

# Growth strategies in mature destinations: Linking spatial planning with product development

## Abstract

*To rejuvenate a destination means to develop growth strategies whilst in a phase of maturation or stagnation. Stagnation tendencies have been prevalent in Alpine tourism since the 1980's. In recent years, mature destinations in the Alps have attempted to maintain their appeal by defining and inventing new products and promotions rather than by further market penetration. The rapid (spatial) growth of tourism enterprises in the 1960's and 1970's in the Alpine destination South Tyrol led to restrictive spatial legislation and as a result, greatly limited the quantitative and qualitative development capacities of hotel businesses in these mature destinations. Consequently, the entrepreneurs in South Tyrol and the surrounding region often perceive spatial planning as a restrictive instrument limiting the growth and strategic planning and development of their enterprises. In 2007, after a period of stagnation, the South Tyrolean legislature opened up possibilities of quantitative growth for tourism enterprises, but connected it with an obligatory spatial planning and strategy concept for the entire municipality. Consequently, the municipality has to justify the declaration of new tourism zones by demonstrating the potential for growth in tourism. The aim of this paper is to demonstrate, by way of the three South Tyrolean municipalities, that spatial planning and strategic tourism development are not necessarily conflictive but that spatial planning, in combination with tourism planning and product development, can be a pro-active and creative tool with an important role in developing and implementing growth in mature destinations. As such, the scope of both spatial planning and product development have been jointly defined and tested in a case study.*

## Keywords:

*mature destinations; rejuvenation; product development; spatial planning; corporate development; Italy*

## Introduction

Butlers Tourism Area Life Cycle describes the natural growth process of a tourism destination, breaking it up into the phases of exploration, involvement, development and consolidation and ending with the phase of post-stagnation, which inter alia offers the two scenarios of decline and rejuvenation (Butler, 1980, 2006). The decline phase is

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primarily characterised by a decrease in guest numbers and an excessively high ratio of regular guests, shorter travel duration, less touristic activity and less spending than in the previous phases (Brooker, & Burgess, 2008). Furthermore, the tourism infrastructure has become outdated or been converted into non-tourist structures (Russell, & Faulkner, 1998). Destination rejuvenation means the development of strategies for the initiation of new growth after a phase of stagnation or decline and the revitalisation of the destination's life cycle.

A destination is a geographic area chosen by a guest or a guest segment as their vacation spot. This area provides all facilities, infrastructures and services necessary for the guest and the guest segment. From this demand-oriented point of view, a destination is seen as substantial competitive unit in the field of incoming tourism and is to be managed as such (Laws, 1995; Bieger, 2000). With destination rejuvenation in mind success is only possible if the destination can be led to a positive competitive position once again (Faulkner, 2002).

Destination development is linked with spatial planning in different ways. When it comes to developing infrastructures, to managing the volume of traffic or to coordinating tourism with other types of land use, spatial planning is the discipline to mediate in potential conflicts and to produce solutions for the territory, its inhabitants and the regional economic system. In this manner spatial planning is so far being perceived rather as restrictive force than as strategic partner by tourism. This article, however, is based upon the question, whether new instruments in the field of spatial planning can produce synergies with strategic product development processes in creating the conditions for further growth and herewith for restarting a destination's life cycle.

The aim of this article is to describe one way to use synergies between spatial planning and strategic product development by defining common fields of activities for both. The focus of the study is a traditional destination in South Tyrol (Italy), where the legal framework in spatial planning has been changed in order to enable the initiation of rejuvenation processes in tourism. The case study describes one specific approach and the experiences gained, joining spatial planning and product development strategies for the benefit of tourism growth.

The first part of the article is dedicated to the discussion of the theoretical background. On the basis of a literature review it refers to product development in tourism destinations and to spatial planning with consideration to the concepts of resource, activity and experience spaces in particular. The second part of the article describes in detail the case study. It is divided into the description of the normative framework and the current situation in spatial planning and development in South Tyrol on one hand. On the other hand it evidences how the single steps of product development can be linked with spatial planning measures in order to define the chances for destination rejuvenation. The case itself constitutes a description of a product development process under specific circumstances. Furthermore it delivers guidelines for the destination on how to link spatial planning concepts with innovation processes for developing and implementing growth strategies.

## Theoretical background

The causes of growth and competitiveness are manifold and are found both on the demand and the supply side (Lundrup, & Wanhill, 2001; Pechlaner, Raich, Zehrer, & Peters, 2004). Keller (2005) also stresses the spatial aspect of a tourism destination in terms of competitiveness. Geographical aspects like the destination's location, its accessibility as well as its attractions have an impact on the competitiveness of a tourism destination. In addition to the market, resource and space based views of tourism; this paper will be giving closer regard to Pine and Gilmore's (1998) theory of the experience economy, which competitive units have to offer their customers an experience of high value to be successful in the market.

### MARKET, RESOURCE AND SPACE BASED VIEWS

Porter's model of competitiveness (1990), which was primarily created in the field of political economics, found also appreciation within tourism research. The competitiveness and, respectively, the innovation capability, according to Porter, are derived from the dynamics of the interaction amongst, in main, four different terms and conditions. These are factor and demand conditions, quality and structure of involved industries, market and organisational structures as well as strategies and goals. The main source of competitiveness Porter sees is the adoption of the existing market structure (market-based view). Therefore, a business strategy tailored to the external economic framework is needed (Ansoff, Declereck, & Hayes, 1999). Competitive advantages are achieved and safeguarded by providing offers to attractive market segments, which give the target group better value than the competitors (Porter, 1996). Drucker (1954, p. 37) had already explained that "there is only one valid definition of business purpose: To create satisfied customers. It is the customer who determines what the business is." This way, the target group's wishes and motives are inevitably drawn to the centre of consideration (Hanan, & Karp, 1989).

