### MANAGING TOURISM DESTINATION MARKETING: THE APPROACH TO VIRTUAL LOGISTIC NETWORK CONCEPT

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#### Abstract

Purpose – In order to meet the modern tourism demand, which tends to an integrated tourism product, companies in the firld of tourism industry and outside the field should cooperate. Aimed at the best possible integration of the tourism product, the application of logistic principles which optimally organize all flows in a tourism destination is of uttermost importance. The purpose of this paper is to examine the logistic concept of a tourism destination, focusing on the concept of a tourism destination as a virtual organization in whose focus is the cooperation and coordinated action provided by the holders of managing tourism destination marketing – Destination Management Organizations (DMOs).

Methodology – The paper critically analyzes the recent scientific literature and determines the views of the authors related to the new trends in tourism destination management as well as the coordination of all stakeholders in the network as a prerequisite for the development and implementation of the competitiveness strategies in terms of tourism destinations as integral products. Due to the organizational structure of a tourism destination based on destination management organizations (and Destination Management Companies – DMCs) that are through the logistic network connected with companies that produce and market the tourism services (Mrnjavac 2010, 214), in this paper a conceptual model of a tourism destination as a virtual organization will be proposed.

Findings – Through the proposed model, the authors will try to explore the potentiality of organizational forms of the cooperation by the holders of managing tourism destination marketing aimed at optimizing all flows in the area. A network access tailored to tourism destinations is presented.

Contribution – The conceptual model of a virtual organization based on the logistic approach is crucial to the development strategy of tourism destinations based on knowledge, since an integral understanding of destinations as a collaborative network of various stakeholders allows the optimization of the flow of goods, people, information and energy, and also reduced time necessary to perform tasks, costs and business risk. The paper advises and gives causes for concrete proposals of network partnerships and the organization of DMO at the national, regional and local level.

**Keywords** logistic networks, virtual organization, managing tourism destination marketing, destination management organizations (DMOs).

### INTRODUCTION

Tourism demand considers a destination as a complete, unique product. Tourism destination product is a combination of many elements – starting with accommodation, catering, utilities, transport and other kinds of infrastructure, and ending up with the natural, anthropogenic, social and other elements, managing destination organizations and a number of other ancillary services. They continuous process of harmonization of development goals and the interests of all holders of the supply and their mutual cooperation results in the formation of an integrated destination tourism product.

In order to improve the integration of the tourism product, it is extremely important to apply logistic principles by which all flows in a tourism destination are optimally organized. Therefore, "tourism destination logistics represents the optimization of the flows of material, people, information, energy, waste, knowledge and capital within a specific area for the purpose of providing a quality tourism product" (Mrnjavac 2012, 143). Within the organization of the logistic flows in a tourism destination it is impossible to determine the boundary between the supply chain and the network (Mrnjavac, 2010, 146). Namely, regarding to the concept of tourism destination logistics processes, it is necessary to mention the role of the supply chain which is often considered as a wider concept than logistics (Christopher 2011, 2). According to Baldigara and Mamula (2012, 2) logistics can be considered as a "part of a supply chain processes that plans and controls profitability of flows and storage of goods, services and information, from the starting point to the place of consumption in order to meet customers' needs". In this sense "logistics is the process of strategically managing the procurement, movement and storage of materials, parts and finished inventory (and related information flows) through the organisation and its marketing channels in such a way that current and future profitability are maximised through the cost-effective fulfilment of orders" (Christopher 2011, 2).

According to the definition of the supply chain in tourism, it can be stated that tourism supply chain should be considered as a network of stakeholders wich are engaged in different acitvites ranging from the supply of different components of tourism product/services such as flights and accommodation to the distribution and marketing of the final tourism product at a specific tourism destination, and involves a wide range of participants in both the private and public sector (Zhang, Haiyan and Huang 2009). In order to shape and adapt an integrated tourism destination product to the contemporary requirements of tourism demand, destinations need a well integrated network of processes (Mrnjavac, Kovačić and Topolšek 2014). The highlight is on a high level of cooperation between stakeholders in the network (Christopher 2011). Therefore, a successful management of a tourism destination requires that at the level of the supply organizers and at a destination level, all logistic flows that run through the supply network in order to deliver superior customer value for tourisms should be optimized. In the creation of the added value their cooperation is assumed in order to prefer the unified efforts to the sum of the individual efforts to finally gain a better result.

