THE BRANDING OF TOURIST DESTINATIONS

This page intentionally left blank

THE BRANDING OF TOURIST DESTINATIONS: THEORETICAL AND EMPIRICAL INSIGHTS

EDITED BY

MARK ANTHONY CAMILLERI

University of Malta, Msida, Malta

emerald
PUBLISHING

United Kingdom – North America – Japan – India – Malaysia – China

Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2019

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

ISBN: 978-1-78769-374-6 (Print)
ISBN: 978-1-78769-373-9 (Online)
ISBN: 978-1-78769-375-3 (Epub)

ISOQAR
REGISTERED
Certificate Number 1985
ISO 14001

ISOQAR certified Management System, awarded to Emerald for adherence to Environmental standard ISO 14001:2004.

INVESTOR IN PEOPLE

Dedicated to my wife Adriana and to our special kids, Michela and Sam

This page intentionally left blank

Acknowledgements

There are too many people to thank individually. I am very grateful to my family, particularly to my wife Adriana who has always encouraged me in my academic endeavours. Finally, I must thank Emerald Publishing and their editorial team, including Kerry Laundon and Niall Kennedy for their valuable support during this fruitful project.

This page intentionally left blank

Contents

About the Editor *xi*

About the Authors *xiii*

Preface *xix*

Chapter 1 The Marketing Environment of Tourist Destinations
Mark Anthony Camilleri *1*

Chapter 2 Branding Places and Tourist Destinations: A Conceptualisation and Review
Chung-Shing Chan and Lawal M. Marafa *15*

Chapter 3 A Stakeholder Approach for Destination Management Organisations
Jeremy Fairley *43*

Chapter 4 The Destination Branding through Multisensory Experiences: Case Studies from Sweden
Clarinda Rodrigues *61*

Chapter 5 The Development of the Agritourism Sector in Campania, Italy
Veronica Di Caprio, Peter Wiltshier and Valentina Della Corte *83*

Chapter 6 Using the Destination's Heritage, Language, Lifestyle and 'Made in Italy' as a Tourism Development Model
Kamel Ben Youssef, Martha Friel and Giuseppe Giaccardi *97*

Chapter 7 The Consumer-Based Brand Equity of Music Events: Two Case Studies from Portugal
Gisela Alves, Arnaldo Coelho and Vítor Roque *113*

Chapter 8 Branding Porto: A Case Study of the 'Essence of Wine'
Ana Pinto Borges, Elvira Vieira and Paula Rodrigues *129*

Chapter 9 Oleotourism Development in Jaén, Spain
Carla Marano-Marcolini, Anna D'Auria and Marco Tregua *147*

Chapter 10 The Hotel Managers' Attitudes Towards Environmental Responsibility. An Empirical Study from Ecuador
María Dolores Sánchez-Fernández, Valentín-Alejandro Martínez-Fernández, Beder Gonzalo Aguilar Campoverde and Jackson Guillermo Valverde Jaramillo *169*

Chapter 11 The Moderating Effect of Perceived Value on the Relationship between Country Image and Destination Brand Extension in Alanya, Turkey
Bekir Bora Dedeoğlu *185*

Chapter 12 Exploring Customers' Attitudes Towards the Hospitality Brands in India: A Social Identity Perspective
Ahmad Raouf Rather *207*

Index *233*

About the Editor

Dr Mark Anthony Camilleri is a Resident Academic (Senior Lecturer) in the Department of Corporate Communication. He lectures in an international master's programme run by the University of Malta in collaboration with King's College, University of London. Mark specialises in strategic management, marketing, research and evaluation. He successfully finalised his PhD (Management) in three years' time at the University of Edinburgh in Scotland – where he was also nominated for his 'Excellence in Teaching'. During the past years, Mark taught business subjects at under-graduate, vocational and post-graduate levels in Hong Kong, Malta and the UK. He is an editorial board member for a number of academic journals.

His latest books include *Corporate Sustainability, Social Responsibility and Environmental Management: An Introduction to Theory and Practice with Case Studies* (2017) and *Travel Marketing, Tourism Economics and the Airline Product: An Introduction to Theory and Practice* (2018). Moreover, he edited three publications, entitled; *CSR 2.0 and the New Era of Corporate Citizenship* (2017), *Strategic Perspectives in Destination Marketing* (2018) and *Tourism Planning and Destination Marketing* (2018).

This page intentionally left blank

About the Authors

Beder Gonzalo Aguilar Campoverde holds a master's degree in University Teaching and Educational Research and undergraduate degree in Commerce and Business Administration from the National University of Loja UNL, Ecuador. He worked as a Professor at UNL for 14 years, before joining the Universidad Técnica Particular de Loja in March 2012. He has acquired professional experience in the private sector and serves as an advisor to micro-companies.

Gisela Maria Alves is a Lecturer at the IPAM – European University – Laureate International Universities in the marketing field and a Coordinator of Research at IPAM Porto – European University – Laureate International Universities. She holds a PhD in Marketing and Strategy from the School of Economics and Management of the University of Minho in a consortium with the University of Aveiro and the University of Beira Interior, Portugal. She is on the Advisory Board of the Tecnia Institute of Advanced Studies in New Delhi, India. She is also the Editor of *Portuguese Marketing Journal*. She is the reviewer of various journals and conferences such as the *Journal of Global Marketing*, the *EuroMed Academy of Business*, the *Academy of International Business* and the *International Consumer Brand Relationship Conference*. She has several scientific publications with double-blind referee indexed to the Web of Science.

Chung-Shing Chan is a Research Assistant Professor at the Department of Geography and Resource Management of the Chinese University of Hong Kong. His doctoral research investigates the potential of urban green resources for city branding in Hong Kong. He teaches for Master of Social Science in Sustainable Tourism. His research interests and projects cover topics about place branding and marketing, sustainable tourism, green-, creative-, smart-branding, accessible tourism and urban park management. He also engages in teaching projects related to e-Learning, virtual reality and game-based learning, as well as courses in sustainable tourism, eco-tourism and urban tourism.

Arnaldo Coelho holds a PhD from the University of Barcelona and from the University of Coimbra and is Assistant Professor, in the Marketing Field, at the University of Coimbra. He created the University Executive Training Programs and coordinates the Marketing Programs. He acts as a Business Consultant, as well, in the fields of Marketing and Strategy.

