism defines mandatory bodies of KOCHR and OOCR, which are General Assembly, Executive Director, Chairman of KOCHR / OOCR Board, and the Supervisory Board for OOCR. OOCR can establish, if the statutes allow it, working commission to perform specific tasks which might be required. The Act doesn't define any other functional organization, but generally DMOs are internally structured by replicating their sales and marketing activities (eg. PR, event marketing, e-marketing department, etc.). An open question remains the choice of Board members or appointment directly to the bodies where the disparity of views on whether this should be based on expertise or on democratic elections.

3. Conclusions

Marketing environment in destination marketing to certain extent copies the general marketing theory in the field. However, it is necessary to take the specifics of destination actors and political forces into consideration to determine the destination marketing environment. The knowledge and understanding of the actors and forces shall support destination management organizations in defining their strategies. The paper shall serve as a basis for further studies in the area of destination marketing environments.

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