From the standpoint of the network access of a virtual tourism destination (organization), the paper highlights the importance of networking of stakeholders as a key option in terms of mobilization of information and resources and particularly of the knowledge as well as strengthening the process of cooperation between stakeholders in the tourism destination. In order to make the synergy effects stronger, in the contemporary development practices of tourism destinations the Destination Management Organizations (DMOs) are established, whose principal purpose is the coordination of activities of all stakeholders in the tourism destination. In the next chapter of the paper, issues related to the role, responsibilities and functions of the DMO at the different organizational levels are discussed and the proposal of a conceptual model of DMO as a virtual organization is given. In the concluding section the synthesis of the entire study from the theoretical and applicative perspective focused on the application of established knowledge is presented.

# 1. TOURISM DESTINATION MANAGEMENT AS A VIRTUAL LOGISTIC NETWORK

Since among many stakeholders in the supply chain there are different forms of indirect and direct connectivity, whose form reminds more of a network than a chain (Mrnjavac 2010, 146), "it might be more suitable to talk about supply networks, rather than supply chains" (Maršanić 2014, 223). It can be concluded that the supply chain of a tourism destination is a network of connected and interdepended stakeholders who mutually and cooperativley participate in the creation of a tourism product with the basic objectives of controlling, managing and improving the logistic flow of a tourism destination from suppliers to the final / target market.

Networking of stakeholders is a key option in terms of mobilization of information and resources, as well as the strengthening of the cooperation among stakeholders in the tourism destination. Networking is a "formal or informal linking of firms in order to achieve various business objectives and competitive edges' (Gilmore, Carson and Rocks, 2006, 281). The condition for a successful partnership in the network is an active and fair partnership of all (co)stakeholders because just distrust presents the largest obstacle for the creation and performance of the network activity. Thereby, the company must be ready to share the risk, but also the benefits from this type of business, to keep their promises, obligations and quality, to be networked, to make public that just this business strategy has been adopted as a corporate strategy and to observe projects independently, constantly seeking new partners and not wait to be selected (Pilepić et. al., 2008, 228). The network form of cooperation may include tourist economic and non economic organizations, authorities and that at all management levels, from the local through regional, destination up to the national level, but also among the organizations with the same scope activities. The fundamental purpose of networking is to "adopt common goals by the members of the network, and as far as possible, share the same views" (Burstein 1991 and Dredge 2004, 270) of their members. They can be formal or informal, network members can be changed, as well as sometimes their focus of activities, so that their fundamental characteristic is agility and adaptability.

Although the business interests of (co)stakeholders in virtual logistic networks are achieved through flows of information and knowledge (Mrnjavac 2010), through the intensive use of modern information and communication technologies, in this paper, the emphasis is on the perception of a tourism destination as a virtual organization where tourism passing through the value chain and where the company in contact with other companies get integrated into the network of value (Grizelj 2003). The advantages which are achieved by networking are: the ability to communicate and exchange knowledge and information, the development of new, innovative ideas, richer and more adjusted supply, better technological and organizational solutions, and greater competitiveness. The main advantage of the network also means the strengthening of synergy effects among network members.

The functioning of the network, particularly between the public and private sector has a major impact on innovation in the destination. Namely the interaction leads to the increased knowledge, since through the involvement of a greater number of stakeholders a constant exchange of all necessary resources (information, technology, knowledge, research and development, materials, raw materials, etc.) is performed, which leads to innovative ideas, and ultimately to competitive edges. Therefore, the cooperation between the public and private sector through a network structure in the tourism destination in the literature is often referred to as the cooperation in knowledge management, which includes "the interorganizational exchange and the development of strategic knowledge resource of network values from the perspective of network management. The aim is to increase the competitiveness and innovation of individual participants in the network and the network itself "(Grizelj 2003, 349).

