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STRATEGIC POSITIONING AND COMPETITIVE ADVANTAGES OF THE TOURIST ORGANISATIONS

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The paper will be focused on strategic positioning and competitive advantages of the tourist organisations, as well as on some economic effects of the chosen corporate/business strategy. As with any economic activity, the tourism industry is associated with an array of potential benefits and costs. It is common in the tourism literature, for the sake of convenience, to classify these impacts as economic, socio-cultural or environmental.

These impacts are often closely interrelated. But, economic benefits and costs are primary rationale for pursuing tourism and relatively easier to quantify than the other categories, although this is not to say that the task is simple. Besides, there will be a few words about the interrelationship among resources, capabilities, core competencies and alternative corporate strategies as well as about their role in competitive advantages acquiring.

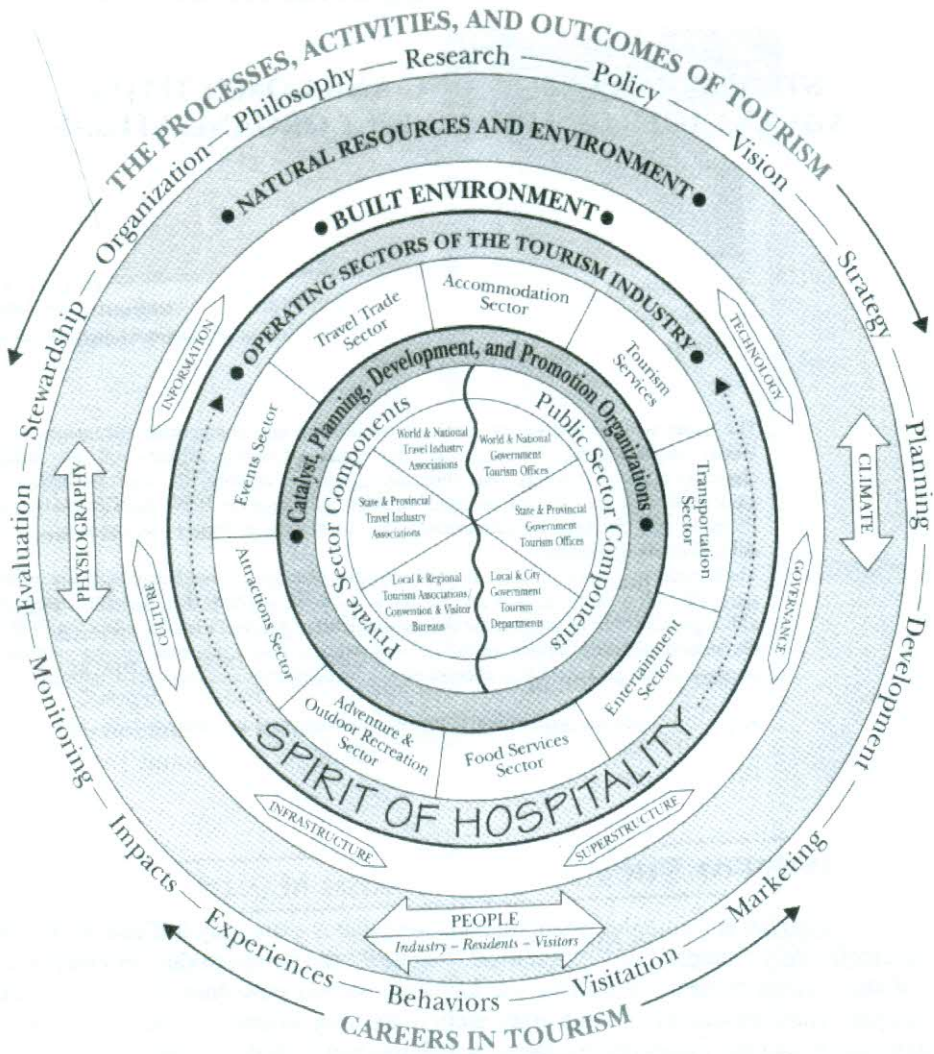
Key words: strategic positioning, competitive advantages, economic benefits and costs.

