Destination management and economic background: defining and monitoring local tourist destinations

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SUMMARY

The role of Destination management is to manage and support the integration of different resources, activities and stakeholders through suitable policies and actions. It implies then both governmental/decisional and functional competences (planning, organisation and control of business activities), which should be generally performed by the public sector. The issue of “Destination management” has been brought to light in the last two decades as a consequence of the steady development of tourism from both the demand and the supply side and has been developed as a response to the emerging trends observed in the tourism market. The main objective of this approach, then, is to manage the various components of a local tourist destination in a way that ensures its economic profitability while avoiding degradation of the factors that have created its competitive position. Within this context, the paper wants: to give a better understanding of the role of tourism economic analysis for destination management; to propose a definition of “local tourist destination” (LTD); to stimulate the debate on the importance of monitoring systems for destinations, able to support the decision making process. Preliminary to this process is the clear understanding and definition of the concept of “local tourist destination” (LTD) within the framework of TSAs and economic analysis at sub-national level. The relevant factors that can help to stimulate the discussion on this topic have been identified as follows:

a) Resources, actors, activities as an integrated set
b) Territory
c) Observation and analytical unit
d) Capacity of attraction
e) Relevance of the tourism consumption for the overall economic activity

This preliminary step should allow, in the near future, to reach consensus around an operative definition of LTD which is right for the objective to strengthen the relationship between economic analysis and destination management/planning.
The focus, then, is on the importance to measure, monitor and interpret tourism as an economic phenomenon at LTD level, the main reason being that the sub-national level is the suitable dimension for tourism plans and decision making; it is at this level, in fact, that relevant questions need urgent and effective answer. This is why it seems relevant to stimulate the debate towards the opportunity to develop monitoring systems for local tourist destinations. They should be characterised by an increasingly closer relationship between planning, management and control, on one side, and by a flexible structure able to be relevant to any development or management plans, on the other. The Italian experience, starting from the socio-economic model developed in 2006 to identify local tourist destinations as defined by the Italian law represents an attempt towards an effective monitoring system to be used both from a diagnostic point of view, i.e. giving a photograph of the “here and now” of the destination, and as a support for tourism planning and management.

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1. INTRODUCTION AND OBJECTIVES

The increasing complexity of the competitive environment and the decreasing possibility to control and foresee markets and demand are among the crucial factors local tourist destinations, both emerging and already established have to face.

Successful management which has to carry tourism destinations in the new millennium needs to be based upon: organisation of local resources; co-ordination and management of local tourist production; management and control of the relations among the stakeholders; market segmentation and product lines, and finally, creation and management of the value produced by the tourism system for all the actors involved: public and private sector, tourists, the host community.

Efficient and effective management will depend on a precise knowledge of actual and potential demand, on actors involved in tourist supply and on the economic relations that exist among the stakeholders.

Like tourism demand behaviour changes, also destinations, or better the products of the destination, need to be in constant evolution. According to literature, tourist products consist of a set of attractiveness factors, goods and services organised according to tourists’ motivations and needs. The variety of products depends on the variety of the resources (natural, cultural, artificial), while the variability depends on the way the attractions are developed, organised, managed and “consumed”. This means that many destinations, both emerging and mature, can be re-positioned on the market, stimulating the development of new markets/segments and of new products as well.

In the last twenty years tourism management had to deal with a strategic dilemma: do we need product management or destination management? According to the literature on the subject, it seems the solution is definitely destination management, to obtain products based on attentive market segmentation.

Given this context, the paper wants

a. To give a better understanding of the role of tourism economic analysis for destination management
b. To propose a definition of “destination” within the framework of economic analysis at sub-national level
c. To stimulate the debate on the importance of monitoring systems for destinations, able to support the decision making process.

2. THE IMPORTANCE OF THE DESTINATION MANAGEMENT APPROACH

The role of Destination management is to manage and support the integration of different resources, activities and stakeholders through suitable policies and actions. It implies then both governmental/decisional and functional competences (planning, organisation and control of business activities), which should be generally performed by the public sector (Manente, Minghetti, 2006).

The issue of “Destination management” has been brought to light in the last two decades as a consequence of the steady development of tourism from both the demand and the supply side and has been developed as a response to the emerging trends observed in the tourism market.

In fact, from the demand side, worldwide tourism has been facing a wide range of changes: from the relevant growth of tourist flows to the increasing differentiation of tourists’
motivations and requirements. From the supply side, the need to meet customers’
expectations and specific market segments implies the evolution and the innovation of the
offer. In this context, the emerging issues are mainly the problems of compatibility between
safeguarding of natural and cultural local resources as well as of the community identity and
their tourist use, and the need to build a consensus among the different actors of supply and
co-ordinate their actions. These changes have brought to light the urgent need for private
and public actors of tourism supply for tourist flows management and destination
organisation from a coherent, integrated and qualitative perspective.

The impetus with which tourists’ motivations and needs increase and vary translates itself
into a complex segmentation of tourism demand and consequently requires a greater
differentiation of the supply and a personalization of the tourism product as a whole, as well
as of its many components, each participating to form the tourists’ experience. This is mainly
ture if the tourism product is the destination, which normally can offer several possibilities of
attraction and sells itself to different typologies of clients. Furthermore, the market
globalisation together with the rapid evolution of services and infrastructures, makes the
competitive environment quite unsteady and eliminates the “monopolistic regime” of many
destinations.

