

A Framework for Strategic Positioning of DMOs

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Abstract

The Internet and related changing consumer behaviour lead to challenging requirements for tourism institutions. Especially DMOs face the issue how to meet different stakeholders' requirements in this context. Based on an Austrian case study, the authors present an analysis framework to evaluate the needs of all the stakeholders involved. This analysis is used to define the strategic positioning of the respective DMO as well as to develop a related Internet service portfolio. Using a multi-methodical approach, the authors investigate i) the expectations of hotels and local tourist boards via an online-questionnaire, ii) behaviour of end-consumers via a causal statistical model, via log file analysis as well as 44 empirical and academic studies, and iii) the current regions' Internet service portfolio via a Europe-wide benchmark on destinations' websites. The presented framework of analysis combines the systematic application of evaluation methods for strategic positioning of DMOs within the tourism value chain. Besides the analysis framework, one part of the study, namely the online-questionnaire for hotels and local boards, is discussed in more detail.

Keywords: Destination Management Organisation, Internet Consumer Behaviour, Internet Services, Strategic Positioning

1 Background and Introduction

The travel world is characterised by strong usage of ICT and related changes in consumer behaviour. Shorter distribution channels (in space and time) speed up the

time that is necessary to get information and potentially reduce the number of intermediaries involved. Additionally, the increasing travel segment of “time poor - money rich” people, a shorter interval between booking and departure as well as continuously increasing necessity for information, is observed. All these elements underline the current and future importance of the Internet as a travel tool: In Germany, characterized with an Internet penetration rate of 57 %, 33 % of the population are using the Internet to access travel-related information (Internetworldstats, 2005; Austrian Tourist Board, 2005). In 2004, 9 % of all travel bookings in Europe have been accomplished online (ETC, 2006). Chen (2006) predicts a worldwide market share of online retail of 33 % in the year 2009. And the number of people with Internet access is still expanding (2005: 49,8 %, 2010: 63 % (Internetworldstats, 2005; OEHV, 2005)). In addition, more and better online services will enhance the convenience of online access to information and booking facilities. This highlights the importance of the Internet as a travel tool.

This paper is based on a case study looking at the current strategy of an Austrian province (i.e., its destination management organisation [DMO]), comprehending an analysis of the stakeholders involved. As a result the case study proposed a future position of the DMO in the value chain and the related Internet service portfolio. The overall region (province) shows the following structure: there is a central DMO carrying out the region’s marketing and management activities, underneath are sub regions or destinations, which themselves consist of local boards. However, all of them have substantial organisational as well decision making autonomy. The DMO operates a central website (including information and reservation options) since 9 years, involving all the above mentioned stakeholders as well as providers. Originally, the Internet portal was designed to provide detailed tourism content about the region, including information and transaction possibilities, and at the same time served as a marketing instrument for the whole region that encompasses over 500 municipalities (organised as local tourist boards) and 600 hotels. Based on the geographical variety of the destination, most relevant tourism topics are either attributed to cultural sights or nature. The target group refers to the typical Austrian tourist, i.e., a couple between 40 and 50 years old that stays for one to three days, mostly during a weekend (T-Mona, 2005). With its numbers the DMO is a typical Austrian region (both winter and summer tourism), it shows several millions arrivals as well as overnight stays, and a rather low hotel occupancy rate.

Also with regard to online usage the DMO shows average numbers, with relatively low booking figures (compared to overall arrivals in the region), but high website visits. The high numbers of visits as well as page views can be interpreted as an indicator for the high attractiveness of the website.

The remainder of this paper is structured as follows: Section 2 describes the multi-methodical approach and presents the different methods and procedures of analysis, related to the different stakeholders. In section 3, one part of the study is presented in detail. Section 4 discusses the benefits of the developed framework and its main results. At the end, as conclusions the DMO's future online strategy is shortly discussed as well as an outlook on further work is given.

2 Methodical Approach

This work aimed at involving all relevant stakeholders, that is, hotels and local tourist boards, consumers and the DMO (its platform) itself. The investigation is based on the principles of exploratory research with a mix of quantitative and qualitative methods. The chosen method therefore reflects a multi-methodical design meeting efficiently the different target groups' requirements.