INTRODUCTION

Tourism is a complex phenomenon – one that is extremely difficult to describe succinctly. Any "model" of tourism must "capture" the composition – or components – of the tourism system, as well as the key process and outcomes that occur within tourism. These processes and outcomes include the very essence of tourism, the travel experience, and the supporting means by which tourism is made possible.

The following figure attempts to describe the complexity of the relationships among the many components of the tourism phenomenon.

Figure 1. **The tourism phenomenon: Components of tourism and tourism management**



Source: Goeldner, R. C., Ritchie, J. R. B., *Tourism – Principles, Practices, Philosophies*, John Wiley & Sons, Inc, 2003, p. 14.

According to most forecasts, the future of tourism is full of promise. Projections concerning the levels of arrivals, receipts, and growth in employment for most destinations have all painted a fairly rose picture.

Social and economic trends in developed countries seem to favour long-term growth in both domestic and international travel demand. More long-term leisure, increased disposable income, higher levels of education, and more awareness of other countries and people are significant factors influencing a growing market for travel. The movement toward an experience economy is another fundamental change from which tourism can benefit if it plans and adapts appropriately.

Technological trends are also favourable. Transportation equipment is now more efficient and more comfortable; hotel and motel accommodations have become more complete, attractive, convenient, and comfortable; and new developments have given much more attention to environmental considerations.

Tourism is believed to have a positive effect on world peace. As people travel from place to place with a sincere desire to learn more about their global neighbours, knowledge and understanding grow. Then at least a start has been made in improving world communication, which seems so important in building bridges of mutual appreciation, respect and friendship.

1. STRATEGIC POSITIONING AND COMPETITIVE ADVANTAGES

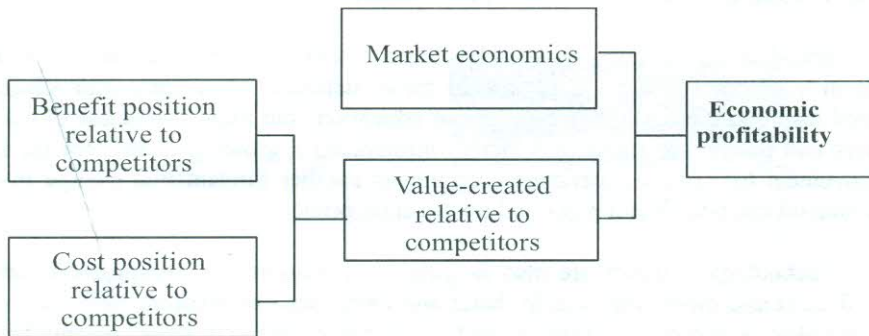
Competition gives impetus for realising competitive advantages and at the same time it is a tool by which they could be eroded. Understanding the competition in an industry is fundamental for identification the possibility nature for acquiring the competitive advantages.

Firstly, it should be clear what the competitive advantages are. If two or more firms compete on the same market, one of them will have competitive advantage over the other one if it steadily earns higher profit rate (or has the potential to earn the higher profit rate).

Competitive advantage is, thus, the opportunity of a firm to defeat its own rivals in respect of the primary aim. However, it need not to be expressed only in higher profitability, but also in market share, technology, customer satisfaction, philanthropy, employee's benefits and exemptions.

The profitability of any organisation is determined by economic relations on market as well as by its position on the market. But, what is crucial? Some researches have shown so far that both are relevant for organization profitability. But, strategic position of an organization seems to be of bigger importance. It may be seen from figure 2 a framework for competitive advantage.

Figure 2. **Framework for Competitive Advantage**



Source: Besanko, D., Dranove, D., Shanley, M., *Economics of Strategy*, John Wiley & Sons, 2000, p. 389.

