

# **Network Approach in the Context of Tourism Business**

Work - in - Progress

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# 1 INTRODUCTION

## 1.1 Background

The tourism business in Turku area, in the Southwest coast of Finland has witnessed a leap forward during the past ten years. A couple of years ago, in 1999, Turku TouRing was founded to co-ordinate the tourism network in order to manage the different offerings of the actors more effectively. Interestingly, among the founders as well as the strategic partners of Turku TouRing there are companies, which traditionally could be considered as competitors. My intention as my Ph. D. study is to identify network effects based on previous research and also to explore how the Co-ordinator contributes in the network. In my dissertation I am going to use the network approach and particularly the change in the network.

## 1.2 The Purpose of the Paper

The purpose of this paper is to discuss the Network approach in the Context of Tourism Business. In the second chapter the focus is in the evolution of Tourism Marketing. There can be seen phases such as product-led Marketing and Sales-led marketing. Next step is the Consumer-led Marketing with Environmental, Social and Cultural Concerns followed by the phase where Consumer-led Marketing is connected with Strategic Thinking and the Focus is on Internationalisation, Strategic Alliances and Leading Through the use of New Technologies. The final stage in this evolution could be stated as a Network Approach with the Focus on relationships between the actors in the network

In the third chapter the main interest is to discuss Marketing Services in the Context of Tourism Trade according to the analysis made by Halinen and Möller. Their discussion is primarily derived from the four sources, research traditions as Services Marketing, Business Marketing, Marketing Channels and Database & Direct Marketing. In order to be able to handle with the variation between these research traditions the authors have made a state-of-the art -analysis and compared the characteristics between these marketing research traditions.

## 2 THE EVOLUTION OF TOURISM MARKETING

Vellas and Bécherel (1999) describe the evolution of modern marketing as the phases of product-led marketing, sales-led marketing, consumer-led marketing, consumer-led marketing with environmental, social and cultural concerns. The authors point out that marketing now has entered a fifth stage with a firm focus on strategy. Vellas and Bécherel claim that tourism marketing has historically been product oriented. The focus of the marketing effort has been to provide the best beaches, the best rooms and so on, and to assume, that tourists would automatically visit or buy goods or services from the tourism firm. According to Vellas and Bécherel the emphasis in sales -led tourism marketing is on convincing tourists to purchase the good or service or to visit the destination. In this condition, it is a buyer's market and supply is in excess of demand.

This picture of the evolution of marketing is strongly simplified when comparing with e.g. Möller (1999). Möller sees the changing perspectives of marketing and markets as an evolution, starting from marketing management -stage in 1960's and continuing with the emphasis on marketing strategy on one side and the buyer-seller dyads in industrial marketing on the other side. Both perspectives of marketing have their roots in 1970's. In 1980's the market strategy -perspective was further evolved to industry strategy emphasis. Buyer-seller dyads in industrial marketing evolved to interaction approach. In 1980's the theories of service marketing got their start as well. Möller (1999) sees the beginning of 1990's as the era when the strongest emphasis on different perspectives of marketing and markets is has been on network approach. The scholars of network approach study industries as a network of organisations with different positions and relationships between the actors. According to Möller the most relevant question for the firm of 1990's is to manage the relationship portfolio. According to Möller and Wilson the network approach suggests that industries should be described as networks of inter-linked actors. (Möller–Wilson, 1995). A focal firm's position in a network can be examined by analysing its direct and indirect relationships to other actors (cf., Easton–Lundgren, 1992).

### **3 ROOTS OF RELATIONSHIP MARKETING AND TOURISM TRADE**

Möller and Halinen (2000, 31–32) propose that the current relationship marketing discussion is primarily derived from the four sources, research traditions as Services Marketing, Business Marketing, Marketing Channels and Database & Direct Marketing. In order to be able to handle with the variation between these research traditions the authors have made a state-of-the art –analysis and compared the characteristics between these marketing research traditions. (Möller–Halinen 2000, 37.) In the following my intention is to describe some of the most typical characteristics of these research traditions in the Context of Tourism Trade.