The condition factors named by Porter are resources and competencies. Adapted to a tourism destination, these are natural resources (attractive landscape, climate, location, etc.), tourism infrastructure (hotels, points of attraction), non-tourism infrastructure – which improve accessibility – as well as human and capital resources. According to the resource based-view the competitive advantage strongly depends on how efficient and how effectively the resources of a firm or a network are utilised (Wernerfelt, 1984; Barney, 1991; Pechlaner, & Fischer, 2006). In order to guarantee a product's success in the market, it should be based on a unique combination of resources relevant for competition. If the combination of these resources represents integrated entities of technologies, know-how, processes and attitudes coordinated through organisational learning processes and if it makes a decisive contribution to customer value as well, it is considered as a core competence (Prahalad, & Hamel, 1990; Quinn, 1992). Therefore, the cultivation and development of core competencies is an important objective of any development of strategies based on resources.

Based on recent scientific debate, there are two ways to create competitiveness and competitive advantages: The adoption to customers' needs ("fit") and the best usage of resources and competencies ("stretch"). Since the 1990s the resource-based view

has been rising in importance, as well as a combination of both views (a combination of "fit" and "stretch") (Bieger, 2000). In this combined view, the main mission of a business is to create customer value, to make the customer more successful and competitive or to improve his/her quality of life. The core competences (knowledge, resources, competencies and values) are the key to reach that goal. Strategies have to be developed on how to build on the resources to accomplish the mission under the given framework conditions. The core of the strategy is the development of products and services. Consequently, strategic product development can be seen as a key element in improving competitiveness and is thus in the initiation of rejuvenation process (Pechlaner, Fischer, & Hammann, 2006).

In addition to the market-based view and the resource-based view, Keller (2005) adds the space-based view. Keller's geographical perspective stresses the accessibility of a destination as a relevant factor of competitiveness and includes the resource space. Part of this resource space is, for example, the destination's transport infrastructure, which enables the tourists to visit other resources in the destination space, like natural, cultural and man-made attractions and attractions, on which the development of tourism products is based. As attraction points host experiences, destination space gains importance under the concept of the experience economy. The protection and allocation of resources and the opening up of the space by transport structures are main fields of responsibility of spatial planning.

## **EXPERIENCES**

The economic system has been subject to continuous change. Starting with the industrial age, within the last 50 years, these changes first comprised the economy's tertiarisation and in the end the knowledge-based economy. More recently, however, another concept has taken its place: the economy of experience. In a way it represents the last and most current phase of economic evolution (Lorentzen, Hansen, & Lassen, 2007). The economy of experience advocates that only those competitive units that offer their customers an experience of high value are successful in the market (Pine, & Gilmore, 1998). Thus, the experience value of a product or service is a dominant factor influencing consumers' decisions to visit a destination (Pikkemaat, & Schuckert, 2006; Ritchie, & Crouch, 2000; Pine, & Gilmore, 1999) and is a phenomenon, which has been barely investigated (Knutson, & Beck, 2003). The visitor wants experiences of the greatest possible value. This applies, when the perceived benefits are greater than the perceived costs, compared to the perceived value of competing experiences (Gale, & Wood, 1994; Matzler, Hinterhuber, Bailom, & Sauerwein, 1996; Pechlaner, Smeral, & Matzler, 2002). The basis of this concept is the customer satisfaction approach according to the Expectation-Disconfirmation Model (Oliver, 1981) and the further elaborated approach of Customer Value Management (Gale, & Wood, 1994) building upon Adams' Equity Theory (1963) and the Comparison-Level-Theory of Thibaut and Kelly (1959).

Experiences are inherently personal and require active involvement (no experience without participation) (Knutson, & Beck, 2003; Prahalad, 2004; Ek, Larsen, Horn-

skov, & Mansfeldt, 2008). In this process the activator of an experience can be described as a stimulus and the experience itself as the result. The stimuli activating the experience can be produced through staged experiences, with time flow being a crucial factor (Andersson, 2007).

In conjunction, the concept of the experience chain has a specific effect. It demonstrates that an experience needs to be an unlimited chain of emotional experiences without any negative impressions which could cut the chain. Thus, permanent impressions can be generated (Pine, & Gilmore, 1998). Based upon these emotional moments, a continuous mental constitution transpires, the so called 'state of mind' (Grötsch, 2001), which defines whether the attraction or destination, respectively, will be revisited. Accordingly, a great challenge for the future of tourism attractions and destinations is the active staging and management of highly qualitative and unique experiences providing a considerable experience value along the entire service chain.

In this context, it is of crucial importance to consider the tourism attractions holistically, as a network in destination space. The tourist's mobility between the attractions is part of the service chain, the destination space and the resource space, respectively. Thus, the experience chain with its experience flow should be extended to the space between the attractions; in particular, to avoid negative impressions, which can influence the experience value of the attractions. The quality of experiences need not only to be measured and managed at the tourism attractions but also within the whole resource space, the space in which the tourist is moving during his stay. The challenge is to transform resource space into experience space (Lange, Herntrei, & Pechlaner, 2008).

### **LINKING STRATEGIC PRODUCT DEVELOPMENT WITH SPATIAL PLANNING**

Approaches for improving the competitiveness of a destination, e.g. for introducing growth or rejuvenation strategies, are found in the market, in resources and explicitly in the spatial resources and experiences. After integrating the economic points of view into a combination of resource and market, the space, including the experience space, should also be integrated into destination planning processes. The development of the resource space and the allocation of a close net of attraction points are tasks which are both in the field of responsibility of spatial planning and product development. Therefore the following paragraphs aim to demonstrate a way of linking strategic product development with spatial planning.