According to this framework, a firm profitability inside specific market depends on economic relations on market as well as economic value that the firm creates in comparison with competitors. The firm may obtain competitive advantage on market only if it creates more economic value than competitors. At the same time, that firm could earn bigger profit and give bigger net benefits to consumers opposite to rivals. The value size the firm creates depends also on its cost and differential position opposite to its competitors.

Created value represents the difference between observed benefit for final consumer and cost of input, both expressed per unit of final product. The total created value must be shared between consumer and producer. Consumer's surplus represents a part of created value that the consumer "adopts". A seller gets the price that covers costs of inputs, as the labour, capital and material, which the producers of final products need. The producer's profit represents a part of created value that producer "adopts". The both parts, taken totally, give the total value that is created and reflects the sum of consumer surplus, i.e. profit:

$$\text{Created value} = \text{Consumer's surplus} + \text{Producer's profit}$$

Understanding the economic value creation and future tendencies in that process represents the necessary first step in diagnosing the firm's potential because of the competitive advantage realisation on its market. Diagnosing the sources of value creation demands understanding why a business survive and which its fundamental economies are. This, on its side, includes understanding of what causes the consumer's benefits (for example, how the firm's products meet consumer's needs better than potential substitutes), and costs (for example, which costs fluctuate depending on the quantity; how costs vary with unproductive activities, as sale and marketing; how costs change with cumulative experience).

Each firm has its own value chain, as collection of activities that create value. The value chain is a pattern that a firm use in order to understand its cost position and identify multiple tools that it could use in the aim of facilitating the business strategy implementation. The value chain of a firm is segmented on primary and sustained activities. Primary activities are in relation with the product's physical creation, its sale and distribution to the customers as well as post-sale services. Sustained activities give the support to the primary activities realisation. The main idea of the value chain is to add the value as much and cheap as it is possible, and what is most important to adopt the value.

In practice, production of a good or service contains the value chain, where each activity has clear cost structure caused by various cost drivers. A comprehensive cost analysis demands disaggregating the firm's value chain in order to identify:¹

- The relative importance of each activity with respect to total cost,
- The cost drivers for each activity and the comparative efficiency with which the firm performs each activity,
- How costs in one activity influence costs in another,
- Which activities should be undertaken within the firm and which activities should be outsourced.

A value chain analysis of a firm's cost position consists of the following principal stages:²

1. Disaggregate the firm into separate activities.
2. Establish the relative importance of different activities in the total cost of the product.
3. Compare costs by activity.
4. Identify cost drivers.
5. Identify linkages.
6. Identify opportunities for reducing costs.

In order to acquire competitive advantage, a firm need resources and capabilities that competitors do not have. Thus, resources are the assets specific for one firm, which can not be copied or acquired easily. Capabilities are the activities which one firm performs well in comparison with other firms. Synonyms are distinctive capabilities and core competencies. Both of them, resources and capabilities, should be differed from key factors of success. Key factors of success refer to the skills and assets that a firm must possess to be profitable on the specific market.

¹ Grant, R. M., *Contemporary Strategy Analysis: Concepts, Techniques, Applications*, Blackwell Publishers Ltd, 1998, p. 209.

² Grant, R. M., *Contemporary Strategy Analysis: Concepts, Techniques, Applications*, Blackwell Publishers Ltd, 1998, pp. 209-210.

2. INTERRELATION AMONG RESOURCES, CAPABILITIES, CORE COMPETENCIES AND ALTERNATIVE STRATEGY OF AN ENTERPRISE

Organisational strategy implies new, profitable ways to support the existing resources, capabilities and competencies. The important strategic task is to build new resources, capabilities and competencies – previously, on ways that create economies of variety.