The creation of a network, whether at the level of the destination itself within different (co)stakeholders, whether among companies or among destinations, the concept of the virtual organization can be applied. In the mentioned context, the "virtual enterprise is a temporary alliance of enterprises that come together to share skills or core competencies and resources in order to better respond to business opportunities, and whose cooperation is supported by computer networks" (Camarinha-Matos & Afsarmanesh 2001 336). Many companies have decentralized their value-adding activities by outsourcing and developing virtual enterprise. "Virtual Enterprise is based on developing a network of collaborative firms with core competencies necessary for reaching the market on time with right products" (Gunasekaran & Ngai 2004, 278). Basic characteristics of virtual organizations are considered to be the following ones (Grizelj 2003, 349-351):

- cooperation of legally independent but economically dependent companies whose (co)stakeholders concentrate on their skills;
- nonexistence of centralized and / or formalized organizational structures;
- the coordination function of the virtual organization is performed by an agent, who
  in case of a tourism destination is represented by a tourism organization responsible
  for the implementation of a variety of common tasks, particularly for marketing of
  a tourism destination;
- strong focus on customers tourists;
- individualized products or services;
- integration of key skills and development of innovative ideas;
- a common identity;

- trust and mutual loyalty;
- strong information and communication technology.

The concept of the virtual organization is crucial to the development strategy of tourism destinations based on knowledge, since through an integral understanding of the destination as a cooperative network of various stakeholders, the reduction of the time necessary for performing tasks, costs and risk at business is made possible.

Furthermore, today public-private partnerships are extremely important for tourism destinations. On the one hand, the public sector should promote the interests of the private sector, while, on the other hand, the private sector should have access to politics and decision-making process. Application of the concept of the virtual organization and its influence is therefore extremely large in such partnerships. It is also necessary to point out that virtual organizations have their own dynamics based on high-end communications and information technologies. Without high-end communications and information technologies the process of knowledge management would almost be impossible.

# 2. DESTINATION MANAGEMENT ORGANIZATION (DMO) – HOLDER OF MANAGING TOURISM DESTINATION MARKETING

In today's turbulent environment, tourism destinations are challenged to effectively manage the destination and to answer to future challenges of development. "The transition processes also imply the changes of the organizational structures out of the traditional rigid models into the flexible market-oriented marketing structures" (Mrnjavac 2010, 150). In such organizational structures the emphasis is on (Christopher 2011, 234): 1) innovation (including new product development); 2) consumer development (primarily focused on building loyalty with end users); 3) customer management (creating relationships with intermediaries); 4) supplier development (strengthening upstream and alliance relationships) and 5) supply chain management. In this sense, the organizational structure of the tourist destination is based on destination management organizations (and companies) that are through the logistics network connected with firms that produce and market tourist services (Mrnjavac 2010, 214).

In order to create an integrated destination product, it is necessary to connect and engage in the process all stakeholders taking part in the development of tourist destinations starting with local authorities, public organizations and institutions, associations, tourist boards and private companies, as well as their harmonized action related to the components of the tourist product. In order to strengthen synergy effects, in the contemporary development practices of tourist destinations Destination Management Organizations (DMOs) are established, whose principal purpose is the coordination of activities of all stakeholders in the tourist destination. Since the destination marketing is one of the functions within the broader concept of destination management (Morrison, 2013), it is important to point out that in the continuation of this paper the role of marketing in destination management will be studied and from the organizational aspect the destination management organization will be considered in the part relating to the

marketing of the destination, the concept and implementation of all marketing activities of destinations, respectively.

In terms of tourism destination marketing, benefits that are achieved by networking the stakeholders can be the following (WTO 2000): cooperation in the field of market research and marketing planning, creation of the guidelines for positioning a destination, creating the image, developing e-marketing (with a focus on setting the main portal of a destination), creating a database in terms of joint marketing information system, the joint promotion of a tourist destination, etc.

Through destination marketing, as one of the most important activities of tourist destination management, unification and harmonization of the marketing positioning of the main development stakeholders in the structure of tourism supply is accomplished. In this process, destination marketing should include the heterogeneity of the supply of a large number of individual companies with a varying degree of business "power" and ability, where they often have different, and even conflicting interests. Therefore, a fundamental role of managing tourist destination marketing is to point out that the action of the synergy process in the tourist destination multiplies the benefits that would be realized individually by development stakeholders. Therefore, aimed at creating an integrated unique tourism product, destination marketing has the objective to integrate different partial products and services that will represent the uniqueness of diversities and the features of each site and other specifics.