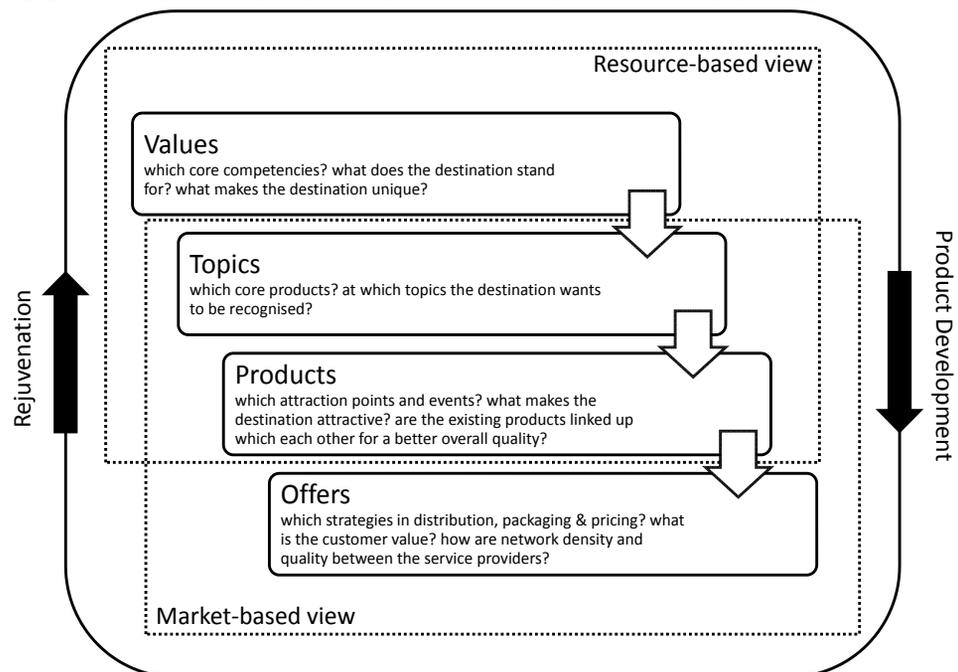
Due to intensive competition among destinations and increasing market saturation, maintaining competitiveness calls for increased action in the field of innovation and product development (Pikkemaat, & Weiermair, 2007). One of the most important tasks for the destination as a competitive unit is the creation of products and offers tailored to certain target groups, in which the existing resources are combined in the sense of plain customer orientation in a way that allows guests to recognise its uniqueness in comparison with other destinations. That can be achieved through innovative

product development processes. This approach is based on the assumption that core competencies are especially appropriate for that. Core competencies are perceived as special and unique by the customer, they are founded on authentic, communicable values and open access to a variety of markets (Pechlaner, Fischer, & Hammann, 2006).

The regional core competencies are the starting point, the basis for the development of tourism products, and decisive for a destination's competitiveness. Core competencies are being defined by identifying abilities, technologies, know-how and resources available in the destination, which make a contribution to the creation of customer value (Prahalad, & Hamel, 1990).

The aim of the analysis of core competencies is to identify existing, missing and potential core competencies (Roberts, & Stimson, 1997). This is a difficult process because core competencies are of complex, multi-layered structure. To avoid misinterpretation, it is necessary to early involve various stakeholders of the destination. As core competencies can be perceived by customers in the consumption of products and services, the classic analysis of the value chain, is an appropriate approach for the identification of core competencies (Prahalad, & Hamel, 1990). Based on the results of the analysis, the identified or relevant core competencies can be protected or developed. On the basis of the core competencies of the destination, the core products and core services and finally marketable products and specific packages can be created (Fig.1) (Pechlaner et al., 2006).

Figure 1  
**VALUES AND CORE COMPETENCIES AS THE BASIS OF STRATEGIC PRODUCT DEVELOPMENT**

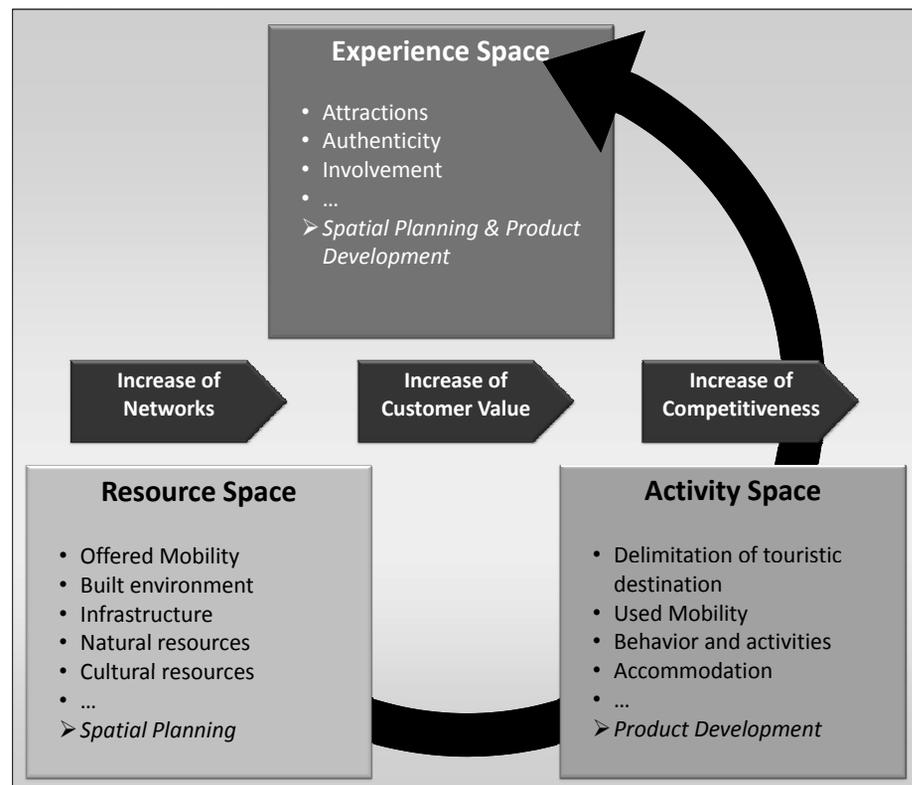


According to Pechlaner et al., 2006, p. 45

Further it is necessary to visualise the core competencies and their unique interactions with the values of the destination and to make sure the points of attraction and events remain in accordance with them. Only then would it ultimately be possible to create unique packages and offers. Attraction points can be seen as geographical units or spaces attracting tourists through the combination of different activities and services. Elements determining attraction points are the symbol, (e.g. architecture), the service, the experience, the participating customers and the original attraction (Brunner-Sperdin, & Müller, 2006). Figure 1 illustrates further that strategic product development combines, both, the resource- as well as the market-based view. Both views are key approaches for defining rejuvenation strategies. As a strategic process, product development can be understood as a circular flow which leads to continuous rejuvenation.