As mentioned, the study consists of four parts, carried out in sequence. Firstly, an analysis of the DMO's booking log files was performed. The data of the website's visitors were investigated and structured in order to get a basic picture of the online booking situation in the region. This part of the study was complemented by an online-investigation on consumer-behaviour leading to a causal model (Steinbauer, 2006). Secondly, based on an online-evaluation of 117 hotels and 117 local boards, both target groups were clustered. Thirdly, an analysis of 44 scientific studies and business reports of the years 2000 – 2006 investigated the trends as well as actual challenges and barriers of transaction behaviour via online-platforms. After deriving first insights from these studies, a benchmark with 14 international and similar tourism websites was done. This step particularly addressed online services on DMOs' platforms, and allowed final suggestions for the future design of the platform, taking into consideration also a possible differentiation from competitors. As a result the authors proposed a specific position of the DMO in the value chain (i.e., its relationships to the other stakeholders) as well as the service portfolio – both constituting the future business model of the DMO.

2.1 Analysis of Consumer Behaviour

The log files of the DMO's platform in 2004 and 2005 were analysed in order to determine actual consumer's behaviour. Data were cleaned-up and restructured, i.e., bookings were matched with detailed descriptions of the accommodations and packages. A descriptive analysis of bookings and booking requests related to the consumer's demographic data was carried out and relationships were highlighted using cross tables.

All steps were carried out separately for the two main target groups: those that prefer all-inclusive arrangement and those that look for overnight-stays only. The two groups may not only differ in their travel needs but also with respect to booking behaviour.

The analysis of log files aimed at understanding the consumers booking behaviour and the related changes over two years. Furthermore, a more precise customer profile including demographic data as well as online booking behaviour like the most convenient booking time of the day, the time span between booking and arrival, and the general information seeking behaviour could be revealed.

Furthermore, an online questionnaire was filled by 1.547 visitors of the website and data was further investigated using the structural model of Steinbauer (2006) in order to reveal consumer behaviour with respect to decision taking and travel planning.

2.2 Segmentation of Hotels and Local Tourist Boards

Between February and March 2006, an online-questionnaire regarding hotels' and local tourist boards' expectations on tourism websites was sent to 1207 of those entities (only those were addressed which were using the platform). With a return rate of 25%, the amount of answers was sufficient to construct a good sample of both, hotels and local boards. To amplify simple frequency analysis of the two groups, a cluster analysis was carried out. Based on measures of proximity and distance, clustering aims at creating homogenous target groups with similar preferences. The hypothesis was that different groups of hoteliers might have different preferences on online platforms or – related to their category – might be prepared to pay more than owners of private accommodations, and therefore expect a more comprehensive service.

The analysis was based on ProDELI, an interactive software tool that was designed for the innovation of new products by establishing segment-specific optimal product configurations (Natter & Mild, 2003a). Customers are partitioned into homogenous groups using the k-means clustering algorithm (Anderberg, 1973) and the Davies-Bouldin-Index (Davies & Bouldin, 1979) for the specification of the optimal number of segments. Visualization possibilities are included that show that attributes that are located close to another indicate the customer's preferences on the two linked characteristics (Natter & Mild, 2003b).

As cluster analysis classifies objects regarding their similarity, the authors consciously neglected the "a-priori" segmentation possibilities on hotel category or Internet affinity and let the tool calculate the segments regarding their preferences. In

our sample, two different sets of questions were used: In the first block, hotels/boards were asked to select and rank those Internet services that they assume to be highly important for the consumer (see table 1). Secondly, all institutions had to report on their preferences according to an online platform. This set of questions referred for example to price/performance – ratio of a platform, the technical support or the platform’s reputation (see table 2).

Table 1. Questions on Relevant Internet Services

Ranking	Service
<input type="checkbox"/>	General information about region and hotel
<input type="checkbox"/>	Actual events
<input type="checkbox"/>	Topical packages
<input type="checkbox"/>	Online-booking tool
<input type="checkbox"/>	Brochures
<input type="checkbox"/>	Route-planning system and travel information (how to get there)
<input type="checkbox"/>	Information about topics of interest / activities (for example, golf or mountain biking)
<input type="checkbox"/>	Information about hotel /accommodation
<input type="checkbox"/>	Members only / Intranet features
<input type="checkbox"/>	Weather forecast
<input type="checkbox"/>	Online-Shop
<input type="checkbox"/>	Search function (search for hotel, for events, ...)
<input type="checkbox"/>	Newsletter
	7 items had to be chosen and ranked – according to their relevance from 1-7 (1=most important, 7= least important)