Anna D'Auria is a Post-doc Research Fellow in Tourism Management at University Federico II of Naples and a Visiting Professor in Management and Marketing at Universidad de Jaén in Spain. She participated in national and international conferences and published book chapters and papers on smart innovation and tourism on national and international journals. Her main areas of research are tourism management, destination management, smart innovation and service ecosystems.

Bekir Bora Dedeoglu earned his master's degree from the Tourism and Hospitality Management Department at Mustafa Kemal University in 2012 and PhD from the Tourism Management Department at Akdeniz University in 2016. Bekir Bora Dedeoglu, currently, is an Assistant Professor at the Department of Tourism Guiding at Nevsehir HBV University. His research interests include tourism marketing, social media marketing, destination marketing, destination branding, tourist behaviour and hospitality marketing. He is the author of articles in journals such as *Journal of Destination Marketing and Management*, *International Journal of Contemporary Hospitality Management*, *Journal of Travel and Tourism Marketing*, *International Journal of Hospitality Management*, *Journal of Hospitality Marketing & Management* and *Anatolia: An International Journal of Tourism and Hospitality Research*. He has also served as a reviewer for top tourism and hospitality journals such as *Tourism Management*, *Tourism Management Perspectives*, *International Journal of Hospitality Management*, *Asia Pacific Journal of Tourism Research*, *Total Quality Management & Business Excellence*, *Journal of Hospitality Marketing & Management*.

Valentina Della Corte is an Associate Professor of Business Management at the University of Naples Federico II. She teaches Strategic Management and Marketing, Tourism Business Management, Revenue Management and Heritage Management and is the author of numerous articles in specialised journals, both national (*Economia e Diritto del Terziario, Sinergie*) and international (*Tourism Management* and *European Journal of Innovation Management*). She also serves as a reviewer of several journals and conferences. She is on the Editorial Board of *Journal of Governance and Regulation*, *International Journal of Marketing Studies* and *Open Journal of Business and Management*. She cooperates actively within academic activities of bachelor's and master's degrees in Strategic Management and Tourism Management, and in PhD programs in Italy and Europe, also promoting international exchanges and relations with the entrepreneurial world. Her research is focussed on the evolution of resource-based theory, strategic networks, strategic human resource management and marketing literature with related applications in the tourism industry and cultural heritage industry.

Veronica Di Caprio holds an MSc degree in Tourism Management awarded by the University of Naples Federico II, Italy, and has been an Erasmus exchange student at the University of Derby, UK. She has acquired relevant experience in the hospitality industry. Recently, Veronica has started training for hospitality and tourism management at Il Sole24Ore. Her research interests include tourism development, heritage and cultural tourism.

Jeremy Fairley is a third year PhD Candidate at the University of Central Florida's Rosen College of Hospitality & Tourism Management in Orlando, Florida. His research interests include destination marketing and management, organisational behaviour and technology and innovation related studies. Prior to joining the Rosen College, Jeremy spent the past 10 years as a Practitioner in the destination marketing industry where he worked in several capacities from agency to association at the destination marketing and management levels. Jeremy's most recent role was Director of Marketing and Strategic Partnerships for aRes Travel, the San Diego based technology firm that specialises in online booking engine platforms for the destination marketing, amusement and theme park and housing solutions provider. Jeremy received his BA in Communications, with a minor in advertising from the University of Tampa, and received his Master of Science degree in Hospitality Management from The Chaplain School of Hospitality Management at Florida International University in 2015.

Martha Friel is an Assistant Professor of Economics and Business Management in the Faculty of Arts, Tourism and Markets, IULM University, Milan. Her research areas regard the economy and management of culture, of the creative industries and of tourism as well as the intersectoral relationships between tourism, culture and the creative industries.

Giuseppe Giaccardi is a strategy, management and web economy Consultant with a large experience in industrial marketing and research, founder (1999) and CEO of Studio Giaccardi & Associati – Management Consultants. In tourism and travel economy he works with public and private clients in many Italian regions as Emilia-Romagna, Liguria, Marche, Piemonte, Puglia, Sardegna, Toscana and in some European regions as PACA (France) and Catalunya (Spain). From 2015, he was appointed on contract as a Teacher in Tourism Digital Innovation and Planning at Strategic Marketing Course of University Paris Nanterre (France), Cultural Tourism Master's Program and Food & Wine Master's Program of Bologna University.

Lawal Marafa is a Professor at the Department of Geography and Resource Management, The Chinese University of Hong Kong. He is also the Director, Postgraduate programme in Sustainable Tourism. Dr Marafa was awarded the 'Exemplary Teacher Award' in 2005 and received the Royal Belum Inaugural Ecotourism Award, Perak, Malaysia, in 2007. He served as a Facilitator at the Clinton Global Initiative meeting, in Hong Kong, 2008. Dr Marafa served as the Board of Directors of the World Leisure Organization (2006–2013). His research and teaching interests are diverse and cover such areas that include tourism policy, tourism and environment, ecotourism, natural resource management, sustainable development as well as leisure, recreation planning and management. He has participated and conducted research on landscapes, soundscapes, ecotourism, REDD, climate smart agriculture, etc., leading to publications in a number of peer reviewed journals and book chapters.

Carla Marano-Marcolini has a PhD in Marketing and Consumption and is an Adjunct Professor at the University of Jaén (Spain). She participated in national and international conferences and published books and papers on agri-business and consumer behaviour on international journals. She received the Best Communication Award by the Spanish Association of Academic and Professional Marketing (AEMARK-2016) and the VII Research Award of the Economic and Social Council of the province of Jaén. Her main areas of research are rural tourism, agri-food sector and agricultural policy.

Valentín-Alejandro Martínez-Fernández is the tenured Professor of Commerce and Market Research at the University of A Coruña (Spain). He has a PhD in Information Sciences (Complutense University of Madrid), an MBA from the University of A Coruña, and an undergraduate degree in Information Sciences from the Complutense University of Madrid, Spain.

