

The Role and Position of Turku TouRing in the Tourist Trade Network in the Turku Area

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1 Introduction

1.1 Background

The research produced by the Finnish Ministry of Trade and Industry points out that the development of the service sector plays an important role in the resolving of the unemployment problems in this country. In Finland about 300 000 persons earn their living in tourism working on a full-time or part-time basis. The annual number of foreign tourists in Finland is nearly four millions. The tourist trade is about five percent of the GNP. The changes in European politics have put Finland in a totally new situation regarding tourism. The Baltic Sea Area is fast developing into an important tourist destination. Finland is the northernmost point in this area and acts as a natural gateway between the Western countries and Russia and the Baltic countries. In Russia and the Baltic countries Finland has found a dynamic and growing market.

The Finnish Tourist Board (Matkailun edistämiskeskus, MEK) was established in 1973 under the Ministry of Trade and Industry to promote tourism. It is allocated a special appropriation from the State budget to finance its operations. MEK works in close cooperation with and for the Finnish tourist and travel industry, implementing and financing marketing projects jointly with the industry. (www.mek.fi, 12.3.1999) The companies working in the tourist trade in Finland evaluate the development in their economic situation slightly more positively than last year. The representatives of the business see the key to the future positive development in emphasizing the role of marketing, product development and the cooperation between the companies in the trade. The function of The Finnish Tourist Board (MEK) is also thought to be of greater importance to the economical situation of the companies than last year. (Matkailusilmä 1/99, 3.)

At the beginning of September 1999 the recently chosen Director General of MEK, Jaakko Lehtonen, perceives the importance of clearly stating the role of MEK. He says that in the central position are the entrepreneurs in the tourist trade as well as other stakeholders promoting the industry. Jaakko Lehtonen considers the role and position of MEK to lie on the macro level and sees his own role to be that of a coordinator between the different actors. (Kauppalehti 12.8.1999, 28) Cooperation in the tourist industry may involve co-operative marketing initiatives, intergovernmental coalitions, public and private partnerships and inter sector planning involving a multitude of actors with different aims and means. (Komppula, 1998, 402)

1.2 The Tourist Trade Network in the Turku Area - development of Turku TouRing as a coordinative organization

In the tourist trade in the Turku Area there has been vast progress during the past ten years. As a proof of this there is a plentitude of new attractions and events. The past problems concerning cooperation have been discussed and hopefully the new Turku TouRing project will be able to promote the cooperation between the different actors in the field. (TS 14.8.1998, Ville Itälä, Kolumni s. 2) In the past the coordination of the tourist trade in the

Turku area was split between many organizations and the cooperation between these organizations was characterized by conflicts. None of these regional organizations seemed to be able to join the forces of the enterprises in the field and direct them into the same course. As the local newspaper, Turun Sanomat, wrote 27th November 1998: "The new tourism enterprise is a starting point for the cooperation long called for". The mission of the new enterprise is to sell the tourism products in the region. The owners of the new company are the city of Turku and some of the major tourism companies in the area around Turku.

The Project Leader of Turku TouRing, Anne Niemi, has been occupied in the development of the tourism marketing in the Turku area from the year 1997. The work was started as a project called Turku TouRing and the idea was to develop a model of cooperation in which the companies join their forces in marketing and product development. The strategic partners of the new enterprise are Silja Line, Viking Line, Finnair and SAS. The strategic partnership means that the companies are committed to common marketing investments and plans for several years. (Turun Sanomat 27.11.1998)

The new enterprise wants to enclose all the regional tourism organizations in one network. The chosen founders of the company are companies, which have had cooperation with the tourism project earlier. The founders are also characterized as the top organizations in the business. The project leader points out, however, that cooperation is open for all of the companies in the field. (Turun Sanomat 14.1.1999.)