Strategic aims of an organisation refer to the sustaining the competitive advantages previously so to maximise the economic effects of the functioning. In order to realise strategic aims, an organisation has to undertake the following steps:³

- Identify own resources and capabilities, and then competencies.
- Identify current or possible competitive organisations.
- Starting from current position of competencies and state of current and desired rivals, an organisation could identify resources and capabilities which it misses and prevent to enter the competition with ideal set of rivals.
- Finally, an organisation must make the map of projects that would enable it to build resources and capabilities and then competencies that are necessary to be included in competition with desired rivals on selected markets of products and services. Cooperative alliances with rivals might be significant and relatively quick tools for estimating necessary resources and capabilities.

The first step in identifying and exploiting core competencies is universal understanding among various levels of management in relation to the core competencies, capabilities and organisational resources.

Resources are on the bottom of the hierarchy. They are the base of the competencies. Resources are inputs in the value chain of the organisation. Each corporation has pool of resources, but do not use them in the best way. Capabilities refer to the possibility of the organisation to exploit its resources. This is the second level in the hierarchy and consists of series of business processes and routines of managing by interaction among these resources. One process is transformation inputs into outputs.

Competencies, as the third level in the hierarchy of competencies, are inter-functional coordination and integration of capabilities. These result from interaction and integration of functional capabilities of strategic business units.

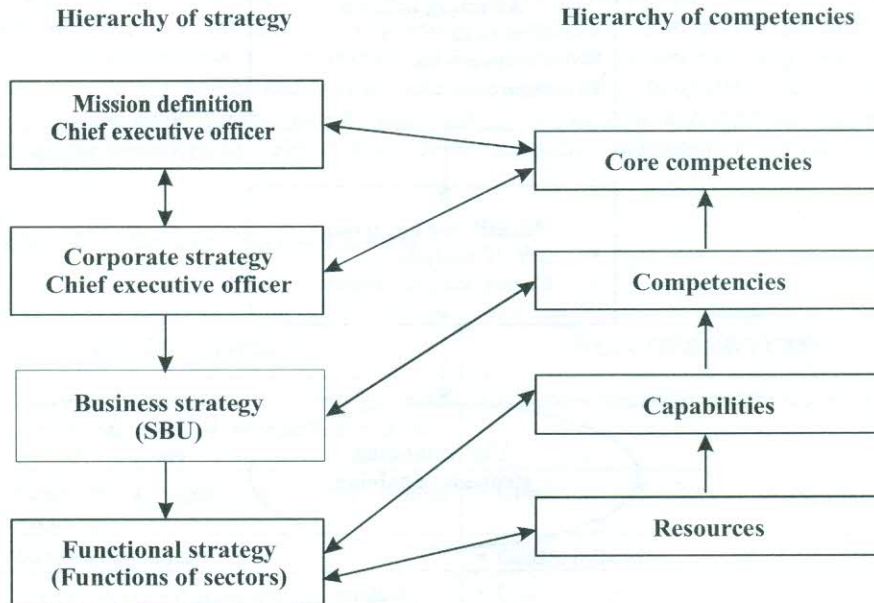
³ Bogner, W. C., Thomas, H. and McGee, J., "A Longitudinal Study of the Competitive Positions and Entry Paths of European Firms in the US Pharmaceutical Industry", *Strategic Management Journal* 17, 1996, pp. 85-107.

Core competencies, as the highest level in this hierarchy, go beyond strategic business units. These result from interaction among different competencies of strategic business units. Core competencies are skills and knowledge areas that are divided among business units and results from integration and harmonisation of their competencies. It is a collection of competencies dispersed in a corporation. Figure 3 shows how hierarchy of competencies refer to the hierarchy of strategies in one multi-business company. Corporate strategy devotes to the issue of long-term success. It identify a portfolio of business in which a company is or wants to be as well as the type of competencies that possesses at the moment or wishes to develop in future. Thus, it is based and directly referred to the core competencies of the company.

The core of business strategy is to formulate favourable and sustained competitive position in relation to the competitors. Here, a business unit should completely understand its competencies and capabilities and compare them with competitors' ones so to assure their completely using.