Table 2. Questions on important factors for hotels/boards

Ranking	Relevant Factors
<input type="checkbox"/>	Price-benefit – ratio
<input type="checkbox"/>	Usability of the Content Management System (data entry and administration)
<input type="checkbox"/>	Publicity / reputation of the platform at the market
<input type="checkbox"/>	Quality and possibilities of presentation for my hotel/board
<input type="checkbox"/>	Attractiveness of the online-platform (attractiveness of the content provided)
<input type="checkbox"/>	Technical support and service for my hotel/the municipality
<input type="checkbox"/>	Geographical coverage (target group that is reached with this platform)
<input type="checkbox"/>	Languages / Translation of the online platform
<input type="checkbox"/>	Integration rate (number of other hotels and boards)
	Items had to be ranked according to their relevance from 1-9 (1=most important, 9=least important)

Based on these questionnaires the software computes an initial multi-dimensional scaling solution based on distances between product and attribute rankings, which are, in our case the Internet services on the one hand, and the importance of the platform

features on the other hand. Based on the segments obtained one can now see the segment related services (for consumers) and requirements for the website (such as geographical coverage or reputation of the platform).

2.3 Desk-research: Meta-analysis of 44 Studies and Articles

As a basis for building a 5-year strategy for online destination management 44 different studies and papers dealing with e-Commerce in the tourism sector were analysed. The aim was to get an overview of the actual situation and to filter possible future trends in this segment, trying to focus especially on the European travel market. All studies deal with sustainable developments, leaving aside external factors (politics, pandemics) as well as doubtful technological deployments.

In a first step it was essential to analyse the general and travel-related Internet-usage throughout Europe, concentrating on the performance of Austria in comparison to other countries in order to get a first indicator for the development in the last years. A more precise search screened the studies regarding to elements, which favour or hinder the completion of online booking processes. In general, these studies focused especially on usability issues as well on trust generating elements and perception of online booking tools. To complete the survey, an overview of future trends and possible developments in the e-Tourism sector was compiled. In every single step the different results were clustered to identify the main developments, problems and trends regarding to online travel planning and booking.

2.4 Benchmark: Web-Evaluation of Regional Online-Platforms

In the last part of the study a qualitative website evaluation of 14 destination websites, which partly offered online booking options, in Europe, America and Australia has been conducted. "Website evaluation has developed in an ad hoc way using a variety of criteria and methods. [...] The underlying concept of these different models arises from the consideration of what is being evaluated and for what purpose the evaluation is being carried out." (Borovicka & Stockdale, 2006). This survey focused on the three blocks of the DeLone/McLean-Model of Information System Success (1992, 2003), namely System, Information and Service and was enhanced by the transaction phases in electronic markets (see figure 1).

The pyramid consists of three components with bottom-up structure, starting with the *System*-element as a base for any website (such as flexibility or multi media). The *Information*-section focuses on the content offered and its structure. The *Service* section refers to the provision of online services. An absolute benchmark for the emphasised service area was defined through the service map of Werthner (2006), which was developed for the implementation of the European tourism portal

<http://www.visiteurope.com>. This map contains different levels of services, defining absolute core services to possible future add-ons.

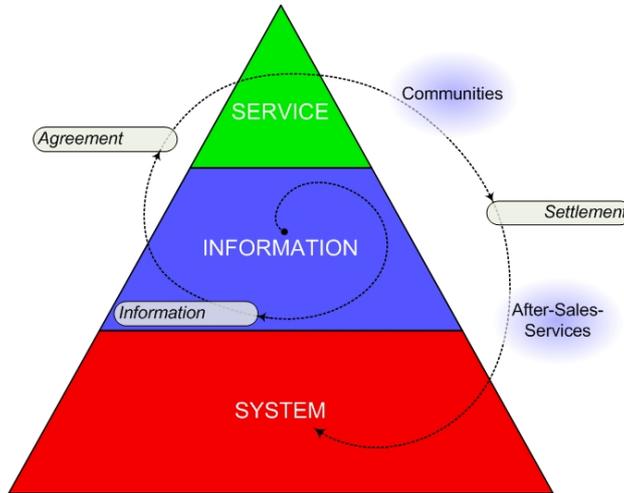


Fig. 1. Web-Quality Pyramid with integrated Transaction "Helix" (Borovicka & Stockdale, 2006)