On its websites the new company and tourism organizations state that it is marketing the tourism of the whole province. This includes the packaging of the tourism products of the area in a common offering. The aim is to manage more effective marketing in cooperation with business life, municipal organizations and companies. The founded enterprise offers international contacts in order to create an efficient sales channel for the tourism products. Turku TouRing is going to start incoming activities. This is the way to concretize the marketing into the income. The company sells packaged tourism products, guide service, sightseeing tours and theme excursions, Turku cards and other products of its own, transport services, administrations of projects and different kinds of marketing campaigns. (www.sofis.fi/touring/organisaatio/info.htm, 3.10.1999) The new model of coordinative organization in the Turku area is founded in accordance with the opinion of the Finnish tourist Board, which had noticed before that the Turku area lacked an organization responsible for major incoming services. The form of the new enterprise, the corporation model was also supported by MEK. (Turun Sanomat 27.11.1999)

1.3 The purpose of this paper

The purpose of this paper is to focus on the new situation in the tourist trade in the Turku area after the new coordinative organization has been founded. The new situation is interesting in the sense that among the founders of the enterprise as well as among the strategic partners of the enterprise there are companies, which traditionally could be stated as competitors. The tourist trade in the Turku area has been characterized by disability to organize all the activities in a coordinative way. There have been conflicts, which have weakened the trust in cooperation among the enterprises in the field.

My intention is to find the theoretical framework for studying the change in the coordinating position in the tourist trade network. In chapter two I describe the evolution of tourism marketing into the network approach where the focus is on relationships between the actors in the network. In chapter three I am going to study the role and position of the coordinator in

the network in order to be able to study the network of tourist trade in the Turku area. My further interest is to study the relationship between the coordinator, in this case Turku TouRing and the various individual actors already present in the network. Further on I concentrate on the question of how a coordinator can contribute to the development of so called network effects. I present the five change sequences, which according to Easton and Lundgren can describe the possible processes in the changes in industrial networks. I am interested in whether these sequences are to be seen among the actors of this particular network. After presenting the potential theoretical framework for my study I will make a proposal for the empirical research.

2. The Evolution of Tourism Marketing

Vellas and Bécherel describe the evolution of modern marketing as the phases of product-led marketing, sales-led marketing, consumer-led marketing, and 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 & Bécherel, 1999).

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 the marketing management stage in 1960's and continuing with the emphasis on marketing strategy on the one hand and the buyer-seller dyads in industrial marketing on the other. Both perspectives of marketing have their roots in the 1970's. In the 1980's the market strategy perspective further evolved to industry strategy emphasis. Buyer-seller dyads in industrial marketing evolved to interaction approach. In the 1980's the theories of service marketing got their start as well.

Möller (1999) sees the beginning of the 1990's as the era when the strongest emphasis among the different perspectives of marketing and markets has been on the network approach. The scholars of the network approach study industries as a network of organizations with different positions and relationships between the actors. According to Möller the most relevant question for the firm of the 1990's is to manage the relationship portfolio. I am going to refer to the evolution model of Vellas and Bécherel mainly because of their discussion of the evolution of marketing in the context of tourism marketing. Because my interest is to study particularly a network in the tourist trade I have to complete their evolution model with emphasis on the network approach as the stage, which marketing now has entered.

Product-led marketing - the focus is oriented on the product

Vellas and Bécherel claim that tourism marketing has historically been product oriented. The focus of the marketing effort has been on providing 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. Product-led companies succeed in conditions where there are no sales problems. (Vellas & Bécherel, 1999, 25).

Sales-led marketing - the focus is on selling the product

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. Usually the condition for this is that supply is greater than demand. The focus is on the needs of the producer to sell rather than on the needs of the tourist to buy. In this condition, it is a buyers' market and supply is in excess of demand. (Vellas & Bécherel, 1999, 25).

Consumer-led marketing - the focus is on consumer needs

The marketing orientation focuses on the consumer. What does the tourist or the customer want? Can the organization provide it? This is a true marketing focus ensuring that the consumer is at the center of the effort and using techniques to identify and anticipate what the customer needs and wants. A strong emphasis is put on communicating with the customer and the focus is on customer service. (Vellas & Bécherel, 1999, 25).