Thus, as a consequence of the recent evolutions and in order to face the new challenges for
the future, destinations which want to maintain or gain a competitive position on the tourist
market cannot sell themselves as a unique tourism product, but should propose as many
products as tourism demand segmentation requires. Furthermore they must define tourism
development strategies in order to create value for all the stakeholders involved, taking into
account that each of them benefits from tourism and contributes to its costs in different ways,
has different and diversified interests and objectives, and thus perceives and values costs and
benefits subjectively

The way to face successfully all these new challenges is through the implementation of an
effective destination management approach: destinations which want to implement a
management system first of all need to be aware of the fact that they are a system, then
define and understand its actors, linkages, interactions and competitive environment.

As stated by Gunn (1988): “tourism distributes markets to products (travel destinations)
rather than the opposite .... This difference means that the product areas, the places to which
we travel, are more difficult to plan, design and manage”.

Given these elements, destination management represents a key strategy for both mature
and emerging destinations, in order to satisfy an ever-demanding consumer, ensure
sustainable development and positive impacts, and then gain, hold or win back a strong
position on the global tourism market

Understanding this approach and the opportunities it offers is a priority for public/private
organisations and tourism suppliers at each territorial level. However, in spite of the
recognised theoretical importance of this concept, its diffusion, understanding and use
among tourism operators is still low. Tourism organisations are not completely aware of their
role in the creation and management of local supply, of their influence on the destination
image and then on the customers’ experience. Furthermore, there is limited consciousness
on the importance their interactions have in organising the product and then determining the
destination competitiveness on the market (Manente, Minghetti, 2006).

The following chart synthetizes the main objectives of the destination management
approach, from which it emerges, according to Ritchie&Crouch (2003) that the challenge now
faced by the destination is to manage its various components in a way that ensures its
economic profitability while avoiding degradation of the factors that have created its
competitive position.
3. DEFINING A LOCAL TOURIST DESTINATION (LTD)

Objective of this paragraph is to identify the relevant factors that can help to stimulate the discussion on the concept of destination within the framework of TSAs and economic analysis at sub-national level. This preliminary step should allow, in the near future, to reach consensus around an operative definition of destination which is right for the objective to strengthen the relationship between economic analysis and destination management/planning.

The first part will be devoted to the literature review, from which it emerges that “destination” is a complex concept that can be specified according to a multiplicity of angles and perspectives. In the second part a proposal for relevant elements to be considered in order to launch the process towards a shared definition will be presented.

3.1 Main Literature Review

According to Webster’s Dictionary, the term “destination” is used to signify “the place set for the end of a journey”, i.e. a geographical area (a location, a resort, a region, a country, etc.) where the traveler intends to spend time away from home.

According to the definition of the WTO (1999, 2007), a tourist destination is an important place visited by tourists which represents the basic unit of analysis in tourism. Three perspectives can be recognized: the geographical (a distinctly recognizable area with geographic or administrative boundaries that tourists visit and stay in during their trip), the economic (the place where they stay the longest and they spend a relevant amount of money and where tourism revenue is significant, or potentially significant, to the economy) and the psychographical (the one which constitutes the main reason for the journey). Furthermore, the destination is serviced by both private and public sector and can be done by a whole country (France), a region (Andalucia), an island (Sicily), a village, town or city, or a self-contained centre or attraction (e.g. Disneyland).

Starting from these general definitions, many other meanings to the term ‘destination’ exist, either from sociology, marketing and management perspectives. In addition to that, the identification of a destination can vary according to the multiplicity of actors (actual and potential tourism demand, local private tourist activities, public actors, non local tourist activities, the host community) and perceptions.
For marketing sciences, for example, a tourist destination is more than a mere geographical place. It is an amalgamation of products, services, natural resources, artificial elements and information that is able to attract a number of visitors into a place (Leiper, 1995; Bieger, 1997a, 1997b, 1998). As stated in Keller (2000): “tourists perceive a destination or the service offered in the context of a destination, as a whole. The package of services is often impossible to separate from the geographical place. Destination and product are thus identical”.

From the point of view of tourism demand, tourists can mature different ideas of the destination according to their decision process, their expectations and their level of satisfaction. Before the visit, in fact, the perception they have of the destination and of the benefits they can receive, according to their culture, system of values and socio-economic status, is the basis for their choice, and so tourist destination ‘can be seen as the tourist product that in certain markets competes with other products’ (Bieger, 1992, p.7). But it is only during the visit and the fruition of the destination that tourists verify if the expected benefits are real. The fact that the destination as a tourism product can be well-known only after the use, means that it is an experience good. According to Bieger (1992, p. 7)\(^1\), at this stage the destination concept focuses on the customer and the actors of the tourism supply. He defines destinations as ‘areas which consist of all services and offers a tourist consumes during his/her stay’. The assembling of different tourism components is made according to tourists’ preferences, motivations and expectations (Gunn, 1994; Hu and Ritchie, 1993). The results of this experience condition the final perception of the destination in terms of both its boundaries and quality. Consequently, a tourist destination can be defined as a “collection of experiences gained by the traveller” (Gunn, 1972).

In the same direction, Leiper (1990) states that the destination can be seen as a packaging of products and services partly created by public and private operators: the core is not the single attraction in itself, but a combination of factors made through the tourist’s consumption experience. The overall travel experience to a destination also involves the activity of many tourism businesses, public organisations, intermediaries, etc., and the development of actions and programmes directed towards specific functions.