Keller's (2005) spatial, geographical view of a destination is a quite general one, as his resource space includes, for example, the cultural and natural resources as well as the transport infrastructure or the man-made tourism attractions. This article aims to demonstrate that the differentiation between three spaces is in accord with developing an experience space. In order to do that three different typologies of space (based on Keller's (2005) spatial view of the destination and Pine and Gilmore's (1998) experience economy) have been derived considering the various aspects of tourism development. In line with the research question, it will be argued that the development of an experience space needs a cooperation of spatial planning and product development (Fig. 2).

Figure 2  
**TYPOLOGIES OF SPACES IN TOURISM**



The resource space provides the basic physical equipment for locals and guests. It includes the entire structural environment with all structures of supply as well as traffic and communication infrastructures, which allow social (Urry, 2002; Kesselring, 2006) and spatial mobility (Diewitz, Klippel, & Verron, 1998; Becker, & Gerike, 2000). Spatial mobility is a basic prerequisite for travel, and therefore of essential significance for a destination. Only if a destination is accessible can it become a destination for flows of tourists. And only if a destination's partial spaces have been made accessible, is it possible to travel around the destination. The main areas of responsibility of spatial planning in the resource space are of course the protection of the natural and cultural environment. By zoning, spatial planning has to specify the dominant kind of space use and has to bring in line the differing demands. Spatial planning has to provide the clear preconditions for when and how an infrastructure, with a specific building use, may be built in a specific area. Furthermore, the planning of the transport infrastructure and therefore the accessibility of the destination are the under the remit of spatial planning.

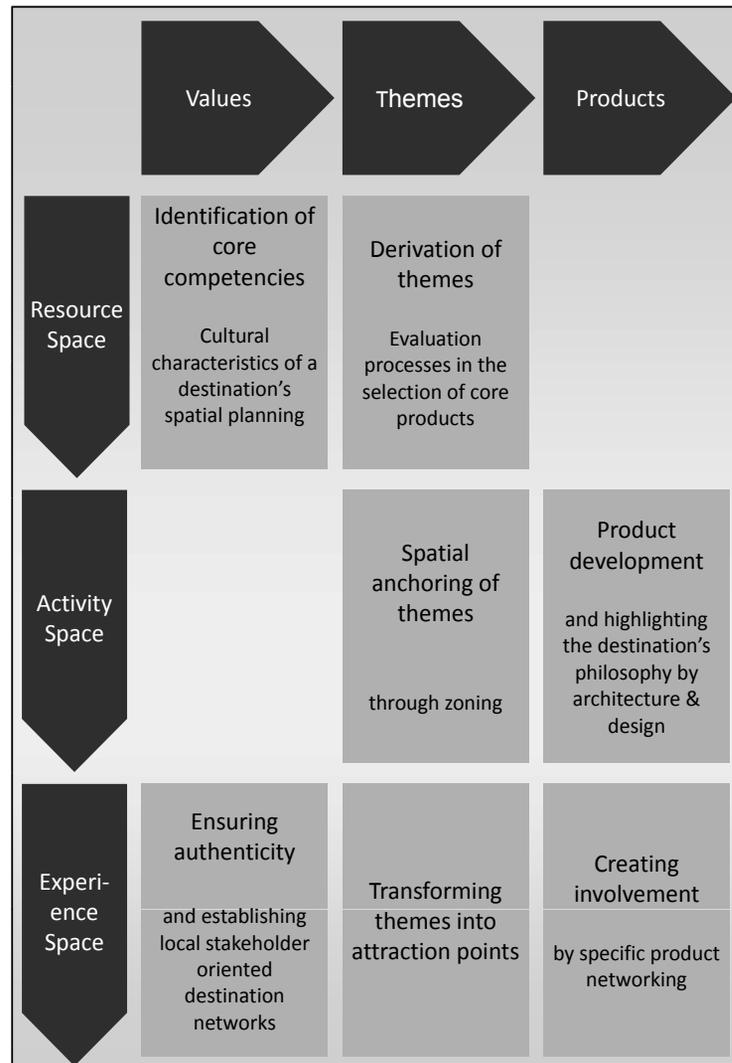
The activity space is the space the visitor will open on his/her own during the holiday stay (Golledge, & Stimson, 1997; Schlich, Schönfelder, Hanson, & Axhausen, 2004) by making use of products and services along the chain of tourism services. As cultural tourists, for example, have other travel incentives than activity tourists, these groups call for different products and services. The results are different, sometimes overlapping, individual or target-group-specific activity spaces situated in the resource space. This way, the activity space corresponds to the destination space defined from the demand point of view (Bieger, 2000). The organisation of these spaces as well as the development of products, attractions and services is the key task of the service providers. This takes place within the resource space. Although the creation of the activity space is a main task of the tourism industry and thus a part of product development, spatial planning has its role. Spatial planning gives the tourist the freedom to determine his/her activity space or destination, but spatial planning also has to define negative activity spaces (no go areas), to ensure that the different requirements stay in balance and to meet the demands of the inhabitants. Specifications for the design and architecture have to be provided by spatial planning as well. As design and architecture represent the values of a destination the specifications, especially for the points of attraction, have to be developed with sensitivity. Spatial planning therefore defines the physical shape of the activity space.

The space, in which experiences are provided and consumed, is the experience space (Lorentzen et al., 2007). In this space the resources as well as the products and services built on them are provided with experiences within networks of service providers and guests (Bieger, & Wittmer, 2006). Experiences are mostly limited to isolated individual partial spaces of a destination (Zouni, & Kouremenos, 2008). In the experience space, however, experiences are expanded over the entire destination within the framework of an experience value management in a dense net of points of attraction, products and events (Lange et al., 2008). That is how a continuous, positive experience flow can be created, which has been identified by Pine and Gilmore (1998) as decisive for success.