Elvira Vieira holds a PhD in Applied Economics from the University of Santiago de Compostela, since 2007. She lectured in Higher Education Institutions and in 2010, she was the Director of the European Group of Territorial Cooperation Galicia – North of Portugal. At present she is the CEO of ISAG – European Business School, where she also is a Coordinator Professor, Member of the Scientific and Technical Council and Scientific Coordinator of Nucleus of Investigation of ISAG (ISAG Research Group). She is a founding member of *European Journal of Applied Business and Management* and a member of the Editorial Board. Additionally, she is also a Professor in the Polytechnic Institute of Viana do Castelo (IPVC), and a research member of UNIAG – Applied Management Research Unit from IPVC. Elvira Vieira is the holder of thirty-six scientific publications, with one book, two chapters, indexed scientific papers and scientific reviewer.

Ana Pinto Borges received her PhD in Economics at the Faculty of Economics, University of Porto. Currently, she is a Professor Coordinator at the ISAG – European Business School, President of the Pedagogical Council and Executive Coordinator of the Nucleus of Investigation of ISAG. She is author of more than 30 publications in indexed international scientific journals. She has participated in presentations at various national and international congresses and she is also a member of the scientific committees at academic events. She is a publisher and one of the founding members of the *European Journal of Applied Business and Management*. She is a Former Accenture Consultant in the financial area. She is an Economist at the Health Regulatory Entity since 2010.

Ahmad Raouf Rather is a full-time PhD Candidate in Marketing Management at the Business School, University of Jammu, India. He also holds an MBA

(Marketing). His research interests include customer engagement, co-creation, service innovation, brand identification and loyalty. He has published his work in academic journals including *Journal of Hospitality Marketing & Management*, *Journal of Global Marketing, European Journal of Tourism, Hospitality and Recreation, International Journal of Hospitality and Tourism Systems*, *South Asian Journal of Tourism and Heritage*, *International Journal on Customer Relations, Pacific Business Review International*, among others. He is the Editorial Coordinator of *Journal of Tourism and Management Research.* He also acts as a reviewer of various national and international journals.

Clarinda Rodrigues is a Senior Lecturer of Marketing and Head of Retail and Service Management Programme at the School of Business and Economics, Linnaeus University, Sweden. She is engaged in courses in brand management, sensory marketing, retail management and service management. Her on-going research projects concern global sensory branding in the field of places, luxury and consumer goods. More especially, it has a focus in understanding the impact of multi-sensory brand experiences on both brand love and brand hate. Furthermore, her research aims at developing a framework for brand-building strategies from a sensory perspective. She is member of the Sensory Studies Research Directory. She is also an experienced International Marketing Consultant and Branding Strategist, having worked in several firms before joining the Academia. She is a regular speaker at academic and business conferences about sensory branding and marketing.

Paula Rodrigues graduated in Economics. She did a master's degree in Economics and completed her PhD in Management about the Measurement of Brand Equity, both in Faculty of Economics in University of Porto, Portugal. She is a full-time Professor in Management at School of Economic and Management, Lusíada University – North, Portugal. Since 1995, she teaches Brand Management, Consumer Behaviour, Econometrics, Statistic and Quantitative Methods at the Lusíada University – North. She has published several scientific papers and books. Her on-going research projects concern brand love in the field of luxury and consumer goods. More specifically, it has focus in understanding how consumers create strong emotional connections with brands to the point of creating a brand love. Lately it has investigated the relationship between the brand experience, sensory brand and its connection to the brand love, brand hate and consumer perception on CSR.

Vítor Roque holds a master's degree and an undergraduate degree in Marketing and Tourism from the University of Coimbra, Portugal.

María Dolores Sánchez-Fernández has a PhD in 'Competitiveness, Innovation and Development' and is a Lecturer at the University of A Coruña (Spain), Faculty of Economics and Business, Department of Analysis and Business Management, Business Organization area. She is also part of the GREFIN (University of A Coruña) and GEIDETUR (University of Huelva) Research Groups and

Associate Researcher at the Centre of CICS.NOVA.UMinho and Lab2PT research at the University of Minho, GEEMAT (Brazil) and REDOR Network (Mexico). She has been the author or co-author of several articles published in indexed journals. She has participated in over 100 communications in national and international conferences and is a member of the scientific committee. She reviews international scientific magazines in Spain, United States and Brazil. Her main research topics are: corporate social responsibility, quality, tourism, the hotel industry and human resources.

Marco Tregua is a Post-doc Research Fellow in Management at University Federico II of Naples and a Visiting Professor in Business Creation at Universidad de Jaén (Spain). He participated in national and international conferences, chaired special sessions in international conferences and published papers on sustainability and value creation on international journals. His main areas of research are service logic, sustainability and smart innovation.

Jackson Guillermo Valverde Jaramillo holds a master's degree in Banking Administration and Finance from the Universidad San Francisco de Quito and has an under-graduate degree in Commerce from the Universidad Nacional de Loja in Ecuador. Currently, he lectures at Universidad Técnica Particula de Loja.

Peter Wiltshier is a Senior Lecturer and Programme Leader for Travel & Tourism at the University of Derby, UK. His research interests include rural regeneration through tourism, tourism management and promotion in micro-business, education and training for small business and social capital and capacity building in small communities.

Kamel Ben Youssef is an Associate Professor at the University of Paris Nanterre, France. He teaches marketing and strategy and his research interests include CSR, customer education, consumer behaviour, design and tourism.

Preface

The marketing of tourist destinations requires continuous strategic planning and decision making. Therefore, this authoritative book provides students and practitioners with a good understanding of different tourism products, marketing strategies and tactics on destination branding, as well as useful insights on sustainable and responsible tourism practices, among other topics. The readers are equipped with a strong pedagogical base on the attractiveness of tourist destinations as this publication presents contemporary conceptual discussions and empirical studies on several aspects of destination branding. They will appreciate that the tourism marketers, including destination management organisations (DMOs), are formulating strategies and tactics to attract prospective visitors. Hence, this book also sheds light on the latest industry developments in travel, tourism, hospitality and events in different contexts around the world.

Chapter 1 describes the marketing environment of the travel and tourism businesses. It explains that tourism marketers should consider macro-aspects, including political, economic, social and technological influences, as well as micro-factors, including capital structures, resources, capabilities and marketing intermediaries.