In the end, the many motivations, needs, expectations and experiences the tourism demand can express identify a wide set of segments and consequently of perceptions of the destination.

The destination is also a concept coming from the supply side, and in particular from resources and identity of the local community.

From this angle, the destination can be defined according to two different perspectives (Manente, Minghetti, 2006):

1. As a tourist place where tourist activities have been developed and then tourist products are produced and consumed
2. As a tourist product and then as a specific supply involving a set of resources, activities and actors of a territory as well as the local community

But the shift from the destination as a “tourist place” to the destination as a “tourism product” or, better, as a system of products, depends, once again, on the perception of the stakeholders involved. As already stated, actual and potential tourists, public administration, local private tourism activities, non-local tourism activities and the host community have

diverging objectives and needs, and then generate a multiplicity of ideas of the concept of destination.

All these issues seem to lead to the conclusion that destination is a fuzzy approach which cannot be defined *a priori* once and for all, but which presents as unifying factor that of being an attraction and aggregating centre.

However this uncertainty cannot be accepted once recognised that destinations which want to reach, maintain, defend their competitive position on the global market place, need information, methods and tools functional to the evaluation of their current competitive position, the competitive environment, future development scenarios and strategic options. This is why an operative definition should be found.

### 3.2 Defining a local tourist destination: What are the relevant factors?

This paragraph wants to identify the basic elements that should be considered in the definition of a concept of destination which is intended to focus on the relationship between economic analysis and destination management/planning at sub-national level.

This definition should distinguish the “destination” from the “region” where administrative boundaries determine the dimension and the characteristics of the area considered. In fact, the region can be identified as the administrative unit corresponding to the first level of territorial disaggregation of a country in terms of its political and administrative organization (for instance, level 2 of the NUTS in the European Union, the provinces in Canada, and the States of USA and Brasil).

Furthermore it should integrate the demand and the supply perspective, taking into account that, in the end, destination is the place where tourism demand meets tourism supply. This statement is in line with the peculiarity of tourism as an economic sector which translates itself on the complexity of its production that can be acknowledged and defined only where and when it is purchased by tourists.

Within this context, the following seem to be the basic factors to be thought over for the definition:

a) **Resources, actors, activities:** a destination should be characterized by an integrated set of natural, cultural or artificial (e.g. theme parks) resources. They become tourist attractions and then can be translated into products by the action of the local and non local stakeholders: from the potential tourist destination to the destination tourism products. The fact that this set has to be “integrated” means first identifying the complex set of public and private actors, their role and competences. Furthermore, public and private stakeholders have different responsibilities and interests and meet different costs/benefits. Each destination product combines goods and services produced by the market with the local resources that represent the reason why tourists choose this destination over competitors. The public sector plays a crucial role in ensuring optimal use of public tourism resources/services and a balanced sharing of costs and benefits among all the actors involved. Then, the public sector should act as a “development agent” and create the conditions to overcome the obstacles – cultural, legal and economic- to cooperation and networking. The private sector, on the other hand, should contribute to the destination preservation and development and become a “market agent”, matching demand and supply and making the tourism product available on the market. Secondly, a planning process should be developed around which diverging interests can find consensus, aggregation and synergy.
b) **Territory**: the integrated set of resources, actors, activities are located in a territory that can be either a municipality or a sum of municipalities sharing contiguity or homogeneity of resources/attractions or functional interactions. Frequently a destination is characterized by a main centre (pole) and a group of other municipalities with a secondary role around it. Among them a multi-sided relationship may exist: from the mutual strengthening of the attraction capacity to the support in terms of accommodation services (as it is for example in the case of Venice or of other minor art cities with limited number of bed places) to the creation of alternative opportunities of visit for experienced tourists who want to know “the context” of the destination, as a viable strategy to spread demand over space (and time) and to stimulate the development of the surrounding area.

c) **Observation and analytical unit**: the already mentioned peculiarity of tourism as an economic sector – i.e. the central role of tourism demand and the spatial and temporal coincidence between tourism consumption and tourism production – makes the territory the heart of the concept of the local destination. This means the territory becomes the unit of reference to measure the two sides of the same medal. On the supply side, both the services provided by the tourist attractions and the activities of characteristic tourist industries need to be defined and quantified with regard to their location. On the demand side, it is the manifest territorial concentration of visitors’ flows and of their corresponding activities (first of all consumption) which requires the adoption of the territory as observation unit. Besides the territory of a local tourist destination, other analytical units might be of interest, for which no fixed borders should be considered, but subjected to the journey’s characteristics and models. That means these analytical units can also overlap depending, for example, on the mutual relationship previously described.

d) **Capacity of attraction**: such a territory should be perceived to be of interest by potential visitors so that they decide to visit it for any main purpose (either personal or for business)

e) **Relevance of the tourism consumption for the overall economic activity**: the visitors’ consumption experience should mean a meaningful amount spent so that the local production system would be significantly affected in the absence of it. It is important to remember that while the concentration of tourist attractions gives each place a unique characterization and attracts tourism demand, the tourism industries that contribute to satisfy tourists’ needs are generally distributed over a larger territory than that of the destination (e.g. external actors, like tour operators or transport carriers). Consequently, the positive economic effects (in terms of revenues and employment) deriving from tourism tend to be spread both within and outside the local tourist destination, while the impacts generated by excessive pressure of tourism demand (which are generally negative) are localized in it. In other words, a good performance in terms of visitors’ flows does not always imply a positive cost-benefit balance for the destination.

