

INNOVATION IN TOURISM DESTINATIONS

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Abstract. Decreasing number of visitors, decreasing number of overnight stays and decreasing sales are characteristics of the market environment in tourism destination in Europe (Tourism statistics from Eurostat 2015). It is now a prerequisite for success in tourism to offer new, unique products to help tourism destinations, as well as the individual providers of services, who should be able to differentiate themselves from the competition. Innovations represent a new idea or concept that is clearly creating new jobs, even in remote tourism resorts far from shopping centers. The goal of this paper is to define the categories of innovation including, process, marketing, institutional, management, product and service innovations, as well as the knowledge applied to examples of products, organizational and procedural innovations in tourism.

Key words: best practices, innovations, organisational innovations, tourism destinations.

Introduction

Creating of innovative products and marketing of innovative services is currently one of the most frequently studied topics in terms of science and research as well as practice in tourism. The increase in national and international competition as well as market saturation are the incentives for innovations. The tourism market requires innovative services and products (Weiermair 2003, for Pechlaner et al. 2006). The creative use of production factors and customer orientation are a requirement for the creation of innovative offerings in tourism destinations that create and offer products for visitors. The market situation requires constant creation and supply of innovative products and services and this fact is important for all stakeholders in tourism destinations. Therefore, it should be the goal of researchers and managers to develop and implement an effective innovation process in tourism destination.

The objective of this paper is to define the categories of innovation including product and services, process, management, marketing and institutional

innovations. We mostly pay attention to the innovation policy and its importance in terms of improving the competitive position of tourism destinations. Based on theoretical assumptions, we apply the knowledge to the product and practices of the Nordic countries and Switzerland to the organizational and process innovations in tourism.

1. Theoretical framework of innovations

Research foundations can be found in the economic development theory of innovation of Schumpeter (1934). Earlier literary sources of innovation were synthesized by Dosi (1988) and Landau and Rosenberg (1986) who focused on the application of innovations in industries and patents. Since the 1980s, the literature has focused on the innovation of intellectual production, while attention is given to services which have considerable potential (OECD and Eurostat 2005). Empirical studies of innovations in tourism focused on particular foreign authors (Hjalager 2002; Sundby et al. 2007). Innovation depends on creativity and this creativity applies to the production of new ideas, new approaches and inventions.

Schumpeter approach to innovation has been applied in tourism, but with certain restrictions. A study by Hall (2009) lists four categories of innovation by the OECD. Hjalager (1997) defined the basic categorization of innovation, based on the original work of Schumpeter, while it has been slightly modified by Weiermair (2004). Product, process, organizational or management and market innovations are the main categories of innovations. Distribution and institutional innovations are attempts to define specific innovations in tourism. The OECD and Eurostat (2005) stated that definitions of different types of innovations can sometimes be difficult as they are usually in combination with several types of innovation in one area which encourages innovations in related areas.

- Product and service innovations indicate changes that are observed directly by customers and they are considered to be new, respective to a specific enterprise. From the perspective of the customer, these factors influence their buying behavior. Some studies have focused on how the hotel industry distinguishes innovation from the perspective of individual services, e.g. innovations in food and beverage, animation, wellness, etc.
- Processes innovations are innovations oriented towards efficiency and productivity. Investment in technology is an essential element of these innovations, sometimes it is a combination of re-engineering organizational structures. Buhalis and Law (2008) stresses that information and communication technologies (ICT) are crucial for many process innovations, as well as various research subjects. The productivity of tourism enterprises can be increased through the im-

plementation of information and communication technologies (ICT). The combination of the application of ICT as well as other strategic and managerial parameters are effective with improvement of skills and human resources management. Application of this technologies enables faster and better preparation methods, saving manpower and energy, waste reduction, faster services and greater flexibility.

- Management innovation relates to new approaches towards the organization of internal cooperation, people management and delegation of tasks, career prospects and remuneration of employees. The main problem in this area is the stabilization of qualified personnel, maintenance of flexibility and cost control. Management innovation may increase employees satisfaction with the work place, improve internal competencies and knowledge. The authors (Hu and Horng-Sun 2009) emphasize that building the „team spirit“ is a prerequisite for further improvement in the provision of services. Gupta and Dripping (2000) go further as they include „customer management“ as a target group of management innovation. In particular, they define the service in which the customer's participation in the provision is necessary as the new experience.
- The management of innovations of a destination. Destinations declare their activities as innovative by seeking to reach new customer segments in the market, or redirect the communication in order to enhance brand perception. Implementation of a new marketing concept can lead to innovations and can build new relations between the destination and visitors. A typical example is the development of programs for creating visitors' loyalty. The internet allows small destinations an equal footing with major destinations as to the presentation of their offering. With regard to visitors, social networking has generally stronger impact in comparison with marketing communication through the traditional media. Merging of brands might be also considered to be a part of the innovation in marketing. An example can be found with wine production regions where all players in the region can make a singular marketing brand. Innovation means the renewal of relations with the representatives of mass media, especially through foreign journalists who cover organized events. One example can be found in cooking and events with prominent chefs). Such events may become the primary attraction of a region.
- Institutional innovations. Institutional innovation is a new organizational structure, which reflects the principle of cooperation, respectively a new organizational structure in the destination. Researchers have devoted considerable attention to the topic of building business