According to the World Tourist Organization (WTO 2007, 3), DMOs generally fall into one of the following categories: 1) National Tourist Authorities or Organisations, responsible for management and marketing of tourism at a national level; 2) Regional, provincial or state DMOs, responsible for the management and/or marketing of tourism in a geographic region defined for that purpose, sometimes but not always an administrative or local government region such as a county, state or province; and 3) Local DMOs, responsible for the management and/or marketing of tourist based on a smaller geographic area or city/town. Today, such organizations operate in different ways and through different financing models. Various authors (Pike & Page 2014; Presenza 2005; Gretzel et al. 2006) have described various organizational structures including a government department or a division of a government department, a quasigovernmental organization (such as a crown/government corporation), a joint public/private agency, a non-profit membership-based organization, and private organizations.

From the perspective of marketing tourism destination management, Prezenza et al. (2005, 5) allocates the following: 1) External destination marketing; and 2) Internal destination development. Activities and tasks of destination management in the context of external functions – destination marketing includes all marketing activities connected to the destination image, branding and positioning (direct sales, trade shows, advertising, familiarization tours, publication & brochures, web marketing, events & festivals, cooperative programs, etc.). Activities within the internal functions include managing the development of tourism in the destination. First of all this applies to the inclusion of different supply holders within the destination, so that the fundamental task of destination management is the coordination of these activities.

# 3. THE ROLE OF DESTINATION MANAGEMENT ORGANISATION IN VIRTUAL LOGISTIC NETWORK

In creating the optimal destination product, which will result in a certain added value for visitors, extremely important is the effectuation of all functions of DMOs, since "DMOs coordinate joint efforts of all participants in the network in achieving the objectives of tourist destinations" (Morrison 2013, 5). Considering the above mentioned, DMOs as virtual logistic networks can be set up on a national, regional and local level, wherein each level of DMOs has its typical roles, responsibilities and functions.

In terms of the DMO as a virtual logistic network, its functions can be defined as follows (adapted to Magaš, 2008, 208-209):

- At the lowest local level (city or town) dominates the development and supply function. The local level disposes with adequate resources necessary for the improvement of the existing and development of new products, adapted to the segments of the target market.
- The function of representing interests occurs at every level of organizations with regard to the structure of representative bodies in the DMO, as well as the structure of financing. Representing the interests of the profession should be mostly evident at local and regional level, as they have the lowest dependency on the general budget revenues.
- The marketing depends on the destination image and its financial resources. In addition to direct relations with tourists, the local level compared to higher levels, should reach its position through shaping and developing their supply, through innovative activities, respectively. The development of new products should be, namely, considered from the perspective of tourist destinations and tourist companies, e.g. hotels. It is necessary to thoroughly analyze the market, to explore the dimensions of the real demand for specific products and how to promote and distribute the product. At the level of the hotel the prerequisie of introducing the concept of the new product is its testing, aimed at checking the reactions of consumers to a particular product. After that its development and introduction to the market follows. At the level of the destination, in the framework of marketing plans, and based on the available resources, the desired positioning and the destination image, the marketing mix is also developed. At this level the process of coordination and harmonization efforts by all stakeholders included in the supply aimed at exploiting the available resources of the destination is also performed.
- The effectuation of the guiding ideas and competitiveness strategy should be taken
  over by each DMO for an adequate level, primarily local and regional, since the
  success of the national tourism organization is in direct dependence of the lower
  levels of the DMO.

In order to achieve a coordinated action, it is necessary to establish a network of partnerships among stakeholders at the local, regional and national level. An example of such crosslinking is shown in figure 1.