Functional strategies are developed in order to assure the implementation of the competitive strategy of the business units. These are specific steps that each functional group must undertake in order to help implementation of the business unit strategy. They need to be designed on the basis of functional capabilities of each strategic business unit in the aim of complete resources and function capabilities using.

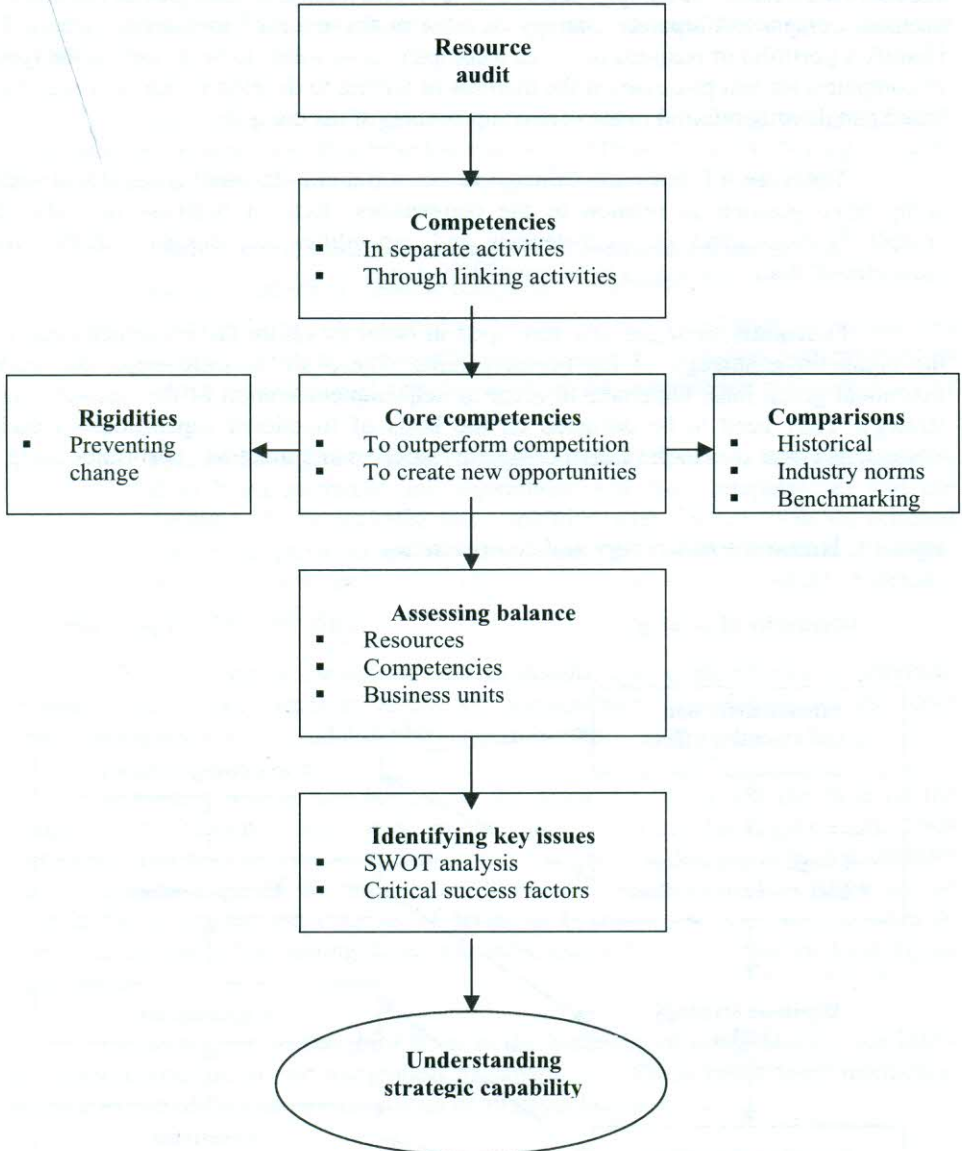
Figure 3. **Hierarchy of strategy and competencies**



Source: Monsour, J., "Core Competence: What Does It Mean in Practice?", *Long Range Planning*, Vol. 31, February, 1998, p. 63.