The experience space can only be created if spatial planning and product development are closely working together. Spatial planning is able to influence the density of points of attractions and thus can help avoid gaps in the experience flow. Through its binding guidelines, spatial planning can influence and speed up innovation processes in the tourism sector for the benefit of the entire destination. On the other hand, spatial planning profits from the linkage as it is enabled to act pro-actively in most of its areas of responsibility, for example in planning the capacity of accommodations.

In order to operationalise the linkage between tourism development and spatial planning, concrete and common fields of activity have been defined within the interface of the concept of strategic product development (Pechlaner et al., 2006) and the typologies of spaces (derived from literature) (Fig. 3). These fields shall address both the practitioners from tourism industry and spatial planning and shall enable them to jointly work on the common tasks.

Figure 3  
**FIELDS OF ACTIVITY BETWEEN SPATIAL PLANNING AND PRODUCT DEVELOPMENT**  
 (illustrated by the authors)



In order to test the developed approach of common fields of activity defined at the interface of spatial planning and product development this approach is implemented in a case study of an Alpine destination of South Tyrol. On the basis of the case study, it is demonstrated how planning these common areas of activity enable a step by step and integrated process of product development especially considering aspects of spatial planning.

### **Case study: Rejuvenation in an Alpine destination**

The subject of this case study are three South Tyrolean municipalities in Northern Italy. The destination territory comprises 127.07 km<sup>2</sup> and 24,723 inhabitants in 2009 (ASTAT, 2009). Eppan, Kaltern and Tramin in the southern part of South Tyrol, located along the South Tyrolean Wine Road, combine several scenic, cultural, but also economic elements. They are integrated into an intensively cultivated, man-made landscape, which is closely connected with the theme of viticulture. The territory is rather characterised by the Mediterranean climate than by mountain landscapes, although mountain experiences are within reach. The tourism season is so far concentrating on spring, summer and autumn. The first part of the case study is dedicated to background information on the destination South Tyrol and on the legal conditions of spatial planning in the province, describing in detail the new South Tyrolean spatial planning instrument 'destination development concept'. The second part deals with the elaboration of this concept in the case study destination and with the specific implications with regard to the research question of this article.

### **HISTORICAL DEVELOPMENT AND BACKGROUND**

Tourism in South Tyrol started approximately 150 years ago with the establishment of large hotels along the railroad lines and mountain passes. The professional supply of integrated service chains, a narrow focus of products, as well as a large portion of international guests lead to the conclusion that, in those days, the South Tyrolean tourist villages and resorts went through their first period of consolidation (also see Prideaux, 2000; Pechlaner, Kofink, & Herntrei, 2008).

With the start of World War I, young tourism industry of South Tyrol's hit rock bottom. At the end of the war, Austria had to cede the province to Italy and during this change, a great part of the existing tourism infrastructure changed hands. The entire tourism changed its appearance, as the target groups made up of aristocrats and the rich from the Belle Époque had ceased to exist. This means that "Alto Adige", as South Tyrol was now called, had already experienced its first phase of radical stagnation.

Rejuvenation took place with the first forms of mass tourism in the twenties and thirties of the 20<sup>th</sup> century (Rohrer, 2003) and was intensified, with great involvement of the South Tyrolean population, during the fifties and sixties. During that period, locals from most social classes as well as large parts of South Tyrol's rural areas benefited from the tourism development. By 1979, the tourism economy reached boiling point. The steady development of the tourist supply culminated in a cessation in the expansion of any further accommodation capacities, as decreed by the regional planning authority (Autonomous Province of Bozen - Bolzano - South Tyrol, 1979).

Subsequently, between 1979 and 1993, new accommodation facilities in South Tyrol could not be developed at all. Since 1993, development, in terms of quality, was allowed (Autonomous Province of Bozen - Bolzano - South Tyrol, 1993). From 1997, slight quantitative growth was only possible under certain conditions (Autonomous Province of Bozen - Bolzano - South Tyrol, 1997). As investments in the quality of the accommodation, restaurant equipment and design were primarily made during this period, the enterprises were left in a dilemma. On the one hand they had to comply with the guests' demand for more quality. On the other hand, they had no possibility to go ahead with the capacity increases required for it. In this period, South Tyrol experienced another phase of stagnation. Beds were lost and the number of guests declined in many places. In the municipality of Eppan, for example, the drop in the number of beds from 1987 until 2007 amounted to 34 percent (WIFO, 2009).

In order to control the growth of tourism in South Tyrol, the provincial government has classified municipalities based on their tourism development into municipalities with low, medium and high level of tourism development (Decree No. 55, Autonomous Province of Bozen - Bolzano - South Tyrol, 2007a). According to this rating, which has been the basis for spatial planning since 1992 (Autonomous Province of Bozen - Bolzano - South Tyrol, 1992), growth of the tourism sector in touristically developed and strongly developed municipalities was limited in terms of quantity. The majority of South Tyrolean municipalities were classified as touristically developed. In 2007, the provincial government began to grant these touristically developed destinations certain freedom for quantitative development. In order to enable these municipalities to realise quantitative and qualitative growth in tourism the provincial government introduced a new firm planning instrument at the interface between spatial and tourism planning: the so-called 'destination development concept'. On the one hand, the implementation of this destination development concept is supposed to generate tourism growth in order to safeguard the local population's source of income in the future. On the other hand, this growth is to be arranged in a way that takes the specific circumstances of the respective municipalities into account and will not place a heavy burden on the natural habitat. This should give interested enterprises enough freedom for expansion in a way that would be compatible with spatial planning.

The 'destination development concept' is based on a series of obligatory qualitative as well as quantitative components proposed by governmental offices, which have to be developed by the interested municipalities. The destination development concept is to include the following contents: in-depth analysis and evaluation of the current situation (economic, demographic and spatial development so far and future potential), the future focal points for tourism in the municipality (in order to strengthen the destination's profile, to raise awareness of local resources and competencies, and to bring supply in line with the desired target groups), existing and planned tourism infrastructures, an evaluation of their impact on spatial development and, in the end, an estimation of the quantified maximum growth potential (defined by the number of beds realisable) for a certain period of time. However, the legislator has limited overall growth in South Tyrol to the number of beds that existed on January 1<sup>st</sup>, 1985 in the

entire province (Autonomous Province of Bozen – Bolzano - South Tyrol, 2007b). The last component of this "destination development concept" specifically links tourism development with spatial aspects, since it should indicate specific criteria for the identification of so-called "zones/sites for tourism facilities". On the one hand, these criteria include operational aspects, such as the quality rating or the desired type and size of hotels. On the other hand, however, there are also criteria with regard to the geographic site selection within the municipality. These criteria are supposed to guarantee the consistency between the extension of tourism structures and the villages' character (in terms of architecture and identity). This way, spatial planning becomes a creative instrument for the implementation of strategic tourism development, still maintaining the resources' quality and authenticity.