Chapter 2 provides an explanation of destination marketing, place branding and their related notions. The authors critically review the conceptual developments on the branding of tourist destinations.

Chapter 3 suggests that destination management organisations ought to engage in fruitful relationships with internal and external stakeholders. The authors maintain that there are several factors that can affect the strategic management of these organisations.

Chapter 4 explores how Sweden is branding its destinations by improving its cultural identify and by providing multi-sensory experiences to its visitors.

Chapter 5 sheds light on the agritourism businesses in Italy's Campania region. The author analyses the main critical success factors for a thriving rural tourism market.

Chapter 6 explains the key elements of cultural tourism, including the destination's heritage, lifestyle and 'Made in Italy'. The authors put forward a tourism development model. They suggest that it represents a functional framework for the benefit of tourism practitioners.

Chapter 7 explores the consumer-based brand equity of events. The authors explain how the organisation of events, including music festivals, could add value to the destinations' image. They imply that the visitors' positive experiences and their word-of-mouth publicity can contribute to the destinations' branding.

Chapter 8 explores the destination branding of Porto in Portugal. The authors analyse the visitors' attitudes on Porto's largest wine festival. They assess their visitors' level of satisfaction with the event and their intention to return.

Chapter 9 identifies the key elements that serve as drivers for the development of oleotourism in Jaen, Spain. The authors suggest that there is scope in stakeholder engagement among the main actors and drivers in the sector.

Chapter 10 investigates the environmental behaviour of three-, four- and five-star hotels in Azuay, Ecuador. The authors explored the relationship between environmental responsibility and stakeholder engagement. Their findings suggest that the hotel managers strive in their endeavours to implement responsible environmental practices to avoid regulatory pressures.

Chapter 11 examines the relationship between the country image and brand equity. The author contends that the tourists' hedonic and monetary values can have a moderating effect on the country-of-origin's image and brand extension.

Chapter 12 investigates the relationship between the customers' satisfaction, commitment, trust and loyalty towards hospitality brands. It develops and empirically test the social identity construct (customer brand identification and other critical social exchange constructs (satisfaction, trust and commitment).

This publication was written by academics for other scholars, researchers, advanced under-graduate and post-graduate students. However, it is also relevant to the industry practitioners, including consultants, senior executives and managers who work for DMOs, tourism offices, hotels, inbound/outbound tour operators and travel agents, among others. The book explains all the theory and the empirical studies in a simple and straightforward manner. It describes the various marketing environments that comprise a wide array of economic, socio-cultural and environmental realities.

Chapter 1

The Marketing Environment of Tourist Destinations

Mark Anthony Camilleri

Abstract

The tourism marketing environment consists of internal and external forces which could impact the organisations' performance. To be successful, companies must adapt to ongoing trends and developments in their macro- and micro-environments. When organisations scan their marketing environment, they will be in a position to deal with any possible threats from the market and to capitalise on any available opportunities. Therefore, this chapter explains the external environmental factors of tourist destinations, including political, economic, social and technological influences. It also considers their internal environmental factors, including capital structures, resources, capabilities and marketing intermediaries, as it identifies competitive forces from differentiated or low-cost service providers.

Keywords: Tourism marketing; destination marketing; marketing environment; competitive forces; tourism macro-environment; tourism micro-environments; environmental scanning

Introduction

A sound knowledge of the customer requirements is an essential ingredient for any successful business. For this reason, destination management organisations (DMOs) should consistently monitor their marketing environment. The marketing environment is continuously changing, as it consists of a number of unpredictable forces which surround the company.

As well as conducting a thorough analysis of the actual marketing environment, the tourism businesses must investigate the conditions in which they

The Branding of Tourist Destinations: Theoretical and Empirical Insights, 1–14

doi:10.1108/978-1-78769-373-920181001

operate. The regulatory and competitive conditions as well as other market forces, including political, economic, social and technological forces, could affect the organisational performance of the tourism businesses. Hence, this chapter will look into some of these issues. The tourism industry is highly influenced by economic factors, including strong exchange rate fluctuations, the price of oil and other commodities, among other matters. Moreover, social factors including global concerns about safety and security could influence tourist behaviours. Notwithstanding, the regulatory environments will also have an impact on tourism and airline businesses (Belobaba, Odoni, & Barnhart, 2015). For instance, the airline industry's deregulation and liberalisation has created numerous opportunities for many airlines, including low-cost carriers (LCCs). At the same time, it has threatened inefficient airlines that have been protected by regulation.

Undoubtedly, competition is a vitally important element in the marketing environment and it should not be underestimated. The businesses competitors comprise suppliers of substitute products. They may be new entrants in the marketplace. Alternatively, they may include customers and suppliers who were stakeholders of the business. In this light, tourism marketers, including DMOs should be knowledgeable of different business models as competition can take different forms, like for example, differentiated, full-service companies or low-cost service providers. For these reasons, organisations should have effective mechanisms to monitor the latest developments in the marketing environment.

Environmental Scanning

Environmental scanning entails the collection of information relating to the various forces within the marketing environment. This involves the observation and examination of primary and secondary sources of information, including online content from business, trade, media and the government, among others. The environmental analysis is the process of assessing and interpreting the information gathered. An ongoing analysis of the gathered data may be carried out by marketing managers or by researchers who have been commissioned to conduct market research. Through analysis, marketing managers can attempt to identify extant environmental patterns and could even predict future trends. By evaluating trends and tendencies, the marketing managers should be able to determine possible threats and opportunities that are associated with environmental fluctuations. When discussing the 'marketing environment' we must consider both the external environment (i.e. the macro-environment) as well as the internal environment (i.e. the micro-environment) (Kotler, Armstrong, Frank, & Bunn, 1990).