Regional DMO

Croup/Consortium

Tour Operator

Incoming Agent

Croup/Consortium

GRM

GDS/CRS

Sabre Galleo

a Mad DEUS

Air/Rail/Bus + Car Hire

Croup/Consortium

CRM

Air/Rail/Bus + Car Hire

Figure 1: The conceptual model of tourist destination - virtual DMO

Source: Author's research

According to the above mentioned, depending on the affiliation to a particular level of the DMO, the priority tasks of DMO should be:

- Local DMO (development, coordination and training activities): continuous
  monitoring and research of tourists' preferences in the area, initiating strategic
  guidelines based on the strategic development plans of higher levels, initiation and
  coordination of early non-business organizations, organization of educational
  seminars, pooling of funds for development of tourist projects, and the adoption of
  promotion plans in cooperation with the destination or regional level.
- Regional Tourist Organization (coordination and promotional activities): continuous
  monitoring, coordination and control of the lower hierarchical levels, the
  implementation of promotional tasks in order to avoid them at higher hierarchical
  levels, coordination and cooperation with regional business and non-business
  organizations.
- National Tourist Organization: supervision and assistance in the development and adoption of regional, destination development and marketing strategic planning, controlling and planning of all current plans of lower hierarchical levels associated with the development, promotion, coordination and education, encouraging, initiating and coordinating the opening of foreign representative offices, design and promotion in a way that highlights the region or destination, coordination and cooperation with business and non-business organizations at the national level.

#### CONCLUSION

Nowadays, the contemporary tourist business system represents an extremely complex environment and has a tendency of growing over into a complex value network whose efficiency can significantly influence the performance and profitability of each covered company. Such networks have problems of synchronization of partial and short-term interests and needs of the participants in the supply chain with business objectives, strategies and policies agreed at the level of the entire chain. In the context of a tourist destination as a virtual logistic network, the development of an integrated destination product based on a unique experiential event, represents the added value that can be realized only through an optimal cooperation of different, specialized companies in private and public sectors included in the tourism supply provided by the destination.

It is important to highlight that a virtual tourist organization is a partnership network, which is the background of today's dynamic environment (Hopenience et al. 2016, 76). According to Braun (2005), the virtualization of the value chain through increasingly intensive, extensive and flexible interorganizational cooperation is seen as being cetral to their strategic response. Dynamic-complex approaches to management of tourist organizations need to create new thinking, that sees the whole as much more than the sum of parts, as a product of its interactions (Ndou & Petti, 2006).

Ritchie & Crouch (2000) present the DMO as a management organization, which includes marketing as a key function: "If the DMO does not provide leadership and direction for tourist development in the destination, who will?". DMOs rule should be to lead and coordinate activities under a coherent strategy. They do not control the activities of their partners but bring together resources and expertise and a degree of independence and objectivity to lead the way forward. Through DMOs typical marketing activities are undertaken, their remit is becoming far broader. The DMOs most critical assets are its credibility as a strategic leader in tourist destination marketing and development and its ability to facilitate industry partnerships and collaboration towards a collective destination vision.

In general, fewer and fewer products and services in tourism are generated in individual companies, and more and more products are generated through a network of collaborative partners. Virtual DMO is characterized by its ability to keep the key competences and to coordinate them at the local, regional and national level, achieving its plan of creating added value through offering to the market different and superior values. The starting point of such networks is represented by the local DMO, as an initial link in the destination management. The local DMO connects in the network various hotel facilities, travel agencies, and other companies important for creating the tourist supply (providers of private accommodation, restaurants, craftsmen, sports and cultural institutions, etc.). At a higher, regional level, networking is implemented in a way that the starting point in the network is represented by a superior organization of the local DMO or regional DMO. At the national level, all the networks are brought together based on the coordination of the National Tourism Organization, which through a system of lower, subordinate network of partnerships has an insight into an integrated tourist system. In this way, a continuous exchange of information and continuous monitoring of the entire management process is made possible.

The limitations of this paper are related to proposed conceptual model. Although the conceptual model outlined above represents productive starting point in the further understanding of a virtual organisation based on logistic approach, it does have its limitations. Some of this limitations lie in the model per se, as a simplification of reality. Namely, as we have mentioned above, the contemporary tourist business system represents an extremely complex environment, and crucial question is therefore if this conceptual model represents the reality of dynamic tourism environment, and dynamics of tourism, especially tourism destination management's performances and actions. Future research in the field could strive to investigate the contribution of the dynamic-complex approaches to management of tourist organizations at the local, regional and national level. However, the proposed model should not be regrarded as fully developed and can be observed as promising analytic tool to use in the future research on managing tourism destinations as virtual logistic networks.

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