## RESEARCH DESIGN

Following the before mentioned destination classification by the provincial government, the three municipalities Eppan, Kaltern and Tramin have been classified as touristically developed. During the last two decades, however, they registered a slight but constant decline in arrivals and overnights, caused by structural changes on the market, but also on the resource-side. Since the three municipalities are of a very similar spatial structure and moreover frequented by the same market segments based on a similar product spectrum, the provincial government has decided to unify them into one pilot destination and to discuss cooperative perspectives of growth emanating from the combination of spatial and product development. The development of innovative and experience-oriented products for this pilot destination has been embodied in the preparation of their common 'destination development concept', which they elaborated between October 2008 and April 2009. The purpose of this case study is to demonstrate that, given the right circumstances, the three municipalities succeed in giving new impulses for product development with the aid of this new spatial planning instrument.

The case study is based upon the process of strategic product development (Pechlaner et al., 2006) and three different typologies of spaces (cf. section Theoretical Background), under assumption that these two concepts define a viable approach to tourism and spatial planning on the one side, and to the thematic tasks of tourism development and spatial planning on the other side. This is being enabled through the identification of common fields of activity between these two concepts as illustrated in Figure 3, forming the basis for articulating the destination development concept in this case study. The fields of activity in this case study have been used as underlying structure and working steps by the three municipalities, joining tourism and spatial planning with regard to process and content.

The common procedure for elaborating this 'destination development concept' consisted of the identification of core competencies as a first step, followed by the derivation of related products and services. This second step included the analysis of tourism infrastructures (points of attraction) aiming at the improvement of the potential of the experience space in the pilot destination.

In order to answer the research question explained in the introduction to the article the following data and material has been collected, structured and evaluated in the framework of six workshops involving local stakeholders in the municipalities: statistical data regarding demographic and economic development (including tourism), statistical data regarding the development of land use, transport and traffic development, statistical data regarding the market demand as well as market research and indicators regarding spatial and environmental compatibility of tourism development in the destination. The data was provided by the Provincial Institute of Statistics and the South Tyrolean Institute for Economic Research. Data from the years 1972 until 2008 was considered. In order to evaluate the point of departure in tourism in the pilot destination, seven guided interviews have been implemented (Eppan: 3; Kaltern: 3; Tramin: 2) with local entrepreneurs, politicians and spatial planners. The interviews furthermore served as framework for the interpretation of the statistical data and for the valuation of the tourism development potential.

### **CURRENT CHALLENGES IN EPPAN, KALTERN AND TRAMIN**

The municipalities of Eppan, Kaltern and Tramin are facing typical problems arising from the stagnation of tourism in several respects (see Butler, 1980). On the one hand, the destination's tourism structure is going through a phase of deterioration at the moment. On the other hand, there are certain developments, in particular in terms of spatial development, which tend to displace tourism. The municipality of Eppan, in particular, is affected by these developments. This village is located near the provincial capital Bolzano and, therefore, also suffers strong migratory pressure. As a rule, people who moved here recently, show less understanding for the strains and burden of tourism. General acceptance of tourism, and herewith also the local population's hospitality, is on the decrease.

During the last twenty years, the three municipalities' local economies have experienced significant changes. Together with trade and the public sector, the hotel and restaurant industry represents the destination's most important employer (Autonomous Province of Bozen - Bolzano - South Tyrol, 2009). This fact is not reflected in the respective companies' development, however. Due to the sharp drop of the German source market, among other things, the overall number of non-hotel<sup>1</sup> and hotel<sup>2</sup> accommodation enterprises has fallen significantly. This fall amounts to between 30 and 47 percent (WIFO, 2009). After the peak during the 1980s, this downtrend is also evident in the number of guest beds. There has been a drop of between 19 and 27 percent since 1985 (WIFO, 2009). In particular, this affected the lower rated enterprises (houses offering one or two star accommodation). Recently, however, hotels with higher ratings also suffered a decline. Consequently, the non-hotel companies lost many guests and overnight stays (see above).

Apart from structural problems that are typical for tourism, the destination of Eppan, Kaltern and Tramin is also struggling with other phenomena that make additional development of tourism in the future even more difficult. Even if due to strict urban

design rules and regulations it has been possible to prevent the emergence of second homes, which are typical for stagnation phases, for the most part, re-adaptation of tourism infrastructures for residential accommodation represents an attractive alternative for many badly operating enterprises. The proximity of the provincial capital, but also the high quality of life in the villages, attracts a lot of people to settle in these municipalities. This trend has been confirmed by the population growth (ASTAT, 2009). The shift in significance in favour of residential accommodation, however, affects the settlement areas as well. The village centres in the municipalities are rather densely covered with buildings, and the demand for houses continues. Therefore, the rededication of buildings also directly accelerates the urban sprawl of the residential areas. What remains are oversized infrastructures which are difficult to preserve. In connection with this development, also splinter development and increasing suburbanisation of the retail trade can be observed. The drop in tourist numbers, who formerly put some life into the historic centres, decisively affects the centres' attractiveness as public spaces and supply locations. Hence, the stagnation of tourism initiates a series of chain reactions, which in the medium term not only jeopardise tourism itself, but also the quality of life and the livelihood of the local population. This is the starting point for the rejuvenation of the destination of Eppan, Kaltern and Tramin by means of this South Tyrolean 'destination development concept'.