networks and alliances. Company certification also represents a certain institutional innovation in terms of allocation of quality marks, as well as checking and promotion.

The role of the state in tourism lies in coordination, planning, legislative security, regulation, sponsorship, motivation, promotion and protection (Hall and Williams 2008). With regard to this, innovation might be considered as the involvement of commercial entities in the education system. Thus, it is obvious that the current domestic and foreign literary sources are more oriented to the process of defining the basic concepts in terms of perspectives, and there is only vague evidence of effects or the effectiveness of existing innovation policies.

Regarding this, the OECD notes that it is necessary to increase productivity and not focus only on the concept of „low cost“ in tourism. Weiermair (2006) urges policymakers to take more responsibility in allocating grants and contributions to innovations because there is a threat of opportunism and the problem of „free riders“. He emphasizes that a considerable part of the „promotion of innovation“ in tourism is primarily focused on encouraging market entry and not on changing the structure or product offerings at the level of enterprises and tourism destinations.

The authors also emphasize the need for a cooperative approach towards management and networking, which are considered to be a prerequisite for the introduction of innovations in tourism destinations. Only a limited number of case studies illustrating connections of innovation and transfer of technologies with the business sector is available. In this process balance between cooperation and competition plays an important role, as well as the relationship of trust, regardless of whether the initiative is from the bottom – up or controlled from above as a part of an implementation strategy.

Organization DTI stresses that innovative policies for the service sector could be more effective if they would be systematically incorporated into the regulatory environment. In literature we can find many examples how regulation can lead to innovative behaviour. Hall and Williams (2008) emphasize that the policy may be a way to a better understanding of the role of the public sector in the innovation process in the tourism industry. The authors state that it is highly disputable that the necessity of a specific innovation policy for the tourism sector, is the result of an integrated, general national innovation framework.

Weiermair (2004) specifies tasks of a private and public sector with regard to innovations. The private sector only undertakes innovations when necessary as there is a negative correlation between firm sizes and innovative activity. Small firms are usually imitators, poaching innovation or product changes from across the street or across the region. Governments should not subsidise outright innovation on account of opportunism or rent seeking behaviour.

They have to try to let the market do as much as possible and only intervene when there is the market failure. Letting innovative firms in question achieve economies of scale and seek through a co-operative alliance or other forms of networking reduces the government's role as facilitator. With government involvement, the prototype developments are turned over to the private sector as soon as innovation activities have been carried out.

Application of innovation in tourism destination in comparison with the application of innovation in tourism businesses is much more difficult because of the fragmentation of a large number of stakeholders in tourism development in case of tourism destinations. Innovation process even more highlights their interdependence. Driving innovation in the tourism destinations is among the factors that most influence the sustainable development of the destination. The causes of the introduction of innovations may be different. An unexpected decline of visitors may motivate management to adopt measures and develop new strategies to overcome the crisis. On the other hand, achieving the objectives can be a driving force for the introduction of innovation. The most frequent innovations in tourism destinations are product innovations, as well as innovations associated with the reorganization of management. Also the field of marketing presents the huge potential for development of innovations.

Currently, management in tourism destinations finds it difficult to ensure leadership and coordination alone, which is why we would rather talk about the of stakeholders. In order to ensure effective co-ordination, it is necessary to innovate and develop an integrated approach, which should include all stakeholders in the decision-making process. The role of innovation is also to prevent destructive and chaotic development and contribute to the creation of a framework for integrated management of the destination which involves all stakeholders.

2. Best practice – innovation in the Nordic countries and Switzerland

When introducing innovations in tourism, examples can be found in countries that already have extensive experience with the use of innovations. With regard to this, we have selected two countries where tourism is at a high level.

2.1. Innovation and innovation policy in the Nordic countries – support for product innovation

"With tourism policy, little emphasis is put on innovation, especially at the regional, national and transnational levels, and consequently this sector faces problems" (Peter Björk, Swedish School of Economics and Business Studies).