Consumer-led marketing with environmental, social and cultural concerns

During the 1980's and 90's the marketing emphasis turned towards awareness of the environment and towards social and cultural concerns. In 1992, the Earth Summit in Rio de Janeiro highlighted the depletion of the earth's natural resources and the threat of economic development to the future of the environment. The growing awareness of the effects of consumerism on the environment as well as on society and on cultures means that consumers now examine the products they purchase and want to know that their production has no negative impacts. (Vellas & Bécherel, 1999, 26).

By its very nature, the tourism industry interacts with the environment, society and culture. Furthermore, tourists - the consumers - are part of the production process - production and consumption are inseparable. Tourists can cause damage directly by merely being at the destination and consuming tourist products. (Vellas & Bécherel, 1999, 26). Tourism marketers have responded to this new consumer need and have tailored their products, images and communication accordingly. They have realized that it is in their interest to protect tourist destinations and sites, as this is what originally attracted tourist to visit. Therefore they must ensure the sustainability of their products. According to Vellas & Bécherel (1999, 26) tourism marketing has now entered a fifth stage because of the impacts of globalization, the growth in the number of players operating in the market and because of rapid advances in technology.

Consumer-led marketing and strategic thinking - focus on internationalization, strategic alliances and leading through the use of new technologies

Vellas and Bécherel state that in an economy that is becoming increasingly global, it is not enough that tourism organizations and destinations concentrate on satisfying the needs of their clientele. In order to survive and compete they must identify new opportunities and niches, often in co-operation with other players, while still attending to the needs of their traditional customers. Therefore, successful organizations are driven to adopt a strategic focus taking advantage of new tools and technologies and seeking economies of scope in an international market rather than just economies of scale. According to Vellas and Bécherel the success is based on three key concepts that are inter-related: strategic thinking, internationalization and the use of new technologies. (Vellas & Bécherel, 1999, 26).

The Network Approach - focus on relationships between the actors in the network

The perspectives of marketing and markets have during the 1990's had a strong emphasis on relationships between different enterprises. According to Möller and Wilson the network approach suggests that industries should be described as networks of interlinked actors. (Möller & Wilson, 1995). A focal firm's position in a network can be examined by analyzing its direct and indirect relationships to other actors (cf., Easton, 1992).

In this paper I am going to use the network approach and particularly the change in the network. The change has been caused by the new role of one of the actors in the tourism network in the Turku Area. The new role can be characterized as a coordinative role.

3. Turku TouRing as a Coordinator in the Network of Tourism in the Turku Area

The situation in the network of Tourist Trade in the Turku Area has been changed after Turku TouRing was founded and began to act as a coordinative organization for the whole trade in the area. The changes in network associated with coordination will depend on how those changes spread through networks (Lundgren 1992, 161). In the network approach coordination refers to the organizing of functions and flows, that is, activities and relationship, within a network, to increase the effectiveness of the activity cycle. Coordination in the network perspective is a process of mutual adaptation and learning and it both changes the structure of and affects the distribution of power in networks (Lundgren 1992, 157). Turku TouRing has been active in the network for a longer time but the situation has changed now when a new company has been founded in order to take the role of coordinator in the network.

The connections that make up relationships change more or less continuously. Because of the connection of business relationships the changes propagate throughout the network (Håkansson & Snehota, 1995, 269). The change in business networks is evolutionary. Håkansson and Snehota argue that it is possible to identify certain patterns in the processes of change in networks (Håkansson & Snehota, 1995, 275). The authors differentiate between actions, which can cause the change as entrepreneurial actions that are endogenous to the actor, and external factors, which are exogenous to the network. The changes caused by these factors or actions affect the business relationships, which then cause the change in the network. A relationship creates interdependencies. Activities in a company are linked to the activities of others and resources are tied to the resources of others, actors have bonds to others. Change in any of these, e.g., as a reaction to exogenous factors, entrepreneurial acts or as a result of interaction between the actors, means that new combinations have to be tried and developed (Håkansson & Snehota, 1995, 321).