### **CREATION OF EXPERIENCE SPACES AND PRODUCTS**

Based on the identified common fields of activity (Fig. 3) the three municipalities defined their future strategy of destination development. Together with a local steering group including decision makers from tourism, spatial planning and members of the municipalities' councils the single fields of activity have been discussed, processed and filled with specific content related to the potentials of the destination. The findings for these are described in the following paragraphs.

As a first step, the values and core competencies have been defined, based on process outlined in Figure 3, which are all strongly related to the knowledge of cultivation and manufacture as well as to the consumption and enjoyment of wine in the destination, which have been acquired in the course of the 3,000 years and for which it is possible to provide scientific evidence of the cultivation of wine in this region (Fig. 3: identification of core competencies and derivation of themes). Table 1 shows how the four themes 'Heart of the South Tyrolean Wine Road', 'Culture & Architecture', 'Relaxation & Sports' and 'Village life' and several further sub-themes have been derived, based on the values and core competencies. As these steps are done within the resource space, spatial planning has to provide clear pre-conditions for which kind of infrastructure can be built where and how it should be built. The transport infrastructure, which provides accessibility of the destination, plays a central role.

Table 1

**STRATEGIC PRODUCT DEVELOPMENT IN EPPAN, KALTERN AND TRAMIN**

| <b>Values &amp; core competences</b>               | <b>Viticulture, cultivation of landscape, authentic hospitality &amp; every day culture</b> |                                   |                               |                          |
|--|---|-----------------------------------|-------------------------------|--------------------------|
| <b>Themes</b>                                      | "Heart of the South Tyrolean Wine Road"   | "Culture & Architecture"          | "Relaxation and Sports"       | "Village Life"           |
|  | Fine food   | Castles                           | Hiking                        | Festivals                |
|  | Wine & Grappa   | Churches                          | Biking                        | Shopping                 |
| <b>Sub-themes</b>                                  | Traditional food  | Modern architecture               | Lake activities               | Farm holidays            |
|  |   | "Überetscher" architectural style | Wellness                      |                          |
|  | South Tyrolean Wine Road  | Castle Trail of Eppan             | Lakes of Kaltern and Eppan    | Historic village centers |
| <b>Core products, points of attraction, events</b> | Winery "Manincor"   | St. Jakob church                  | Wine Road marathon            | Viticulture weeks        |
|  | adventure centre "Wein.Kaltern", ...  | Alpine Romantic Road              | Biking and hiking trails, ... | "Roter Hahn", ...        |
|  |   | Klimahaus,...                     |                               |                          |

By linking up individual themes with the entire space or with certain partial spaces in order to consciously utilise regional strengths it was possible to spatially anchor the tourism themes in the destination (Fig. 3: spatial anchoring of themes). It enables decision makers to determine main focuses for product development. The anchoring of themes in certain partial spaces helps to realise the development of products, points of attraction and events in an objective-oriented and site-oriented way, with the aim of creating homogeneous spaces with high density and quality of experience. Within the framework of the concept, the themes 'Heart of the South Tyrolean Wine Road' and 'Culture & Architecture' have been coupled with the entire destination, while the themes 'Relaxation and Sports' and 'Village Life', have only been connected with specific partial spaces. In a further step, the main themes were subdivided. For example, the subtheme 'lake-activities' has been created, which is only significant for the lake-side areas in Eppan and Kaltern (Tab. 1). These examples show that spatial anchoring of themes is strongly related to zoning by spatial planning. The tourism product development has to identify regional strengths and build on them, while spatial planning can support this process by setting rules and frames for preserving and protecting the destination's characteristics and strengths.

As has already been mentioned, the destination space defined by a certain theme should be endowed with a dense network of points of attraction, products and events (Bieger, & Wittmer, 2006). Above all, the creation of products and services for the densification of this space is the responsibility of the great number of tourism service providers (Fig. 3: product development). The majority of them have already discovered the advantages of the themed product development. For example, an empirical survey, carried out in the three municipalities within the framework of the 'destination deve-

lopment concept', has shown that 65 percent of accommodation enterprises are already communicating the theme of wine, and offer adequate products and services (destination development concept Eppan, Kaltern and Tramin 2009). In the future, the destination development concept offers tourism service providers quantitative as well as qualitative growth opportunities, even though it requires that the service providers are willing to adjust to the themes defined by the destination with regard to their range of products and services (Tab. 1). If this is not the case, the municipalities will not grant the respective building permits. This way, the destination's profile should be sharpened with a lasting effect. In the future only hotel projects with a minimum rating of three stars will be granted a building permit. Furthermore, spatial planning can provide a framework for development of uniquely and authentically designed points of attraction. The architecture of attraction points cannot be underestimated, as both stand for the visibility of the destination's values.

With the safeguarding and integration of the core competencies into all products, points of attraction and events, it is possible for tourism to preserve its authenticity and its natural hospitality (Fig. 3: ensuring authenticity). Authenticity offers the best context for tourists to enjoy adventures and experiences. Therefore, authenticity is one of the key requirements for the conversion of the destination space into a unique experience space generating customer value (Bieger, & Wittmer, 2006). For the above reasons, the attainment of authenticity was given high priority in the context of the destination development concept. In the identification and establishment of tourism zones, it is therefore very important to pay sensitive attention to the conversion of the status quo with regard to the village character as well as the preservation of the man-made landscape. In the future, local service providers will be favoured where there are quantitative extensions, provided that they are interested in giving the existing tourism companies potential for growth. This does not exclude the possibility of investments by external stakeholders. Another aspect is the preservation of the unique culture, which is the basis for authentic experiences. Beside traditional structures like local associations or city festivals, spatial planning can work as an intermediary for bringing together local stakeholders with differing interests. This way spatial planning can promote the establishment of stakeholder oriented destination networks.