The Macro-Environment

The tourism businesses must constantly assess the marketing environment. It is crucial for their survival and achievement of their long-term economic goals. Therefore, marketing managers must engage in environmental scanning and analysis. Most firms are comfortable assessing the political climates in their home countries. However, the evaluation of political climates in foreign territories is far more problematic for them. Experienced international businesses engage in political risk assessment, as they need to carry out ongoing systematic analyses of the political risks they face in foreign countries. Political risks are any changes in the political environment that may adversely affect the value of any firm's business activities. Most political risks may result from governmental actions, such as the passage of laws that expropriate private property, an increase in operating costs, the devaluation of the currency or constraints in the repatriation of funds, among others. Political risks may also arise from non-governmental actions when there is criminality (e.g. kidnappings, extortion and acts of terrorism, etc.). Political risks may equally affect all firms or may have an impact on particular sectors, as featured in Table 1.1. Non-governmental political risks should also be considered. For example, Disneyland Paris and McDonalds have been the target of numerous symbolic protests by French farmers, who view them as a convenient target for venting their unhappiness with US international agricultural policies. In some instances, protests could turn violent and may even force firms to shut down their operations, in particular contexts.

International corporations who intend to invest in different markets should consider asking these simple questions: is the host country business-friendly? Is its government a democracy or a dictatorship? Is the authoritative power concentrated in the hands of one person or on one political party? Does the country rely on the free market or on governmental controls to allocate resources? How much of a contribution is the private sector expected to make in helping the government achieve its overall economic objectives? Does the government view foreign firms as a means of promoting or hindering its economic goals? When making

Table 1.1: Typical Examples of Political Risks.

Type	**Impact on Firms**
Expropriation	Loss of future profits
Confiscation	Loss of assets and loss of profits
Campaigns against businesses	Loss of sales, increased costs of public relation and efforts to improve public image
Mandatory labour benefits legislation	Increased operating costs
Kidnappings, terrorist threats and other forms of violence	Increased security costs, increased managerial costs and lower productivity
Civil wars	Destruction of property, lost sales and increased security costs
Inflation	Higher operating costs
Repatriation	Inability to transfer funds freely
Currency devaluations	Reduced value of repatriated earnings
Increased taxation	Lower after-tax profits

Source: Adapted from Camilleri (2018a).

changes in its policies, does the government act arbitrarily, or does it rely on the rule of law? How stable is the existing government? If it leaves office, are there going to be any drastic changes in the economic policies of the new government? Firms should always contemplate (research) these issues before entering into a new market. They should be knowledgeable about the host country's political and economic structures, in order to minimise uncertainty and unnecessary risks. Appendix provides a good background on the aviation industry's regulatory environment.

A political, economic, social and technological (PEST) analysis provides a useful framework to analyse macro-environmental factors. The businesses should carefully analyse these issues before considering their expansion in a different country through foreign direct investment.

Political, Legal and Regulatory Issues

The political analysis relates to how governments influence the companies' strategy and operations. The political environment encompasses laws, government agencies and pressure groups which could have an effect on tourism organisations and entrepreneurs. Such factors include national politics on financial matters, including foreign debt, rates of inflation (i.e. increase in prices) and recession; policies and regulatory legislation on reciprocal trade and foreign investment; travel restrictions, the governments' tourism policies; as well as ecological considerations, among other issues.

Political, legal and regulatory issues can affect the viability of tourism firms. Therefore, any prospective changes in the governments' priorities (e.g. public spending) or a change in government can lead to the opening-up or the closing of markets. The business activity tends to grow and thrive when a nation is politically stable. National governments and their legal systems could facilitate or hinder businesses, in many areas. Therefore, any political changes are closely related with the legal and economic matters (e.g. employment laws, minimum wage laws, health and safety laws, zoning regulations, environmental protection laws, consumer protection laws, tax laws, etc.). For instance, new European Union regulations have led to greater levels of competition in European aviation. However, many stakeholders are concerned about the environmental impact from airlines.

Many nations are increasingly encouraging free trade by inviting firms to invest in their country, while allowing their domestic firms to engage in overseas business. These nations may decide not to impose conditions on imports, or they would not discriminate against foreign-based firms. On the other hand, there are other governments who may oppose free trade. The most common form of trade restrictions is the tariff (i.e. a tax that is placed on imported goods). Tariffs or levies are usually established to protect domestic manufacturers against competitors by raising the prices of imported goods. Multinational firms may face the risk of expropriation. This happens when the government will take ownership of land, buildings and/or other fixed assets; sometimes, without compensating the rightful owners for their loss. When there is the risk of expropriation, multinational firms will be at the mercy of foreign administrations. Unstable governments may have the authority to change their laws and regulations at any point in time, to meet their needs.

Very often, the best sources of information are their own employees. Whether they are citizens of the business' home country or of their host country, employees possess first-hand knowledge of the local issues, and are a valuable source of risk information. The views of local staff should be supplemented with the views from outsiders. The government, embassy officials, international chambers and industry associations are often rich sources of information. Many governments will usually signal their economic and political agendas during their political campaigns before being elected in parliament. Once in office, several governments continue to provide useful information about their current and future plans. Moreover, numerous consulting firms specialise in political risk assessment. Their role is to assist those firms who are considering foreign direct investment, those who would like to penetrate into a particular market. To reduce the risk of foreign operations, many developed countries have created government-owned or government-sponsored organisations which insure firms against political risks. For instance, the Overseas Private Investment Corporation insures US overseas investments against nationalisation. The Multilateral Investment Guarantee Agency, a subsidiary of the World Bank, provides similar insurance against political risks. Private insurance firms such as Lloyds of London also underwrite political risk insurance.

The Economic Issues

The economic analysis will involve an examination of the foreign countries' monetary, fiscal and economic policies. The factors affecting consumer purchasing and spending patterns include wealth per capita, discretionary income, industrial development, currency restrictions, balance of payments, leave of imports/exports, fluctuations in interest and foreign exchange rates, among other issues. The exchange rate of a country's currency represents its value in relation to that of another country's currency. Currency rates fluctuate on a daily basis, thus creating high risks for many industries, including the travel and hospitality sectors. Tourism businesses will be more encouraged to expand and to take calculated risks when economic conditions are right. For example, when there are low interest rates, and when they are experiencing rising demand. Rising incomes and higher standards of living have often translated to more disposable money on luxuries like long-haul travel and other hedonic behaviours.