#### **Services Marketing**

Services account for increasing account of new jobs. In Finland four of five new jobs emerge in service sector. Services account for 95% of the new U.S jobs created since 1969 and 75% of GNP (Kotler–Bowens–Makens 2000, 41). The hospitality and travel industries are part of the growing service sector. As a result of increasing affluence and leisure time, most Western countries now are service economies. The growth of service industries has created a demand for research into their operation and marketing. One of the most important tasks for hospitality business is to develop the service side of the business, to develop a strong service culture. (Kotler–Bowen–Makens 2000, 41.)

Marketing plays a crucial role in tourism because it is rare that the customer sees, feels or tests the product he/she is going to buy. The total tourism product consists of both natural features and amenities such as transport and access, infrastructure (sanitation, water, electricity and so on) and public and private Services (banks, telecommunication and health services). Tourism marketing must also emphasise these amenities, as they are key factors influencing consumer decisions. (Vellas–Becherél 1999, 7–8.)

#### **Business Marketing in the Context of Tourism Trade**

Soisalon-Soininen (1999, 1) studies **roles and positions** in the emergence of networks and further a case of developing a tourist product. She points out, that the

several actors in the network have different interests and different views. Since positions can be defined for all the actors in the network, the concept can be used to characterise network actors (Johansson & Mattsson 1992, 211).

**Co-ordination of activities** will produce changes in the resource structure associated with the activity cycle and thus form the foundation for further development within the activity cycle. In the intersection between activities and activity cycles, possibilities of combining resources in new ways, to perform activities more efficiently, will emerge (Lundgren 1992, 159).

**The Role of the Co-ordinator** in different stages of the relationships can vary. The relationship marketing and network approach often use analogies to relationships between individuals. Presumably the role of the co-ordinator changes also depending on the different stages. According to Ford (1980, 43) the development of buyer-seller relationships in industrial markets can be described as the pre-relational stage (stage 1), the early stage (stage2), the development stage (stage 3), the long-term stage (stage 4) and final stage (stage5).

Easton and Lundgren describe the **change in the network** with an analogy to the **flow through nodes** (1992, 91). In this sequence an actor in the network requests or initiates a change in the exchange relationship with another actor, which the latter either *rejects or nullifies, i.e. reflects the change back to the initiator*. The second way of reacting to the change is *adaptation*, where the actor adapts the change in the dyadic relationship to the nodal actor. The second sequence is termed adaptation. The change is localised within the dyad and does not substantially affect the rest of the network, at least via the nodal actor. It may be that the requested change is modified in negotiations between the organisations such that the objectives of the change are met but the means by which it is achieved are different from those first envisaged. (Easton–Lundgren 1992,93.) The third way of handling the change in the network is named *absorption*. In this instance the nodal actor accepts the change and absorbs the impact within the boundaries of the organisation. A nodal actor may be unable to pass on the effects of the change since the activities concerned are solely within its own control and no network solution is apparent as a second situation arises when an actor chooses to absorb the change. (Easton–Lundgren 1992, 93.) If the nodal actor in the network is regarded to minimise the impact of the change upon itself, some of the actors may experience the change flow as a *transmission*. The fourth sequence, and the one, which is largely assumed to be modal in discussions of

industrial networks, is transmission. In this sequence the nodal actor simply transmits the effects of the change or proposed change to one or more other members in the network with minimal change in the form of interpretation. (Easton–Lundgren, 93.) The change process is called *transmutation* in the situation, where the actors in the tourist trade network feel that the transformation activities change little but the network is asked to change considerably. (Easton–Lundgren 1992, 94.)

When the networks are building up it is of elementary importance that the partners are able to trust each other. The earlier dyadic relationships between some of the actors are often preconditions that an actor will participate in a network or that a new actor is taken in. (Komppula 2000, 173.) Komppula discusses (Komppula 1998, 404) the commitment to a network and a network strategy in the context of regional tourism network. She focuses on company's behaviour and excludes the public sector actors as local residence.