In the final Web-Quality-Pyramid the different transaction steps (information, agreement, and settlement) were integrated. In addition, two further "phases" were added: after-sales and communities. This integrated transaction view implies, that, e.g., the level *Service* was extended to sub-categories like online booking option, call-back service, newsletter, route planner or different search options. Overall, 66 evaluation attributes (e.g., supported languages, link strategy, personalization, last minute offers, search options, add-on services...) were defined and evaluated with 1 (supported) or 0 (not supported). A standard evaluation sheet was designed, and two evaluators with expertise in tourism and IT analysed all 15 pages individually over a period of two weeks. Subsequently, the results were compared and any difference was re-checked and discussed to come to a consistent outcome.

3 Results

In the following, the most important results of all parts (sections 2.1 to 2.4) are highlighted, but due to space restrictions, only the results of section 2.2. are discussed in more detail. As a main (and also obvious) result for the DMO this part underlines

that hotels as the main providers of tourism content are crucial for the positioning of the DMO.

3.1 General Results

Part 1 of the analysis revealed that only a minor part of the involved accommodation businesses could cover more than two bookings per year. The conversion rate of booking requests is lower than ten percent. Besides a slight increase of bookings and booking requests, no specific changes from 2004 to 2005 could be observed. The online-booker resembles the average tourist of the region, but clears his bookings only 2-3 weeks in advance. A significant result regards involvement in the analysis of consumers' behaviour: Those tourists that showed high involvement rated the websites and the services significantly more positive than those with low involvement (Steinbauer, 2006).

The segmentation of hotels and regions (part 2) reveals among other results the central role of hotels as the driving stakeholder from the business perspective. Those businesses that have a good market position, i.e., 4- and 5-star-hotels select the online-platform(s) according to the added value created via the portal, and not so much on cost considerations.

In part 3 it became clear that the most crucial factors for tourism websites can be summarised as a) price, b) information and c) c2c interaction: Tourists expect online-travel platforms to offer a reduced price (Cho & Agrusa, 2006; Beldona et al., 2004; Fam et al., 2003), but at the same time honour qualitative and well structured content that leads to reduced search effort (Cho & Agrusa, 2006; German Federal Ministry of Economy & Labour, 2005; OEHV, 2005; Steinbrink, 2005; Beldona et al., 2004; Fritsch, 2002). Among others, Lang (2000) considers trust as one major problem when it comes to online booking. The uncertainty with respect to the source of information on travel websites drives customers to "independent" sources of information like blogs, communities and other c2c-sites, where consumers/users can interact directly with other travellers, by sharing experiences, posting their opinions and at the same time establishing a personal relationship with other travellers.

Part 4 finally shows that exactly those c2c-interactions cannot be described as state of the art with respect to online services. Only 3 services have been found on all evaluated destination websites: event search, geographic search as well as maps of the regions. On the other hand, mobile support does not seem to be of great relevance for tourism providers as none of them offered publishing services or location-based navigation for mobile devices. Neither a recommendation nor a rating system was

found on the 14 websites – services, which would both support customers in their decision making as well as increase confidence in a website.

3.2 Segmentation of Suppliers

Although on a first sight, the frequency analysis of the online questionnaire shows that 47% of the hotels ranked the item “general information of regions and places” as most important and that the price-performance – ratio as well as the reputation of the platform were most important to the respondents, the segmentation for hotels revealed three groups that differ significantly from each other. While the first cluster encompasses 39% of the sample and concentrates on online-booking options and the geographical coverage of the platform, segment 2 with 28% is only interested in a good cost ratio and user-friendly administration options. The third segment, containing 22% of the respondents, is interested in presenting the own hotel or accommodation including additional information like how to arrive at the hotel.