Figure 4 shows the process of strategic capabilities analysis.

Figure 4. Analysing strategic capability



Source: Johnson, G., K. Scholes, *Exploring Corporate Strategy*, Prentice Hall Europe, 1999, p. 151.

In order to survive and develop in one industry a firm must fulfil two criteria: firstly, it must provide what customers wish; secondly, it must survive competition. Hence, two questions might be posed:

- What customers want?
- What is necessary that a firm survive competition?

Answering first question implies to identify customers, their needs and establishing the base of customers' preferences as the starting point for further analysis chain. Second question demands that a firm examine the base of competition in the industry. How much is the competition intensive and what are its key dimensions?

There is no universal schematic plan for successful strategy and no "generic strategy" which may guarantee superior profitability. However, each market is different in sense of customers' motivation and the way of competition functioning. Understanding these aspects of the industry environment is a presumption for an effective business strategy. This does not imply that firms inside the industry adopt common strategies. Since each firm contains unique set of resources and capabilities, it must seek for unique key success factors.

3. BENEFITS AND COSTS OF TOURISM

Tourism brings both economic and non-economic **benefits and costs** to host communities. There is no question that tourism delivers benefits, but tourism is not perfect. There are costs and benefits, and they do not accrue equally. Many of the social costs incurred are difficult or impossible to measure. Improperly planned and developed tourism can create problems. The demands of tourism may come into conflict with the needs and wishes of local residents. Thoughtless development, inappropriate development, overdevelopment, or unfinished development can easily damage the environment. Table 1 shows some its positive and negative aspects:

Table 1. **Benefits and Costs of Tourism**

<i>POSITIVE ASPECTS</i>	<i>NEGATIVE ASPECTS</i>
▪ Provides employment opportunities, both skilled and unskilled, because it is a labour-intensive industry	▪ Develops excess demand for resources
▪ Generates a supply of needed foreign exchange	▪ Creates the difficulties of seasonality
▪ Increases incomes	▪ Causes inflation
▪ Creates increased gross national product	▪ Can result in unbalanced economic development
▪ Can be built on existing infrastructure	▪ Creates social problems

<ul style="list-style-type: none"> ▪ Develops an infrastructure that will also help stimulate local commerce and industry 	<ul style="list-style-type: none"> ▪ Degrades the natural physical environment and creates pollution
<ul style="list-style-type: none"> ▪ Can be developed with local products and resources 	<ul style="list-style-type: none"> ▪ Degrades the cultural environment
<ul style="list-style-type: none"> ▪ Helps to diversify the economy 	<ul style="list-style-type: none"> ▪ Increases the incidence of crime, prostitution and gambling
<ul style="list-style-type: none"> ▪ Tends to be one of the most compatible economic development activities available to an area, complementing other economic activities 	<ul style="list-style-type: none"> ▪ Increases vulnerability to economic and political changes
<ul style="list-style-type: none"> ▪ Spreads development 	<ul style="list-style-type: none"> ▪ Threatens family structure
<ul style="list-style-type: none"> ▪ Has a high multiplier impact 	<ul style="list-style-type: none"> ▪ Commercializes culture, religion and the arts
<ul style="list-style-type: none"> ▪ Increases governmental revenues 	<ul style="list-style-type: none"> ▪ Creates misunderstanding
<ul style="list-style-type: none"> ▪ Broadens educational and cultural horizons and improves feelings of self-worth 	<ul style="list-style-type: none"> ▪ Creates conflicts in the host society
<ul style="list-style-type: none"> ▪ Improves the quality of life related to a higher level of income and improved standards of living 	<ul style="list-style-type: none"> ▪ Contributes to disease, economic fluctuation and transportation problems
<ul style="list-style-type: none"> ▪ Reinforces preservation of heritage and tradition 	
<ul style="list-style-type: none"> ▪ Justifies environmental protection and improvement 	
<ul style="list-style-type: none"> ▪ Provides employment for artists, musicians, and other performing artists because of visitor interest in local culture, thereby enhancing the cultural heritage 	
<ul style="list-style-type: none"> ▪ Provides tourist and recreational facilities that may be used by a local population 	
<ul style="list-style-type: none"> ▪ Breaks down language barriers, socio-cultural barriers, class barriers, racial barriers, political barriers, and religious barriers 	
<ul style="list-style-type: none"> ▪ Creates a favourable worldwide image for destination 	
<ul style="list-style-type: none"> ▪ Promotes a global community 	
<ul style="list-style-type: none"> ▪ Promotes international understanding and peace 	