Social Issues

A social analysis delves into societal behaviours, customs, values, norms, lifestyles and preferences. Demographic factors, including the age structure of the population may also change over time (e.g. there are many developed countries that are already having an ageing population). Moreover, social issues could also comprise the cultural environment, which is influenced by the individual population's size, race, religious beliefs, gender, family, education, occupation and the individual's position in the social strata, among other variables. Institutions could influence society's basic values, perceptions and preferences. For instance, there may be changes in consumer behaviours which could be attributed to trending fashions and styles. Climate and seasonal variations could also affect consumer behaviours and their travelling propensity. Of course, there may be other factors that could affect the consumers' inclination to travel, including credit facilities and attitudes, competition from other spending behaviours, etc. In addition, social issues may also relate to distances to be travelled, urban versus rural lifestyles and attitudes to travel, emigration, school vacation periods, perceptions on international commuting, etc.

Tourism marketers ought to be sensitive to different social issues. A good understanding of societal changes could help them position their business and to anticipate market demands. For the time being, many countries are experiencing a surge in popularity, particularly in short-break itineraries. This has inevitably led to a boom in demand for tourism products in the off-peak and low seasons. At the same time, airports and airlines are striving in their endeavours to improve their levels of security, in the wake of the latest terrorist attacks. Currently, there is also the possibility that the US government could ban laptops from aircraft. Other social factors that must be taken into consideration include civil wars, assassinations or kidnappings of foreign people. These contingent matters are equally dangerous for the viability of the tourism firms' operations.

Technological Issues

A technological analysis is required as marketers need to keep themselves up-to-date with the latest innovations in the tourism industry. Like any other business, the tourism firms, including airlines are affected by new technologies, which could create new products and market opportunities (Gretzel, Werthner, Koo, & Lamsfus, 2015; Sigala, 2018). For example, larger and faster aircraft which are more pleasing to the customer, as well as airport developments and their facilities, including efficient check-in desks, lounges, shuttles and online travel booking sites, among other things, have surely improved the customer experience. Moreover, recently there have been a number of interesting developments in the field of airport security. The need for quicker, seamless processing and baggage checks has led the Transportation Security Administration to explore the possibility of new security lanes. There have also been significant efforts to improve the accuracy of threat detection. New emerging technologies are providing better security and can also help to enhance the passenger experience. Recently, many airlines are also considering the introduction of facial recognition devices that may be used for the boarding of passengers.

The rapid pace of technological change has been forcing travel and tourism businesses to spend heavily to remain on the cutting edge. This way they could serve their customers better. In the 1990s, many full-service, legacy airlines have introduced elaborate reservation systems which enabled them to improve their services to passengers. Subsequently, they introduced big data, analytics and customer relationship management systems that have improved their customer-centric approaches. In addition, many airlines, particularly, the full-service carriers have established sophisticated frequent flyer programmes, as they forged industry partnerships and/or code-sharing agreements with other carriers.

Recently, the uses of digital media, electronic databases and interactive communications have enabled vast quantities of information to be shared and distributed online, in an efficient manner. Tourism marketers are increasingly using technology to improve the standards of service. Several innovative DMOs are utilising a range of smart technologies to improve their customer service levels. For instance, KTO Tourist Information Center of Seoul, in South Korea, has adopted a mix of information, communication technologies, including a visitor website with an interactive map featuring pre-arrival information. Facebook, Twitter, Instagram and Snapchat are being used by marketing and public relations executives for customer engagement and wide array of mobile application are being used by many travellers. For instance, the city of Montreal Tourist Office promotes its attractions through an interactive video that provides virtual experiences to tourists; while, Las Vegas Tourism Office provides personalised itineraries and Tourism New Zealand have come up with an interactive trip planner with customisable maps, price ranges and activities. Tourism businesses are increasingly expected to be knowledgeable and proficient in the use of internet (Buhalis & Law, 2008). The ongoing developments in technology and the proliferation of ubiquitous media and mobile communications have affected tourism businesses in many ways. Many customers and prospects are using interactive media to engage with the business in two-way communications. They may also get involved in electronic word-of-mouth publicity (which can be either positive or negative) in social media, and by using review and rating sites like TripAdvisor or Yelp.

The Micro-Environment

Many travel and tourism businesses, including DMOs, are continuously monitoring the countries' political, economic, social and technological changes to reduce their risks. However, the external environmental forces will also affect the organisations' micro-environment. The micro-environment consists of forces which are close to the companies themselves, forces which will affect their ability to serve customers. These forces include the organisations' capital structure, resources, capabilities of management and staff, companies' aims and objectives, the companies' marketing intermediaries, customer markets, competitors and all other stakeholders that may have an interest or an impact on the organisations' ability to achieve their objectives (e.g. financial, media and government stakeholders, among others).

Capital Structure

The organisations' capital structure and how finance is allocated across departments and units will have an effect on the companies' marketing programmes.

Resources

The firms' specific assets are useful for creating a cost or differentiation advantage over other competitors. The organisations' resources may include patents and trademarks, intellectual capital, installed customer bases, reputation and brand equity, among others. For example, the size and type of fleet of aircraft that are owned and controlled by airlines will determine the type of service which they can offer to the market.

Capabilities

The firms' ability to utilise resources is one of their capabilities. When organisations introduce a product to the market before their rivals, they will achieve a competitive advantage. Such capabilities may be embedded in organisational routines and may not be documented as strategic procedures. Moreover, the organisations' structures and the leadership of their various departments, and the relationship between management and staff may not be easily replicated by other businesses. The competitors may not always be in a position to mimic the capabilities of successful businesses.

The firms' resources and capabilities together form their distinctive competences. These competences enable innovation, efficiency, quality and customer responsiveness, all of which can be leveraged to create cost or differentiation advantages.

Company Aims and Objectives

When companies decide which market segments to target, they must carefully evaluate their internal strengths and weaknesses, and communicate their value propositions to their chosen markets.

Marketing Intermediaries

Marketing intermediaries are firms which help companies to promote, sell and distribute their goods or services to customers. When discussing about the tourism industry, tour operators and travel agents will usually act as intermediaries. Therefore, travel and hospitality businesses, including airlines and hotels, need to develop a sound relationship, loyalty and a strong bargaining power with tour operators, travel agents to sell their products. Moreover, the tourism industry and its distribution network are exposed to a number of changing internal and external environmental forces (these have been mentioned in the earlier sections). With technological developments, there may be variations in economies and consumers could become more sophisticated and demanding. For example, today's customers have access to price comparison websites like Google Flights, Kayak, Momondo, TravelSupermarket.com, Expedia, etc.