Table 3. Segments of hotels

Characteristics	Business focus	Price focus	Presentation focus
Category of accommodation	4-star-hotels	“farm holidays”, private accommodation	3-star-hotels
Number of beds	50-100	<50, small enterprises	50-100
Online platforms	High percentage operates at several platforms	77% only at one platform	Partly operate at several platforms
Booking tool in use	Yes	No	No
Other important tools on a platform	Discussion/chatroom Weblog, hotel appraisal	Discussion/chatroom Webcam/Weblog	Discussion/chatroom Webcam/Weblog
Time attributed to maintenance of the platform	Frequently, responsible person for online-presentation	Seldom, only a few hours per month	A few hours a week

Most important in this context is the first group that actively looks for concrete business opportunities via online-platforms and aims at continuously expanding online services (see table 3). The segmentation analysis for local boards shows a similar picture: 50% of all 117 analysed boards are price-sensitive and ask for user-friendly features. 36% of the sample, however, mostly concentrate on the presentation

of the own region. The third segment can be seen as the counterpart of the business-oriented hotels: 14% of the sample, strongly represented by local boards with more than 10.000 inhabitants and up to 100 hotels would like to focus on the information about hotels. In this segment, search functions, detailed price information about hotels and packages as well as hotel appraisals and discussion fora are requested.

The segmentation reveals the central role of hotels as the driving stakeholder from the business perspective. Those businesses that have a good market position, i.e., 4- and 5-star-hotels, select the online-platform(s) according to the added value created via the portal. Booking options are extremely important in this segment and identified hotels are likely to switch to other platforms like pure hotel booking engines that promote booking functionality without providing further enhanced information about for example the region.

4 Discussion and Conclusions

In this paper as well as the underlying case study the authors apply a multi-methodical framework, which takes into consideration the different stakeholders' interest within a tourism destination when defining the future strategy of the respective DMO. The study encompasses the consumer's view via the analysis of the website's log files as well as an online questionnaire, the expectations of hotels and regions using also an online questionnaire, and the current performance of the DMO's competitors in the market by benchmarking it with the DMO's website. In addition, analysis of 44 scientific and business reports to provide a possible qualitative trajectory of the e-Tourism market was used.

The method described assisted the DMO twofold: Firstly, a comprehensive evaluation of all stakeholders' needs was carried out. Secondly, the results of the evaluation were combined with implications of different future strategic positions of the DMO in the tourism network. This means, that the model does not only provide an analysis framework, but also supports in drawing strategic positions and in deriving related implications.

In this specific case, we show that there exist market segments among hotels and local boards that increasingly want to concentrate on online sales and e-Commerce activities. These segments are based on the expanding number of online tourists that do not only look for elaborated information about destinations but also want to carry out the related electronic transactions. The fact that e-Tourism activities will play an important role in the near future was further confirmed via the analysis of the mentioned studies. In general, due to the fast growing e-Commerce sector, the position of the consumer in the market place becomes strengthened, while suppliers

are facing a growing number of competitors, making it even more difficult to maintain or to increase market share. Therefore, the challenge for DMOs is twofold: Still, a large segment of travellers only looks for information via the Internet, but then switches to more traditional media like telephone in order to book their holidays. The solution of those trust-related issues might be difficult as it seems to be important to have a) personal contact with the consumer, but b) also to offer a fast transaction service. The second and even more important issue is how to involve the traveller in the destination's platform. Steinbauer (2006) finds that trust can particularly be enhanced with a strong involvement of the customer. Online services like interactive recommendation possibilities from one tourist to another one or discussion blogs about a special region are a possible means to increase consumers' loyalty towards a certain booking platform.

In the final discussion with the province, several alternatives and related implications were highlighted. Based on the studies and analyses carried out, the recommended strategy corresponded to an integrative business model that is a mixture of an intermediary and merchant, but incorporates parts of the community model (Rappa, 2006). For the destination, this means to concentrate on both, information and booking features, but also to offer additional Internet services for the potential tourists. Main focus of services should address the strong involvement of users via personalised services and discussion fora or blogs. The application of those services does not only provide a solution to current market's requirement, but also allows differentiating from competitors. As the authors found, only 4 out of 14 websites offer blogs and none concentrate on recommendation services at the moment. In order to consequently implement these recommendations, the change of strategy involves investment in e-marketing and sophisticated IT solutions, but also a strong cooperation and interaction between the stakeholders involved. As it is (nearly) always the case, strategy in e-Commerce and e-Tourism, includes both, technical as well as organisational issues.

This case study reveals the detailed situation of one specific DMO in Austria. Further work on this topic should a) apply the analysis framework to several other DMOs, and b) the model should be further developed from strategic implications towards structural and IT-related propositions.

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