4. **TOURISM ECONOMIC ANALYSIS AND DESTINATION MANAGEMENT**

The recent debate highlights the need of a local perspective when effective strategies and actions have to be implemented with the final aim of creating value for the whole set of stakeholders of the destination (tourists, industries and host community).

Within this context, to orient economic analysis of tourism according to the real requests of the destination and its private and public actors turns out to be crucial, assumed that instruments for management/planning are even more important at local/destination level.
This issue has been handled by Ritchie-Crouch (2003) who provided an interesting and exhaustive framework: within their “general conceptual model of destination competitiveness”, they state that “Without some fundamental data on the significant attractions and resources, historical performance, current visitors and other vital information, the formulation of a policy framework .. remains an abstract exercise”. Within this context, they identify three major elements of analysis/evaluation: competitive/collaborative analysis (how the destination relates and compares to other destinations); audit of the destination and its attributes, strengths and weaknesses; monitoring and evaluation of policies and their outcome.

The focus, then, is on the importance to measure, monitor and interpret tourism as an economic phenomenon at destination level, the main reasons being:

a. the sub-national level is the suitable dimension for tourism plans and decision making; it is at this level, in fact, that relevant questions need urgent and effective answer: Is tourism remunerative? What are the most profitable segments? Substitution effects between segments of demand: what are the economic consequences? What is the impact of tourism expenditure on the volume of imports? What is the relevance of the spill over effects? What are the characteristics and the dynamics of the tourism labour market? What is the level and the structure of investments/gross fixed capital formation for tourism? Taxes from tourism: are they remunerative?

b. destination management approach implies a clear definition of the territory we are referring to and a powerful system of tourism statistics. Furthermore, destination management means cooperation and partnership among different stakeholders with different priorities in terms of both strategies/actions and information needs: while public sector is concerned with macroeconomic indicators on economic impact, employment effects, etc., private companies will be much more interested in indicators giving them support for marketing and business planning purposes.

5. INFORMATION NEEDS FOR DESTINATION MANAGEMENT

In the recent years local planning has devoted an increasing attention to tourism as a central solution to the need to relaunch/rejuvenate/differentiate the economic and production system and ensure a sustainable growth combining a general economic development with the preservation of the host community’s identity and quality of life.

However, this central role of the tourism sector frequently faces a careless, partial and discordant set of information. Actually, there is generally wide agreement on the fact that:

- existing information on tourism at local level generally does not provide a sound basis for analysis and policymaking both for public and private operators
- it is necessary to develop an integrated framework of data and sources
- it is necessary to complement basic data with monitoring indicators, as well as accounting methodologies with tourism policy models

Furthermore, the multiplicity of stakeholders involved in the tourism system (such as national, regional and local administrations; national and international economic operators; professional associations; private companies; organisations and interest groups as well as local community, etc.) implies different needs in terms of typologies of information: from tourism demand, to economic role and impacts of tourism, human resources and so on; from statistical data to qualitative analyses and methodological reports. The final result is an enormous and growing request for information investigations at different levels (territorial,
sectoral, temporal, etc.), which requires different approaches and a huge effort of co-ordination, homogenisation and control mainly in terms of definitions, methods of collection, methodologies of analysis, and then overall quality of the information.

Stakeholders' dissatisfaction due to the perceived current inadequate system of information is common to the different parts of the system at each territorial level. However, this discontent can be the result of several causes:

- information is frequently not available or, if it is available, it is not updated at the right time or not detailed enough;
- it is difficult to find the right information or to have knowledge of its availability because of existing gaps within communication systems;
- information retrieval costs are frequently too high. Many statistics produced or ordered by private companies are only available to those stakeholders that pay for it. Thus the most small and medium sized market participants have no chance to obtain these information. So there is no real information gap, but a gap of payable or accessible information;
- the information, or better the organisation of the information, is frequently inadequate to the role and needs of the stakeholders. Information contents differ according to whether they are required as a support to methodological elaboration and socio-economic analyses of the sector (as it is for Universities, researchers, etc.), or both to the policy makers' and private operators decision process. Furthermore, they may differ according to the phases of development of the destination: at each step of the life cycle, a different knowledge can be needed. For a mature destination, for example, the role of the information describing the risk of decline is more relevant than in the previous stages.

Finally, the number of variables/indicators which can be collected/evaluated to monitor the performance of a local tourist destination is potentially very large. A combined approach which integrates different methods of analysis according to specific objectives is required.

6. TOWARDS A MONITORING SYSTEM FOR LOCAL TOURIST DESTINATIONS: THE ITALIAN EXPERIENCE

In the light of the questions discussed in the previous paragraphs, it seems relevant to stimulate the debate towards the opportunity to develop monitoring systems for local destinations. They should be characterised by an increasingly closer relationship between planning, management and control, on one side, and by a flexible structure able to be relevant to any development or management plans, on the other.

The following paragraphs present the Italian experience, starting from the socio-economic model developed in 2006 to identify local tourist destinations as defined by the Italian law, and presented at the 8th International Forum on Tourism Statistics in Cáceres.