Soisalon-Soininen (1999, 1) studies roles and positions in the emergence of networks and furthermore a case of developing a tourist product. She points out, that many actors in the network have different interests and different views. The differences are results of various backgrounds and histories of the actors, of their positions, knowledge and ambitions in the network. Each actor is engaged in a number of exchange relationships with other actors. These relationships define the position of the actor in the network. Since positions can be defined for all the actors in the network, the concept can be used to characterize network actors (Johansson & Mattsson, 1992, 211). In the network approach coordination refers to the organizing of functions and flows, that is, activities and relationships, within the network, to increase the effectiveness of activity cycle. An activity cycle is a set of interlinked activities (Lundgren 1992, 150). In the context of tourist trade in the Turku area an activity cycle could be defined as any contact or link between or caused by the different actors in the network where Turku TouRing is one of the actors. Actors perform activities and control resources and they are also interrelated through social circumstances (Lundgren 1992,150).

The network assumption of interdependence between actors and activities means that planning and control are not the only means to achieve coordination (Lundgren 1992, 157). Turku TouRing is founded in order to make the cooperation between the actors in the network more effective, in other words to increase the effectiveness of the activity cycle. Coordination 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). Turku TouRing is supposed to combine the services from different tourism producers and to make market offerings in a coordinated and more effective way than before.

The Role of the Coordinator 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 coordinator also changes 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 (stage 2), the development stage (stage 3), the long-term stage (stage 4) and final stage (stage 5).

At the first stages (stage 1 and stage 2) the future of the cooperation between the actors is quite unsure. The actors do not know which are the resources of the other part they could possibly combine to the resources of their own. The parts do not have experiences of the cooperation uncertain about the potential relationship. The first stages could be named as the pre-relationship stage (stage 1) and the early stage (stage 2). (Ford 1983, 43). At the stage 3 (developmental stage) the confidential links between the actors are getting stronger and the relationship takes gradually more and more stable forms. According to Ford (1980, 43) in industrial markets the developmental stage is the stage where the formal and informal adaptations are increasing. According to Ford (1980, 47) it is not possible to put a timetable by which the relationship reaches the long-term stage (stage 4). This stage is characterized by the actors' mutual importance to each other. Both parts' commitment to the relationship has been demonstrated by the extensive formal and informal adaptations, which have occurred. (Ford 1980, 49.) Stage 5 is called the final stage by Ford (1980, 50). This stage is reached in stable markets after long periods of time and is marked by an extension of the institutionalization process "where the conduct of business is based on industry codes of practice. These codes may have relatively little to do with commercial considerations, but correspond more to a "right way to do business". (Ford 1980, 50.)

To continue the analogy of individual relationships I have chosen to suggest the possible roles of the coordinator in different stages:

Stage 1 and Stage 2

When a coordinator sees possibilities to relationships between the actors the coordinator can take the role of a matchmaker or a spokesman. At these preliminary stages it is important that the coordinator is able to create confidential circumstances between the actors regardless of his role in this specific action cycle. The role of the coordinator may be the one of the matchmaker's in the sense that it combines the resources of the different actors in the network. The role of the coordinator can also be called the spokesman's in the sense that it brings the different parts in connection with each other.

Stage 3

When a couple (the actors) has decided to commit themselves into a deeper relationship, the coordinator can take the role of a best man or maid of honor. At this stage the coordinator should make the continuing cooperation possible between the actors. The confidential basis for the cooperation is already created at the first stages and therefore the role of the coordinator at this stage is more a supporting one.

Stage 4

When a couple is having a baby, the cooperation between the actors is fruitful (they are perhaps developing a common service): the role of the coordinator is that of the midwife - she helps the baby to be born. At this stage the cooperation between the different actors is developing in a direction where it can assume new kinds of ways. In a sense this stage reminds of the first stages where the base for the cooperation was founded - it can be the critical point in a relationship when the forms in it are changing radically. The coordinator has to be aware of the changes and able to support the parts to come through the changes.