In relationships consisting simultaneous co-operation and competition the driving force seems to be the heterogeneity of resources as each competitor holds unique resources that sometimes give a competitive advantage and sometimes are best utilised in combination with other competitors' resources. (Bengtsson–Kock 2000, 424.) Komppula (2000) has studied companies, which had co-operated in a project taking part in the fair together with the leading enterprises in the province. The firms, which had been very active from the first beginning, saw the co-operation with bigger firms positively. These actors saw the goal for the project as the most important factor and the qualifications of the partner were not so important as long as the partner was not a direct competitor. (Komppula 2000, 161.) Komppula sees also that the basic condition for the activities in an issue-based network is that the actors are not competing in the same market, but their products are supplementing each other. (Komppula 2000, 170.)

Gummesson (2001, 159) sees that the focus of Relationship Marketing is in the co-operation followed by co-production, long-term relationships instead of single transactions, win-win principle instead of one-sided persuasion.

### **Marketing Channels in Tourism Trade**

Middleton points out the paradox that the inability to transfer and store products physically, which according to him once was thought to be a disadvantage in travel and tourism marketing, has now become a great asset. Product capacity can be

accessed across continents and across months or years, at the touch of a button. Electronic information technology conveys enormous flexibility to producers, the full scope of which has yet to be fully developed. (Middleton 1994, 211.)

Järvinen (2001, 30) points out that tourism services are increasingly marketed as different total offerings, "packages". The core service is completed by augmented services and/or concrete products. A service offering is formed as a result of the co-operation between many service providers. Järvinen sees the potential future trend in channel development for ex. travel agencies which could operate as kind of travel stores where the customer can buy a package containing different elements, as tour, accommodation, different kind of activities as renting a car, theatre tickets, travel equipment as sunscreen and advance information as the literature and videotapes about the target. (Järvinen 2001, 38.)

### **Database Marketing & Direct Marketing in Tourism Trade**

What impact will technology have on future competitive strategy in the travel, tourism and hospitality businesses? What sustainable strategic benefits can technology deliver? How will technology be leveraged to add customer value, both within a business–consumer and business–business context? (Alford 1999, 111.)

Travel is often singled out as one of the fastest growth areas of e-commerce. The demise of travel agents and the growth of e-commerce are often linked. There is little evidence, however, to support the notion that customers are happy to replace a visit or telephone call to the travel agent with on-line booking. The Internet enquiry and booking service should add value to the customer's experience in the form of more convenience, better quality information, and time and cost savings. (Alford 1999, 114.)

According to Gummesson (2001, 157) with IT in association with Relationship marketing is often meant the development of PCs, the Internet, the Mobile Phone and TV. This is the fact especially within CRM which "will drive the next major wave in information technology"<sup>1</sup>. However, Gummesson points out that IT is in secondary position compared with the fact that the primary empowering source for new organisations and new marketing is the human being and her ability to learn and utilise the technology.

## 4 SUMMARY

In this paper I have referred to the evolution model of Vellas and Bécherel (1999) mainly because of their discussion of the evolution in marketing is in the context of tourism marketing. Because my interest is to study particularly a network in tourism business I have completed their evolution model with emphasis on network approach as the stage marketing now has entered according Möller (1999).

I have also discussed the proposal of the current Relationship marketing being primarily derived from the four sources, research traditions as Services Marketing, Business Marketing, Marketing Channels and Database & Direct Marketing (Möller & Halinen 2000). These considerations especially in the context of Tourism Marketing are meant to form the **embryo** framework for my future study.

In the following the stages of my future study are described briefly. **The first stage** includes an inquiry among the actors in the regional network of tourism business in Turku area. In this research the main function is to study the determinants of the co-operation, to see how different actors see these determinants and also how they see the network they are acting in. The actors have to be categorised in order to make the inquiry as economical as possible. The criteria of the categorisation are not yet clear. It is also possible to make the inquiry in a very large basis in order to find out the criteria for the categorisation when analysing the results in the inquiry. **The second stage** in the research is an interview of the actors in different categories. In this stage the informants are considerably less than in the first stage and therefore the personal theme interviews could be used here. The informants are asked more precisely how they see the role of the co-ordinator and its expressions and how they experience the contribution of the co-ordinator. **In the third stage** of the research I have planned to make a case analysis of the co-ordinator's actions and their affects to the network. The second stage of the research gives the basis for the analysis. I will be able to study how the actors in the network sees the role of the co-ordinator and its affects and contributions and then compare these results to the third stage's analysis of how the co-ordinator actually works.

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