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2 This paragraph has been written by Federica Montaguti, CISET senior researcher who performed the monitoring system during the technical assistance to the Local Tourism Systems of the Sardinia Region, and Mara Manente

3 Manente M., Meneghello S. (2006). Defining and testing a socio-economic model to identify Italian Local Tourism Systems (STL): a methodological framework, Paper presented at the 8th International Forum on Tourism Statistics, Cáceres, Spain - November 15th 2006. The project proceeded with the results of the DETOUR study carried out by CISET for the European Commission (Call for Tender n.ENTR/00/12 lot 2), which aimed at analyzing the decline of local tourist destinations with regard to the definition of an early warning system based on appropriate indicators, so that to identify the risks.
The resulting tool which is presented below with all its essential characteristics, represents an evolution towards an effective monitoring system to be used both from a diagnostic point of view, i.e. giving a photograph of the “here and now” of the destination, and as a support for tourism planning and management.

The two levels are both relevant for the destination, however, only the second one will be focused on, being the most innovative and strictly linked to destination management.

6.1 The general framework

The objectives of the evolved monitoring system are the following:

- To evaluate over time the phases of development of a local tourist destination
- To make comparisons with other destinations
- To be a support for defining strategies and planning

To be able to respond to these needs, the monitoring tool has been thought to present some defining characteristics:

- **depth**: the model should not concentrate only on comparative advantages (infrastructure, attractions, etc.) but should also take into account competitive advantages, e.g. the ability to exploit resources;

- **dynamism**: the system should highlight the *modus operandi* of the destination, not only by looking at the single components which make up the whole, but by looking at the types of relationships which exist between the components;

- **multi-dimensionality**: the model should take into consideration initial conditions and the objectives and strategies then adopted, in order to avoid a too mechanical reading and interpretation of the destination’s current situation;

- **multi-tasking**: the model should allow for evaluations to be made not only in the short or long-term, but in both these dimensions;

- **sensitiveness**: the model should be able to evaluate not only structural elements but also those aspects which are rapidly evolving;

- **modular**: the model should be suitable for making both comparisons and evaluations, and it should be able to evaluate the aspects of destination development.

In order to respond to these characteristics, the monitoring tool needs to base itself on those sets of indicators, which have already been developed to identify homogeneous tourism systems (Manente, Meneghello, 2006). These should then be integrated and combined in a different way with other indicators to respond to the diverse needs of destination planning and management.

In other words, it uses the same set of indicators – necessitating therefore only one single calculation – but it combines the indicators in a different way to obtain different indications.

In particular, the indicators are grouped together:

- in a “traditional” way, for homogenous groups in the diagnostic phase
- by step or by strategic phases while supporting planning and management development.
6.2 The set of indicators

All in all about 90 indicators, standardized according to a benchmark area, have been identified and integrated into the model. The benchmark area can then be identified by decision makers according to individual contexts, needs and points of reference (a region, the whole country, a competitive destination, a best practice, etc.).

The set of indicators is ideal, as it is ample enough to allow the model maximum flexibility and adaptability with regards to the diverse needs of different destinations. In fact, the intention is to make available the most complete set of indicators possible for the destination, from which it can then draw its own set of indicators to meet its needs, according to its individual characteristics, experience, objectives and available data.

Furthermore, in some cases, alternative calculations for certain indices are suggested (for example the tourist pressure on a destination can be calculated in relation to the area or to the number of residents). This is to guarantee maximum malleability of the model according to the characteristics of the destination (in terms of both typology of destination –art city or seaside/mountain resort, etc.- and level of tourism development –congested/declining, mature, emerging, etc.), and the data available.

An application of the use of a selection of a set of indicators of the proposed monitoring tool was carried out during technical assistance given to Local Tourism Systems of the region of Sardinia. During this time the model was developed and improved upon.

We will not go into how the single indicators are calculated, but they are presented below grouped by subject, emphasizing their essential characteristics.

1. **Set A – Capacity of attraction:** a series of indicators are grouped together with the aim of evaluating the variety and number of resources and how they have been exploited; included here are indices such as A3 – Importance of the attractions, A4 – Number of visits, A5 – “Pull” of the main attraction, etc..

2. **Set T – Tourism sector importance:** gathers together all the indices that describe the essential characteristics of tourism supply and demand, for example T2 - Impact of supply, T1- Tourist pressure, T8- Market diversification, T9-Average spend per capita, etc..

3. **Set S – System:** returning to those characteristics already present in the “Cáceres model”, this monitoring system also integrates some economic system indicators (S1 – Number of businesses, S2 – Added value, S4 – Relations between the different

\[ A_3 = 0.5 \times \left( \frac{\text{quota of visitors to attractions in the benchmark area}}{\text{quota of number of attractions - of the destination in relation to the attractions in the benchmark area}} \right) \]

\[ A_4 = 0.5 \times \left( \frac{\text{total number of visits to the resources in the benchmark area}}{\text{total number of residents in the benchmark area}} \right) \]

\[ A_5 = 0.5 \times \left( \frac{\text{n. of times the main attraction (of the destination) is cited in relation to the total number of times that the benchmark area appears in the press}}{\text{n. of times the benchmark area appears in the press}} \right) \]

\[ T_2 = 0.5 \times \left( \frac{\text{n. of beds over residents in the destination}}{\text{n. of beds in relation to residents in the benchmark area}} \right) \]

\[ T_1 = 0.5 \times \left( \frac{\text{visitors (including unclassified lodgings) in relation to residents}}{\text{visitors (including unclassified lodgings) over residents in the benchmark area}} \right) \]