Tourism is one of the biggest economic hopes in Nordic countries. The regions on the periphery and outside the major cities see tourism as an opportunity for economic growth and employment in the region, as well as an opportuni-

ty for improvement of the quality of life of the local population. For this reason they seek the continuous growth of visitor and implement new approaches. On the other hand, the region is one of the most expensive destinations in the world. In order to attract new visitors, they try to establish an innovation system called (Nordic Innovation System in Tourism). This system consists of seven general policy frameworks that promote innovative approach in tourism.

Also in the Nordic region „there is very limited empirical knowledge about the effects of innovation action in tourism enterprises and on tourism destinations” (Hjalager 2010: 7).

Some examples from Sweden and Norway might be inspirational:

- For people living in Nordic countries, it is cold, dark and the polar nights is a fact of life. For them it is incomprehensible how anyone would pay to endure the harsh winter in darkness. For visitors from abroad, the atmosphere of the region is attractive and exotic. Spending a night in an ice hotel is not just about getting a drink from the cup made of ice, or sleeping in an ice igloo. It is something special, especially if visitors are coming from countries that are almost completely free of snow. For example, the Icehotel Corporation in Sweden has seen growth in recent years. In their case, it is the perfect use of the long cold winters to transform a „disadvantage“ into an attraction. The threat has become the opportunity. Tourism in Finland is also based on natural resources in the form of ice, snow and cold. Combining cold and stories about Santa Claus created a Swedish product with villages promoting Santa Claus, with charter flights flying directly from England. This makes an attractive experience for parents with children from England to travel to Sweden during the Christmas time to enjoy this magical atmosphere and its combination of snow and a nostalgic sense of a Christmas village. Both of these cases are talking about the need to look around and think like a visitor. This is the way how the ordinary citizen can create innovative ideas and competitive tourism products (Björk 2008). „A well-told story, linked to an area or a tourist attraction, can represent great value for those involved in promoting tourism. The use of storytelling in the sector has in many cases contributed to a large increase in interest and visitors, boosting the economy and providing tourists with a more meaningful experience. A project, through storytelling as well as destination development can structure a narrative that can be used for a regional advantage (Finnsson 2011: 13).
- Innovations can be combined to create new things. Take for instance, the ice hotels in Sweden. Visitor can feel innovations in new products, new services, and new processes. After combining all the

components into one, leads to a new attractive product for visitors. It is important to know the main idea of the innovation. But sometimes, it is difficult not to imitate. And all of this must be combined to meet the needs of visitors, where each generation has its own specific requirements, secret wishes, and dreams that it is necessary to know (Björk 2008).

- Innovation activities must pass through the whole tourism sector, involving the private and public sectors, with particular stakeholders associated in this relationships. Collaboration and partnership are very important. Network and collaboration is an area that the government has emphasised in the *Valuable Experiences* document (Norwegian Ministry of Trade and Industry, 2007). Certainly, network and collaboration have been stressed as important in several studies and vital to achieve destination innovativeness. Such importance was also highlighted in *The Plan of Action for the Tourism Industry* – which states that collaboration is essential for the Norwegian tourism industry to reach its goal of increasing value creation and innovation. Although it is suggested that the industry itself must innovate and create good, comprehensive products that ensure visitors valuable experiences, it was further highlighted that this requires close cooperation between all parts of the industry and other actors involved in creating experiences for tourists. It was also stated that the tourism industry must itself assume responsibility for establishing and developing cooperation and networks: on the basis of geography, business areas, and with other industries. In the earlier tourism policies such as the *Regarding Tourism* document, similar emphasis is also evident as: the industry must have a special responsibility for corporate and product development, organisation and marketing. The Government's role is to facilitate the conditions for development in the industry. This means that the framework must be growth oriented and encourage innovation and development. Furthermore, the government also highlights that it is important to develop a comprehensive, farm-based tourist product that provides greater profitability which can strengthen local and regional value creation and innovation through collaboration and joint initiatives. The government's focus on networking and collaboration as an important way to achieve tourism innovation suggests that it may have to extend beyond the mere product to a high emphasis on the framework. Such finding is also consistent with the arguments in the literature that emphasizes public and private cooperation as well as networks to achieve innovation at the destination level (Mei et al. 2010).

- The new funding program in Nordic countries promoting innovation is associated with six basic points:
 - innovation and efficient marketing communication in tourism;
 - public-private partnerships supporting innovations in tourism;
 - innovations with acceptance of tradition and seasonality in the region;
 - eco-tourism;
 - The brand "Nordic tourism" as a business concept, product and service that is competitive in the global market;
 - improving the access to capital and finance in tourism. Tourism in the Nordic countries have strong potential for innovations and development. The Nordic Innovation Centre offers a program of innovative funding: The Nordic Innovation in Tourism Sector–New Products and Services. This program calls on SMEs and other stakeholders in the tourism sector to establish joint innovation projects and subsequently applying for funding. The program is primarily focused on developing innovative products, services and concepts that are beneficial for the development of tourism (Björk 2008).