Identifying Competition

An adequate knowledge and understanding of competitive trends in the market place is necessary, as competition is a vitally important element in the marketing environment (Kotler et al., 1990). The competitive forces determine whether there is profit potential for a specific industry. The starting point of the competitive analysis is the identification of competitors. Porter (1979) identified five forces that govern industry competition: the threat of new entrants, the bargaining power of suppliers, current competitors, the bargaining power of customers and the threat of substitute products or services. According to Porter (1979), the key to growth and survival is to use one's knowledge of these five forces to

> stake out a position that is less vulnerable to attack from head-to-head opponents, whether established or new, and less vulnerable to erosion from the direction of buyers, suppliers, and substitute goods.

Such a position, he argues, can be gained by solidifying relationships with profitable customers, by integrating operations or by gaining technical leadership.

In the tourism industry, the suppliers of tourism amenities can exert pressures over other businesses. For instance, these suppliers may refuse to work with the firm or they may charge excessively, high prices for their services. In this day and age, digital media has facilitated offline and online sales as it has provided a platform for interactive communications between businesses and their customers. Moreover, the competition from new entrants has also posed significant threats to businesses (Della Corte & Aria, 2016). The profitable markets that yield high returns will obviously attract new firms. The arrival of new competitors could eventually decrease the profitability for all other incumbent firms within the industry.

For example, the airline industry is a growing one, and extant carriers who fail to enhance their route network may be bypassed by competing airlines (Belobaba et al., 2015). There may be a number of national or LCCs who may be competing for the same customers, on the same route. Furthermore, the bargaining power of customers could also exert pressure on businesses. If a large number of customers ask for lower prices from companies, they will have no other choice but to succumb to their requests. On the other hand, the buyer power is low when the customers act independently. The buyer power is high if the customers have a wide selection of service providers to choose from. When customers are buying in large quantities from a supplier, a temptation exits for the customers to move back along the chain to become direct competitors with the supplier, rather than to remain their customers. This may be the case for those established tour operators who frequently *block* pre-negotiated carrier *seats* or hotel rooms. These travel organisations have grown to a point where it would be more viable and secure for them to set up their own airline or hotel properties. Consequently, they will find themselves competing with the travel and tourism business that originally supplied them.

Analysing Competition

A competitor analysis involves an assessment of the strengths and weaknesses of current and potential competitors. This analysis provides an offensive and defensive strategic context to identify opportunities and threats in the marketplace. Travel and tourism business could profile their competitors into one framework. They need to identify who their competitors are and to determine their strengths and key success factors (e.g. the provision of high-quality services, low-cost operations, route networks, convenient timings, good onward connections, etc.). They should also acquire knowledge on their customers' needs and wants (e.g. business or leisure passengers), including the value propositions that they may offer them.

The generic competitive strategies of cost leadership, differentiation and focus are conspicuous in the airline industry. The legacy carriers usually provide higher quality services as they typically offer first class and business class seating, frequent-flyer programmes and are usually characterised by their exclusive airport lounges. Also, legacy carriers generally have better cabin services, including meal services and inflight entertainment. Whereas, the LCCs, which are also known as no-frills, discount or budget carriers may usually offer lower fares and fewer comforts. To make up for the revenue lost in decreased ticket prices, the LCCs will probably charge for extras such as food, priority boarding, seat allocating and baggage.

Several legacy carriers are also members of established airline networks and alliances that include Star, Oneworld or SkyTeam alliances. During the last 20 years, there were some major mergers and acquisitions among traditional airlines. For instance, in 2015, American Airlines has merged with US Airways; AirTran merged with Southwest a year before; United joined Continental in 2010; and Northwest became part of Delta, back in 2008. These airline mergers have resulted in the consolidation of resources, improved efficiencies, in terms of economies of scale and scope, thereby reducing costs for the new conglomerates. For instance, American Airlines' merger with US Airways has yielded an annual savings of up to $1.5 billion. Yet, these mergers have often led to reduced competition, higher fares, crowded planes and added baggage fees, at the detriment of customers.

Summary

The tourism marketing environment is made up of a number of unpredictable forces which surround the company. Examples of such forces include political and regulatory issues, economic factors and social and technological developments. By closely monitoring the changing environment, the tourism business and DMOs could be in a position to anticipate certain threats and may possibly capitalise on any available opportunities in the market. They may only do this if they are consistently scanning and analysing their marketing environment. Briefly, environmental scanning involves the collection, observation and examination of information relating to the various forces in the macro (external) and micro (internal) environments. Environmental analysis is the process of assessing and interpreting the gathered information. The marketing managers must be aware of the latest trends and developments. They should continuously monitor their competitors, as they may take different forms. They may be suppliers of substitute products. They can be new entrants. Alternatively, competition may even come from customers and suppliers. Equally, tourism marketers should be knowledgeable of different business models, as competition is coming from differentiated and low-cost service providers, among others.

Appendix

Competition in the Deregulated Airline Market

Opportunities created by deregulation allow airlines to optimise their route networks (Camilleri, 2018b). New and promising markets can be entered rapidly. Similarly, services can be quickly withdrawn from unprofitable routes and the resources devoted to these markets may be transferred to other developing markets. Deregulation also means that airlines can increase their capacity levels as soon as an increase in demand justifies it. The airlines that incur lower costs than their rivals can afford providing reduced fares. This will enable them to exploit their cost advantages to the full.

It has been argued that deregulation has threatened inefficient airlines. The airlines that operate their services in liberalised markets had to learn to compete with other carriers. To do this, they had to take quick decisions and they also needed access to up-to-date information about the changing marketing environments. This way, they would minimise their rivals' chances to compete against them. For instance, they may use smaller aircraft, improve their service and enhance their route network. If an airline garners control over particular routes, over slots and gate space, they will be in a dominant position in the market, relative to their competitors. The airlines' capability to control its market loyalty, feed traffic and operating costs (including labour costs) are also extremely important factors. The airlines should also defend their brand status at all times.