\[ T_8 = 0.5 \times \left( \frac{1 - \text{Index of concentration of arrivals per market of the destination}}{1 - \text{Index of concentration of arrivals per market of the benchmark area}} \right) \]

\[ T_9 = 0.5 \times \left( \frac{\text{average spend per arrival in the destination}}{\text{average spend per arrival in the benchmark area}} \right) \]

\[ T_{10} = 0.5 \times \left( \frac{\text{number of enterprises in the destination}}{\text{number of enterprises in the benchmark area}} \right) \]

\[ T_{12} = 0.5 \times \left( \frac{\text{added value per capita in the destination}}{\text{added value per capita in the benchmark area}} \right) \]
business sectors\textsuperscript{13} to traditional tourism indices; this helps to evaluate the characteristics of the economic system in general, the connections between private businesses and public institutions, as the performance of the economic system, for better or for worse, will create (or not, as in the latter case), competitive advantage; within this set there is also a specific subset (St) that evaluates the characteristics and level of development of the tourism system (St 1 – Economic role of the tourism sector\textsuperscript{14}, St 7 – Readiness or openness of tourism enterprises to collaborate and form partnerships\textsuperscript{15}, etc..

4. **Set P – Planning**: the set of indicators already introduced in the Cáceres model are therefore integrated with a series of planning indices, that aim at testing the ability of the system to develop projects and to attract funding, as, for example, P1 – Project-making in the tourism context\textsuperscript{16}.

5. **Set O – Tourism superstructures / infrastructures**: this set gathers together two subsets of indices (9 indicators for each set) and evaluates the use and suitability of infrastructures\textsuperscript{17}(and superstructures) (congress centres\textsuperscript{18}, sports centres\textsuperscript{19}, restaurants\textsuperscript{20}, ...).

6. **Set E – Environment**: gathers together those indicators which can evaluate the state of environmental preservation, the availability of dwindling resources\textsuperscript{21}, other critiques relative to carrying capacity\textsuperscript{22} and the possible fragile aspects of the destination which must be taken into account when planning for tourism development.

7. **Set F – Quality of life**: the aim of this set is to demonstrate the level of use of essential services (e.g. hospitals) and the existence, if any, of anti-social risks (e.g. high level of crime\textsuperscript{23}) that may need to be taken into account when defining objectives and strategies for tourism;

8. **Set D – Performance**: a set of indicators that evaluate the dynamics of supply and demand (D5- Room occupancy\textsuperscript{24}, D1 - Variations in the number of tourist arrivals and

\textsuperscript{13} =0.5* \text{(number of business links created between tourism enterprises and those from other sectors in the destination/ number of business links created between tourism enterprises and those from other sectors in the benchmark area)}

\textsuperscript{14} = 0.5* \text{[the quota (number of employees) of the “wider” tourism sector in relation to the total number of people employed in the destination/ the quota (number of employees) of the “wider” tourism sector in relation to the total number of people employed in the benchmark area]}

\textsuperscript{15} = 0.5* \text{[(tourism enterprises belonging to associations in relation to the total number of enterprises in the destination)/ (tourism enterprises belonging to associations in relation to the total number of enterprises in the benchmark area)]}

\textsuperscript{16} = 0.5* \text{[(the amount of funding for tourism projects in the destination/the total amount of funding for projects in the destination)/ (the amount of funding for tourism projects in relation to the total amount of funding for projects in the benchmark area)]}

\textsuperscript{17} For example, O1b - Railway network extension (= 0.5* [(n. km of railways network in relation to the n. of residents in the destination)/ (n. km of railways network in relation to the n. of residents in the benchmark area)], O 1 d - Number of airports (= 0.5* [(n. of airports to residents of the destination)/(n. airports to residents of the benchmark area)]

\textsuperscript{18} O2f = 0.5* \text{[(total receiving capacity of congress centres in relation to the residents of the destination/ total receiving capacity of congress centres in relation to the residents of the benchmark area)]}

\textsuperscript{19} O2h= 0.5* \text{[(n. of sports centres in relation to the residents of the destination)/ (n. of sports centres in relation to the residents of the benchmark area)]}

\textsuperscript{20} O2c= 0.5* \text{[(n. of restaurants in relation to the residents of the destination)/ (n. of restaurants in relation to the residents of the benchmark area)]}

\textsuperscript{21} E1 = 0.5* \text{[(n. of litres of water – or other limited resources – available in relation to the n. of residents + visitors)/ (n. of litres of water – or other limited resources – available in relation to the n. of residents + visitors in the benchmark area)]}

\textsuperscript{22} E2 = 0.5* \text{[(tons of removable waste in relation to the n. of residents + visitors)/ (tons of removable waste in relation to the n. of residents + visitors in the benchmark area)]}

\textsuperscript{23} F2 = 0.5* \text{[the quota of reported crimes in relation to the population of the destination/ the quota of reported crimes in relation to the population of the benchmark area]}

\textsuperscript{24} D5 = 0.5* \text{(occupancy rate in the destination/ occupancy rates in the benchmark area)}
9. **Set M - Market**: a series of indices that take evaluation beyond the borders of the destination, estimating the overall trends and margins generated by each typology of product/segment, the physical and economic volume of certain segments, … .