2.2. Innovation in destination management (3rd generation DMO)

– Switzerland (procedural and organizational)

Increasing competition in tourism in Europe, changes in consumer behavior, strengthening the currency of euro have shortened the average length of stay. It has also reduced the growth in visitors to Switzerland. In order to develop tourism, it was necessary to look for innovative solutions. The tourism destinations in Switzerland started to introduce innovations into products, but mainly through restructuring (destination management of the third generation). This innovation is based on the draft *St. Gallen destination management model* (Beritelli, Laesser, Reinhold at the University of St. Gallen). This model solves the problem of the divergent view of those involved in the development of tourism in a destination, and offers innovative opportunities to solve long-term routing of destinations.

The traditional approach to destination management organization is changing to the new approach. The basic differences are presented in Table 1.

Table 1. Differences between traditional and new approach of destination management organizations

Traditional approach	New approach
Maintanance of organizational structure	Identifying market/target group and strategic business areas
Employing experts with skills and abilities	Identifying the position of the organization and selection of the most important tasks

Funding of organization in the maximum possible budget	Regular negotiations with the private, public and nonprofit sector – network analysis
Planning activities under the allocated budget	Financing, identifying the members and stakeholders
Deployment resources for activities and observe the strategy	Planning allocation of resources together with the development of competencies and experts damages, discussing about projects
Justification and valuation the strategy with added performance indicators	Adapting the organizational structure and roles to ensure processes – update and process control

Source: Elaborated by Beritelli and Laesser 2012.

The new system in Switzerland tries to implement in the various cantons a tourism policy. An important element are the strategic business areas. Business areas are visited attractions and activities conducted in the tourism destinations. For each business area there is a specific market segment. Then areas can be localized, are time-bound and those strategically important are called strategic business areas. In the background, are the stakeholders (public, private sector) forming the product of strategic business areas. Destination management organizations recognize and support the important strategic business areas (Gajdošík 2014).

These organizations should be more flexible, more proactive in identifying current and future strategic business areas and encouraging discussions with strategic entities in the tourism destinations (Table 2).

Table 2. Changes in the perception of the tourism destination and destination management organization

	Traditional view	New view
Tourism destination	Geographically (administrative) determined	Boundaries limited visitors (tourist flows)
	Different visitors markets depending on their segmentation	One homogeneous market for one strategic business area
	Planning based on competitiveness, sustainability and life cycle phases	Planning for individual strategic business areas
	Unified image and brand of destination	Unified image and brand for individual strategic business areas
	All stakeholder are involved in managing destination	Public sector active within the administrative area, public-private partnership in each strategic business areas
Destination management organization	Serve all visitors and represents in the destination	Brings added value to visitor in specific activities
	Activities: public relations, advertising, IT, social media	Activities: dynamic and process-oriented to the needs of strategic business areas
	Institutions complying with the general challenge of the together system of financing	Synergistic combination of tasks (public, private sector)
	Low flexibility dependent on external factors	High flexibility due to the dynamic activities and the share of private sector in them
	Monitoring success through traffic, marketing activities and sales	Measure success relative to the tasks assigned, the quality of relationships

Source: Beritelli and Laesser 2013 (in Gajdošík 2014).

The creators of the model, instead of inventing new ideas, draw from their expertise and experience gained over a long tradition for creating a model applicable in practice. Currently, the model was used in tourism destinations in Switzerland, where the concept began to be applied in 2011 to destination management organization e.g. *Interlaken Tourismus*, *Nyon Tourisme R dion*, *St. Galen Bodensee Tourismus*, *Internationale Bodensee Tourismus* and in the cantons of *Schwyz* and *Tessin*.

The advantage is that the management of the 3rd generation is more committed to the satisfaction of the visitor experience, the individual, and support start-ups, etc..

Conclusions

Domestic and foreign authors agree that it is necessary to carry out more research on the use of innovation in tourism. Tourism should be represented in research conducted by *Innovative Research Centre of the European Commission* (CIS-European Community Innovation Surveys). Secondary sources do not pay much attention to innovation policy than would be desirable. Studies dealing with the assessment of innovative policies have a lack of data of the effects and effectiveness of the various tools used. It is appropriate that innovation policy was also oriented to the target groups that are of interest to other sectorial policies (e.g. small and medium size enterprises). The territorial dimension is also important, it would be appropriate to examine how policies influence the dynamics of organizational innovations in the sector (for example clusters) and to help build innovation systems.

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