Today, the airline industry is considered as a service business and must be prepared to operate in a highly competitive environment. No longer will public funds and regulation protect inefficient airlines. In the last few decades, many governments have reduced their direct involvement in the aviation industry. Many European airlines which were previously state-owned have sold their equity stake to private investors. Recently, the European Commission has put forward a comprehensive strategy to strengthen the competitiveness and sustainability of the entire EU air transport network. It has therefore identified three key priorities:

- Tapping into growth markets, by improving services, market access and investment opportunities with third countries, whilst guaranteeing a level playing field;
- Tackling limits to growth in the air and on the ground, by reducing capacity constraints and improving efficiency and connectivity;
- Maintaining high EU safety and security standards, by shifting to a risk and performance based mind-set. (EU, 2015)

Most importantly, the EU airlines have an unprecedented choice of European destinations and they could offer competitive prices to their passengers. The liberalisation of the European aviation industry has led to increased frequencies of domestic and international flights. As a result, the number of passengers travelled has also increased substantially, following the deregulation of markets. Moreover, low-fare carriers are now among the top airlines, both in terms of passengers and in terms of market capitalisation. For example, there is no limitation on traffic rights within Europe for EU airlines, as long as they have been granted an EU operating licence. However, restrictions and obstacles are still very common outside Europe and in the context of international services and third country markets. The international routes (beyond the EU zone) will usually involve at least two governments. This means that international aviation is negotiated by way of bilateral bargaining.

Air Services Agreements

Agreements between governments relating to scheduled air services are known as air service agreements (ASAs) and they cover many aspects of air services between the countries. One of their primary functions is to regulate traffic rights, in terms of what traffic can be carried and what cannot. Traffic rights are defined under the so-called 'Freedoms of the Air'.

- The First Freedom permits overflying of one country's airspace by airlines from another country. For example, when flying from London to Geneva, the aircraft flies through French air space.
- The Second Freedom allows airlines from the first country to land in a second for non-traffic purposes (e.g. for refuelling). Between friendly nations, the exchange of these non-controversial freedoms is virtually automatic.
- The Third Freedom allows traffic to be carried by the home airline to a foreign country, for example, a flight from London to Paris.
- The Fourth Freedom permits this airline to pick up commercial traffic in the foreign country and to bring it back to its home base.
- The Fifth Freedom is the right to carry traffic between two foreign points. Under the terms of the ASA between the United Kingdom and India, the Indian carrier is granted the right to pick up traffic originating in the United Kingdom and to fly between London and New York. Therefore, the granting of the Fifth Freedom rights is often contentious. Again, where such rights are granted, it is nearly always on a reciprocal basis. In the case of flights offered to Air India, under the terms of the United Kingdom/India ASA, these rights are only given by the UK government because, in return, the Indian government allows Fifth Freedom opportunities for a British carrier to pick up Indian traffic originating in Mumbai, and to fly beyond.
- The Sixth Freedom occurs when airlines fly passengers from outside destinations to their home base, and then from their home base to a point beyond; thus combining Third and Fourth Freedoms. For example, Singapore Airlines (SIA) is an active competitor in the markets between the United Kingdom and Singapore. It also has an agreement with Australia covering the same rights between Singapore and Australia. By combining these sets of rights and using its home base as a refuelling and stopover point, SIA has been able to expand significantly.

Following the granting of traffic rights, ASAs can dictate which gateways can be served by an airline or airlines, from each country. ASAs may also cover frequency and capacity of services. Arguably, the development of the Fifth and Sixth Freedoms has made many of the traditional forms of regulation less significant, in marketing terms. Even in nominally regulated markets, price competition became prevalent with consumers availing discounts in many ways. For example, all routes within the European Union were open to Third, Fourth and Fifth Freedom services. The capacity restrictions have been eased and were completely abolished by 1993. Eventually, greater pricing freedoms became available. The EU commission has been empowered to go ahead with negotiations, initially with the European Free Trade Association and later with others to extend the benefits of LUX II package. Other initiatives are currently being dealt with in possible multi-lateral ASAs.

Open Skies Agreement

Since 1992, the USA's Department of State has pursued an 'open-skies' policy that is designed to eliminate government involvement in airline decision making about routes, capacity and pricing in international markets. Open-Skies agreements also contain provisions governing commercial opportunities, safety, and security issues. The United States has negotiated open-skies agreements with more than 100 aviation partners.

References

Belobaba, P., Odoni, A., & Barnhart, C. (Eds.). (2015). *The global airline industry*. Hoboken, NJ: John Wiley & Sons.

Buhalis, D., & Law, R. (2008). Progress in information technology and tourism management: 20 years on and 10 years after the Internet—The state of eTourism research. *Tourism Management*, *29*(4), 609–623.

Camilleri, M. A. (2018a). The tourism industry: An overview. In Camilleri, M.A., *Travel marketing, tourism economics and the airline product* (pp. 3–27). Cham, Switzerland: Springer Nature.

Camilleri, M. A. (2018b). Airline schedules planning and route development. In Camilleri, M.A., *Travel marketing, tourism economics and the airline product* (pp. 179–190). Cham, Switzerland: Springer Nature.

Della Corte, V. & Aria, M. (2016). Coopetition and sustainable competitive advantage. The case of tourist destinations. *Tourism Management*, 54, 524–540.

EU (2015). *An aviation strategy for Europe. Brussels, Belgium*. Retrieved from: https://ec.europa.eu/transparency/regdoc/rep/1/2015/EN/1-2015-598-EN-F1-1.PDF. Accessed on February 3, 2018.

Gretzel, U., Werthner, H., Koo, C., & Lamsfus, C. (2015). Conceptual foundations for understanding smart tourism ecosystems. *Computers in Human Behavior*, *50*, 558–563.

Kotler, P., Armstrong, G., Franke, G., & Bunn, M. D. (1990). *Marketing: An introduction* (Vol. 1). Upper Saddle River, NJ: Prentice-Hall.

Porter, M. E. (1979). How competitive forces shape strategy (pp. 137–144). Retrieved from: http://faculty.bcitbusiness.ca/KevinW/4800/porter79.pdf. Accessed on April 15, 2018.

Sigala, M. (2018). New technologies in tourism: From multi-disciplinary to anti-disciplinary advances and trajectories. *Tourism Management Perspectives, 25*, 151–155.