These indicators, grouped together as presented above, may be used for a ‘diagnosis’ of the destination, or to obtain indications with regard to the actual situation or characteristics of the destination in each of the subjects represented by the different sets of indicators (the capacity to attract, the strength of the tourism component, systems, planning, etc.).

Furthermore, they can help to make a valid comparison between the destination and a chosen area, in each of its different aspects, by benchmarking.

However, this method of grouping together through subject group is not always totally effective in responding to the objectives proposed by the monitoring model; in other words, it does not give us:

- a tool for the destination to outline coherent objectives and strategies or to define targets;
- a system of self-evaluation of performance with regard to defined objectives and strategies

### 6.3 How to use the monitoring system for decision-making

In order to do this, the model must be able to supply an effective set of indicators for each of the strategic stages that decision makers in the destination have to confront. This set of indicators must allow, on one hand, simultaneous evaluation of many different aspects, and on the other, the selection of only those indicators per each subject (capacity to attract, tourism component, etc) that will have real significance for that particular type of strategic decision-making. Irrelevant indicators only risk creating confusion.

Another essential characteristic that must be taken into consideration in order to supply a tool for decision-making, is that the set of indicators necessary to make certain choices in a given phase of destination development is not the same as the set needed to support previous or subsequent decisions.

Furthermore, the set of indicators to be considered for each strategic stage, must supply information with an eye to future development and the obstacles, opportunities etc. which could arise when opting for one type of strategy rather than another.

Finally, in order to be of real help during the self-evaluation phase, it is essential that the model takes into account the main objectives of tourism development plans: the same result from one indicator could in fact be either positive or negative according to predetermined objectives.

For these reasons, regrouping according to subject does not function terribly well as a precise system giving support to decision-making.

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25 \[ D1 = 0.5 \times \frac{\text{average annual variation in the n. of arrivals (and nights) in the destination}}{\text{average annual variation in the total n. of arrivals (and nights) in the benchmark area}} \]

26 \[ D6 = 0.5 \times \frac{\text{average accommodation rate during high season in the destination}}{\text{average rate during high season in the benchmark area}} \]

27 = global demand growth rate for specific products – food and wine tourism, cycling tourism, … - / overall global demand growth rate

28 \[ M3 = \text{global spend per capita estimated for each type of tourism product and the volume of tourist consumers} \]
In order to respond to the needs of decision-makers therefore, the monitoring model presented here, regroups the indicators belonging to the sets described above (capacity to attract, the strength of tourism, planning, systems etc.) in different ways, integrating them in such a way that decision-makers are helped to evaluate, in relation to objectives and strategies:

- the strengths and weaknesses of the destination
- opportunities and threats posed by the environment
- the challenges posed by the competition
- the relationship between destination and benchmark area
- the possible gaps to be filled and how and where to invest in order to achieve predetermined objectives.

The model is therefore based on a system (fig. 1), which, step by step, outlines a possible series of strategic routes. The indicators are grouped together within these routes, not by subject group, but by successive steps.

Each step constitutes a strategic phase with respect to:

- the outline of a direction taken /or a direction to be followed;
- the emergence of possible alternatives not previously considered
- the emergence of obstacles or opportunities that could work in favour or against certain types of development
- the creation of a check point on the state-of-art
- the description of possible consequences of strategic choices

As can be seen, there are 7 steps or strategic phases that have been identified in the matrix: the direction that a destination takes within the overall system depends on the decisions taken at each of the different phases.

Fig. 1 The monitoring system for decision-making
The steps are:

**STEP 1**: evaluation of the strength of tourism in the destination

**STEP 2A**: evaluation of the phase that the destination has reached in the tourist area life cycle and the mix of products that make up the supply, paying particular attention to eventual possibilities or opportunities for development in new areas.

**STEP 3A**: evaluation of possible strategies: innovation, diversification, increased competitiveness of consolidated products

**STEP 2B**: evaluation of possible strategies: develop niche products or target wider markets

**STEP 3B**: defining and prioritizing actions

**STEP 3C**: evaluation of possible strategies: investment in niche products or investment in creating "artificial" attractions

**STEP 4C**: defining and prioritizing actions

The route therefore begins with an evaluation of tourism in the destination; this has been identified as the starting point, as a high level of tourism presupposes that planning must take into account problems or issues (e.g. high level of demand, the concentration of demand in determined areas, etc) which are not present in areas with medium-low tourism. In this step, some indicators of different groups, or rather, the level of demand, level of supply, the role of tourism in the local economy, the state of tourism planning, are all used to establish the level of strength of tourism.

If the destination is seen to have a high level of tourism, then it will follow the route that will take it to step 2A: an evaluation of the product life cycle and mix of products.

At this stage, two sets of indicators, coming from more diverse contexts (level of tourism, performance, tourism system, capacity to attract, and infrastructure), are used to:

- establish the phase at which the destination stands in the tourist area life cycle;
- evaluate the level of development of the various products (seaside tourism, cultural tourism, food and wine tourism etc.) that the destination offers

The combined results of the tourist area life cycle phase and the composition of the mix of products aim at establishing:

- if the destination has reached a critical phase in its life cycle or not;
- the product responsible for the position in which the destination is placed in the life cycle;
- if there is a need to intervene in the short term on product leaders;
- if opportunities in the region exist that have not yet been exploited or that could be made more of (eg. a destination whose seaside product is in the stagnant phase, but has many other products which could be developed);
- the level of urgency for intervention.