Stage 5

When the baby is growing up, when the cooperation is going on: the role of a godparent. At this final stage of the relationship the cooperation between the parts is running in a way in which the role of the coordinator is not so prominent. It is important for the actors to know that it is possible to consult the coordinator in any kind of questions that might come up in the relationship. The awareness that there is a part that is interesting in the relationship and it's future can function as a security. If the cooperation runs smoothly the coordinator does not necessarily have to make any interventions if it doesn't seem to be needed.

The coordinator takes different roles and also contributes differently in the network depending on the stage where the actors are and how they are linked to each other. In the beginning stages it is important that the coordinator's role is more active. The coordinator can affect to the birth of new relationships and forms of co-operations between the actors. The coordinator can also affect to the atmosphere in the network.

4. Change in the network and its affects to the network

After the coordinator has taken a more official role in the network of tourist trade in the Turku area there may be affects to the network and the actors in the network. In my research I am going to see how different actors will react to the changes especially in the role of the coordinator. Some of the actors have been active in the network already for a longer time; some of them have become participants quite recently. The positions of the actors are different in relationship to the coordinator. Some of the actors are in strategic alliance with the coordinator; some of the actors are owners of the coordinator. Easton and Lundgren describe the change in the network with an analogy to the flow through nodes. (1992, 91). They identify five change sequences and describe those as follows in the chapters 2.4.1 to 2.4.5. My intention is to find out whether this kind of framework could be used to study the network change in tourist trade and particularly the change of the role of one specific actor. In other words I would like to study how the different actors in the network, in tourist trade network in the Turku area, see the specific change. Is it possible to distinguish between the different kinds of flows as described below in the following chapters? Are the actors in the network, which are reacting to the change in a *reflective* way and reflect back the change to the initiator, to Turku TouRing in this case? The second way of reacting to the change is *adaptation*, where the actor adapts the change in the dyadic relationship to the nodal actor, i.e. to Turku TouRing.

The third way of handling the change in the network is named *absorption*. In this specific network my intention is to study whether there are signs of absorption in the way some of the actors in the network view the actual change. If the nodal actor in the network, Turku TouRing, is regarded to minimize the impact of the change upon itself, some of the actors may experience the change flow as a *transmission*. 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.

Reflection

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. Rejection is meant to imply refusal of a request; nullification describes a situation where a unilateral action is reversed. Why should the reflection occur? The most fundamental reason is that the nodal actor cannot; or perceives it cannot, comply with the request. The second reason for reflections is that the nodal actor chooses not to accept the change. (Easton & Lundgren, 1992, 92.)

Adaptation

The second sequence is termed adaptation. The change is managed between the organizations, rather than by one or the other. The change is localized 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 organizations 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.)

Absorption

The third sequence is absorption. In this instance the nodal actor accepts the change and absorbs the impact within the boundaries of the organization. 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.)

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.)

Transmutation

Transmutation occurs when a nodal actor accepts the demand for a change but is both willing and able to change both the transformation and exchange activities it undertakes. One could, for example, imagine a situation in which the transformation activities change little but the network is asked to change quite considerably. (Easton & Lundgren, 1992, 94.)

5. A proposal for the empirical research

In the previous chapters I have tried to find out some theoretical aspects, which I could use to study the situation in the tourist trade in the Turku area. The situation in the network has been changed, when Turku TouRing was founded in the beginning of this year. The new company is considered to take a coordinating role in the network.

My purpose is to study **how the actors who are already part of the network react to this change**. My intention is also to see the differences in the reactions - are there any differences and can they be explained by looking at a specific relationship between the actor and the nodal actor, in this case Turku TouRing.

The other research question is **how a coordinator can contribute to the development of so called network effects**. In other words I want to study the affects of the change in the network situation when Turku TouRing is supposed to take on a more coordinating role in the network.

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