Source: Goeldner, R. C., Ritchie, J. R. B., *Tourism – Principles, Practices, Philosophies*, John Wiley & Sons, Inc, 2003, pp. 33-34.

4. THE ECONOMIC IMPACTS OF TOURISM

As with any economic activity, the tourism industry is associated with an array of potential benefits and costs. It is common in the tourism literature, for the sake of convenience, to classify these impacts as economic, sociocultural or environmental. This tendency to use discrete categories, however, should not detract from the fact that impacts are often interrelated. For example, negative social reactions to tourism could result from its perceived economic and environmental costs.

The placement of economic impacts as the first item of discussion does not imply that these are inherently any more important than the sociocultural or environmental dimension. Rather, this reflects the primary importance that destinations have tended to place on economic benefits as a rationale for pursuing tourism. In addition, economic benefits and costs are relatively easier to quantify than the other categories, although this is not to say that the task is simple.

As in other industries, tourism affects the economy of those areas – whether regions, countries or continents – where it takes place. These are known as tourist *destinations*, or *receiving areas* and many become dependent upon an inflow of tourism to sustain their economy. This is especially true of developing countries, some of which are largely or almost totally dependent upon tourism. The areas from which the tourists come to visit these destinations are known as *generating areas*, and, of course, as the tourists are taking their money with them to spend in other places, this represents a net loss of revenue to the generating area, and a gain to the receiving area. We can say that incoming tourist spend is an *export*; while outgoing tourist spend is an *import*.

There are potential positive and negative economic impacts of tourism for a destination. The main argument for tourism focuses on its potential to generate earnings for the destination through direct tourist expenditures and the tax component of these expenditures. In 1996, 56 countries or dependencies received at least US\$1 billion in direct receipts from international tourism. Furthermore, the global growth in tourism revenues has been remarkably strong, exceeding by a very large margin the increase in actual inbound tourist arrivals. Another important economic benefit is the generation of indirect local revenue through the operation of the income multiplier effect, and the concurrent diversification and integration of the local economy through the creation of backward linkages with agriculture and other sectors.

Tourism is also seen as an effective stimulant for direct and indirect employment opportunities and a vehicle for regional development. This can occur as a result of spontaneous processes (such as the development of most vacation farms or ecotourism operations), or as the consequence of a deliberate growth pole strategy. Finally, tourism is attractive because of its overall growth potential as compared with other sectors in Australia and elsewhere.

The direct financial costs involved in maintaining an effective administrative bureaucracy and marketing activities can be substantial. Revenue leakages, which result from a high import content, profit repatriation and other processes, may serve to

drastically reduce the multiplier effect. Such erosion aside, tourism engenders economic uncertainty because of its vulnerability to fluctuations in intake arising from seasonal variations, the effects of fashion and social or political unrest, in both the destination and source regions.