This information establishes an unparalleled starting-point for planning tourism development in a destination: the knowledge that a destination has a product which is on the brink of decline, but that there are products which have only just begun to develop, is vital for establishing where future investments will be made.

This brings us to step 3A, the stage at which the destination decides on what actions to take with regard to consolidated products or if action should be taken on innovative new products and to weigh the balance between which direction investments should go.
Furthermore, the set of indicators integrated in this step also assist those involved in the planning process to:

- evaluate whether further development of a product leader could create problems of sustainability (indicator type E);
- evaluate where the best opportunities are, also from the supply-side in other economic sectors (indicator type S) to develop alternative products;
- evaluate market opportunities;
- decide which actions should be carried out, whether “hard” (resource maintenance, infrastructure renovation, environmental and urban improvement) or “soft” (brand management, brand creation, quality initiatives, product enrichment etc.).

It is obvious, as has been illustrated above, that as we move further from the starting point (step 1) the stages move away from making a diagnostic evaluation and become increasingly more of a support to decision-making.

This is also valid in the case of a destination, which at step 1 has a medium-low level of tourism, and consequently takes a different route compared to the one described above, arriving at step 2B.

At this stage it is important that the monitoring tool supplies useful indications for planning in order to evaluate the potential strengths of the destination: therefore included in the set of indicators there is a strong component of indices type A; in other words, those which can evaluate the destination’s capacity to attract. However, the number and variety of resources are not always useful parameters to define the potential strengths of a destination: in fact resources may exist that are multifunctional, able to attract on their own high numbers of people and very different segments of tourists. In addition, there may be other resources, for example connections with famous people or ethnic links with other countries, which are difficult to evaluate numerically. The model therefore integrates this observation, requiring this step to evaluate, by adding where necessary alternative indicators, the existence of these resources.

As a result of these evaluations, either destinations can move towards high potential markets, or they can only target niche markets, as in the case of destinations with few resources. In the latter, the destination can decide whether or not it is opportune to (Step 3C):

- focus on developing niche products;
- develop “artificial” attractions (mega-events, theme parks etc.);
- take both of the above directions and decide where to weigh the balance between the two actions:

The set of indicators grouped together in this phase support decision-makers by allowing them to evaluate, in particular:

- if a partly-developed potential already exists as an unforced demand for this product is increasing;
- if conditions exist which could facilitate one action or another (develop niche products or “artificial attractions”);
- if conditions exist which limit opportunities for development in one direction or another (eg. fragile environmental conditions);
• if the niche market, which could be developed, is in actual fact profitable;
• if supply is sufficiently satisfactory with regard to market leaders;
• if conditions exist to facilitate planning and necessary funding;
• if the extent of investment required to catch demand is proportional (or not) to the expected returns.

If the destination moves towards developing “special interest” products or creating “artificial” attractions (e.g. theme parks), the integrated indicators in steps 4C and 4Cbis permit priority actions and investments to be identified. In particular:

• if supply is sufficiently satisfactory with regard to market leaders for a particular type of product;
• if conditions exist to facilitate planning and necessary funding;
• the extent of investment required to catch the demand segment which is the most interested in the possible development of a "special interest" product.

The same function, in other words establishing priorities of action, is given to the integrated indicators in Step 3B, that has been "reached" by destinations with high potential.

The indices, belonging for the most part to contexts S-Systems and M-market, aim to establish:

• which products are already in an advanced state of development;
• which product, amongst the various possibilities for development, demonstrates fast growth or interesting trends;
• if internal conditions exist which demonstrate a preference for one product over another;
• if supply is benchmarked against market leaders, which products are the most consistent performers.

If these medium-low tourism destinations are successful in carrying out their strategies, their level of tourism will increase and this will be demonstrated in step 1. When the level of tourism is already high, the destination will follow the mature destinations 'horizontal' route. This possibility to circulate within the system back to the starting point allows the monitoring tool be applied at any given moment to the destination's life cycle.

In this formulation of the monitoring model, therefore, it is not only the indicators, but the actual route that creates a support system for decision-making. Right from the start, in fact, the system is designed to prompt planners and policy-makers to take into account a series of variables in an organized way, in order to avoid the distorted effects of evaluations as a result of having to evaluate too many aspects simultaneously. The system also seeks to avoid those errors linked to a pure “imitation” of other destinations or to short-sighted evaluations: for example, implementing strong differentiation strategies during the development phase of the life cycle could turn out to be ineffectual or time-wasting investments. The system seeks to prevent errors of this sort, or at least, it allows decisions to be made in an informed way and not made on the basis of sensations and trends dictated by other destinations.

Finally, the role of the monitoring “by strategic steps” within the diagnostic evaluation, where the indicators are traditionally grouped according to the subject groups in order to describe
the “here and now” of the destination, has to be stressed. In fact, the diagnostic approach, if used alone, risks to lose the fact that the current situation is a result of decisions already taken.

Instead, the integration of the ‘step’ system gives us the possibility, also in the “diagnostic” phase, to:

- keep a track on the strategic route taken by a destination, and then to evaluate the actual situation in the light of the effective decisions adopted and implemented. Large volumes of flows at low prices registered by the diagnostic tool could be evaluated positively if the adopted strategies wanted to reach this goal, negatively if the “by step model” indicates that the destination had implemented up-market strategies.

- persuade decision-makers to consider both aspects, “diagnostic” as well as “strategic”.
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