Tourism has the capacity to foster a competitive rather than a complementary relationship with agriculture and other local sectors in some cases, and a tendency to emphasise employment opportunities that are part-time, low-wage and low-skill. The extent to which a destination derives net economic benefits or costs from tourism depends on the circumstances that pertain to each particular destination. In general, destinations with large and diverse economies are most likely to benefit from tourism, since these can generate the backward linkages that foster a strong multiplier effect. In contrast, small destination economies are more likely to incur the economic costs. Essentially, the destinations that are therefore most desperate to obtain economic benefits from tourism are those that are most likely to experience the negative economic impacts of tourism.

The flow of tourists between generating and receiving areas can be measured in four distinct ways. It must be examined the effect on *income*, on *employment*, on the area's *balance of payments* and on *investment and development*.

Decline of tourist destinations can occur in any part of Europe where tourism has been developed in the past, and generally affects destinations with a certain tradition in providing tourism. These destinations can be characterised by one or more negative trends, such as a significant decrease in the elements defining the former quality of the destination, a sharp fall in the competitive success of the destination or serious difficulty in assuring sustainable tourism.

Although, at an advanced stage, the decline of a tourist destination normally results in economic losses or failure; even those destinations which are still profitable might already be declining or be under the acute threat of decline. It would, therefore, be inadequate to define "decline" merely by actual decrease in visitor numbers, turnover or benefits.

The general concept of destination management in terms of the organisation of tourism products that are coherent with the intended market segments forms the basis of tourism development strategies. In fact, this concept reflects the delicate interaction between tourism and environment in all of its aspects. In the last two decades, the tourism system has been confronted by a wide range of changes in demand, increase and decrease of tourist flows, differences in tourists' motivations and expectations, and organisation of supply. For this last point the emerging issues are mainly the problems of compatibility between safeguarding natural and cultural local resources as well as the community identity and their tourist use, and the need to build a consensus among the different stakeholders of supply and co-ordinate their actions. These changes have brought to light the urgent need for private and public stakeholders of tourism supply for tourist flow management and destination organisation from a coherent, integrated and qualitative perspective, to oversee and manage the whole system.

A system where the stakeholders involved benefit from tourism and contribute to its costs in different ways, have different and diversified interests and objectives, and thus perceive and value costs and benefits subjectively.

The impetus with which tourists' motivations and needs increase and vary translates itself into a complex segmentation of tourism demand. It consequently requires a greater differentiation of the supply and a personalisation of the tourism product as a whole, as well as of its many components, each participating in forming the tourists' experience. This is mainly true if the tourism product is the destination, which is normally able to offer several possibilities of attraction and sells itself to different types of clients.

Destinations should propose as many products as tourism demand segmentation requires. They must define tourism development strategies in order to create value for the whole system. The chain leading to value creation should include all the stakeholders of the destinations, from local tourist activities to tourism demand to the host community, its identity and its natural and cultural resources, to become the "destination value chain".

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Sažetak

STRATEŠKO POZICIONIRANJE I KONKURENTNE PREDNOSTI TURISTIČKIH ORGANIZACIJA

Rad se bavi strateškim pozicioniranjem i konkurentnim prednostima turističkih organizacija, kao i određenim ekonomskim učincima odabrane korporacijske/poslovne strategije. Kao svaka gospodarska aktivnost, i turizam je povezan sa nizom mogućih koristi i troškova. Jednostavnosti radi, uobičajeno je da se u turističkoj literaturi ovi utjecaji dijele na ekonomske, društveno-kulturološke i ekološke. Ovi su utjecaji često međusobno usko povezani. Premda se ekonomske koristi i troškovi, kao primarni razlozi za bavljenje turizmom, mogu relativno lakše kvantificirati od ostalih kategorija, ne znači da to predstavlja jednostavan zadatak. Stoga, bit će riječi i o međusobnoj povezanosti resursa, sposobnosti, temeljnih kompetencija i alternativnih korporacijskih strategija, kao i o njihovoj ulozi u stvaranju konkurentnih prednosti.

Ključne riječi: strateško pozicioniranje, konkurentne prednosti, ekonomske koristi i troškovi.