Among the themes that had been identified, there is already a great number of points of attraction - some of them are shown in Table 1. In particular, the theme 'Heart of the South Tyrolean Wine Road' has a quite dense network of attractions. The wine road itself links up the attractions, among else some 25 wineries, of which the architectural highlight Manincor and the wine experience centre (Wein.Kalern) stand out with their interesting modern architecture. In the future, the destination shall work on the development of the points of attraction in the respective thematic areas for better integration (Fig. 3: transforming themes into points of attraction). The goal is to create a dense and therefore clearly recognisable network of relevant points of attraction, products and events in each of the defined subject areas. This also includes considerations about products that no longer fit the respective thematic area and therefore should be abandoned or replaced. The creation of points of attraction is part of

the product development process. Through linking product development with spatial planning, existing and future points of attraction become part of the 'destination development concept'. In this way, the development of points of attraction can be sped up and guided into the desired direction, following the given themes.

The integration of the stakeholder and the guest is a prerequisite for the experience (Zouni, & Kouremenos, 2008). In this context, the formation of theme-specific networks and special interest groups with defined minimum qualities represents a great challenge for destination management (Dyer, & Singh, 1998; Pechlaner et al., 2008;). Apart from ensuring authenticity, it is now important to involve the guest in authentic situations (Fig. 3: creating involvement). This may be an accidental meeting with the farmer at the roadside or a table talk with the locals, but it can also include deliberately planned and staged moments, which are part of the offered products and services. The successful example is that of the "Roter Hahn" (red rooster - farm holiday quality label) shows that guests prefer products that include involvement and authenticity. Another example would be the popularity and the incredible appeal of hike excursions guided by the local hoteliers for more than 25 years. Now it is the destination's responsibility and challenge to promote and encourage products and services offering adventure and experience through involvement and authenticity by creating product specific networks. As spatial planning influences product development and can act like a promoter on innovation processes, it can have a positive influence on network building and on the quality of the final products.

The case study shows that the identified fields of activity provide the possibility to discuss tourism development from two different perspectives: from the product development point of view and from the spatial planning point of view. In following these planning steps the pilot destination Eppan, Kaltern, Tramin was able to consider both perspectives in their conceptual work and to define common tasks for both sectors in the future implementation of the concept. In the end, it provided quantitative and qualitative perspectives for tourism growth. The elaboration of this 'destination development concept' was therefore one important step forward to integrate tourism development with other disciplines for the benefit of the competitiveness of the whole destination.

## Conclusions

With regard to the research question stated in the introduction, the aim of this article was to show through the case study how the linkage of spatial planning and strategic product development could be a factor of success in developing and implementing growth in mature destinations. To perform the linkage, the common fields of activity of both spatial planning and product development were defined. These have been tested in a case study of three South Tyrolean municipalities and have illustrated how the innovative products and experiences in destination spaces can be planned systematically. During the process of the elaboration of this 'destination development concept' spatial planning maintained and highlighted the natural and cultural resources of the territory. Together with the definition of themes and products through a joint effort

of all stakeholders it was possible to base the growth strategy on authentic resources and experiences. In doing so, this synergy contributes to creation of a dense experience space and directly changes the preconditions of destination growth and rejuvenation.

Another synergy is constituted by the definition of a clearly delimited legal and thematic framework, the 'destination development concept' itself. This framework, on the one hand, describes the overall growth strategy of the destination. On the other hand, it gives local entrepreneurs a defined range for implementing their own growth objectives in compliance with the overall strategy. The framework is therefore tying all local actors (destination management, tourism entrepreneurs, public administration and politics) to committing to a collective target-oriented action. Especially for community-based destinations (Bodega, Cioccarelli, & Denicolai, 2004) such as Eppan, Kaltern, Tramin, this collective action is rather difficult to implement. Yet the case study demonstrated that the implementation of the new instrument 'destination development concept' gives impulses in that direction. During the final two workshops with local stakeholders the following conclusions could be drawn:

- The common fields of activity gave the practitioners a useful structure of their joint work;
- The cooperation between the stakeholders of the tourism industry and spatial planning became constructive and target-oriented after a short adjustment period;
- The main advantages that tourism stakeholders experience through this approach are growth opportunities, combined with strict spatial and quality regarded requirements. In particular, the quality aspect is strongly supported by the tourism industry;
- Spatial planners see the cooperation with the tourism industry as a relief in the ongoing mediation process and conflicts about land use. Furthermore, they find themselves in a pro-active and therefore more positive position;
- Target-oriented, collective action by interdisciplinary actors can therefore be considered a precondition for the implementation of growth strategies in a destination.

By means of an explorative approach, in this case study attempt was made to link innovation processes in tourism, in the sense of product development of destinations, with different typologies of spatial development. The case study discussed shows in detail the interfaces and potentials of such a linkage. This fit is expressed by the common fields of activity between product development and spatial planning. This study can be interpreted as a qualitative pre-study to a quantitative survey in the area of entrepreneurial product development. Hence, a number of implications remain.

With regard to the scientific discussion in strategic product development in tourism destinations the approach of using spatial planning to improve the tourism competitiveness is rather unique. This, however, also applies for product development processes in practice. So far no case study has been elaborated in this context. Therefore the case study of Eppan, Kaltern and Tramin is supposed to serve as impulse for tourism and spatial research to open the discussion on synergies. Such a scientific discussion might

be very useful even for practitioners, as its results might provide detailed guidelines how to avoid possible conflicts between tourism and spatial development and how to make use of these synergies in the future. In addition, the case study can contribute to the discussion from the economic point of view and their appraisal is sufficient to develop and maintain the competitiveness of a tourism destination. The authors strongly believe that the integrated approach of the economic and space-based view, as exemplified by the common fields of activity of product development and spatial planning, is of benefit for the competitiveness of tourism destinations.

Another important implication of the case study regarding local destination management is the added value provided by the cooperation of different municipalities and industries. The first pays reference to given spatial circumstances and conditions, so far often neglected in tourism development processes due to prevailing parish-pump politics. The latter might serve to reduce transaction costs in planning processes since relative stakeholders with different thematic competences are included from the beginning on and work on conflict solutions at an early stage. With regard to the realisation of these 'destination development concepts', however, new mechanisms have to be developed in order to implement the tasks defined in the fields of activities. The steps that need to be taken address different traditional implementation bodies both in municipal administration as well as tourism organisations and single entrepreneurs. They have to be coordinated in a joint manner.

Finally the implementation of growth strategies depends on governance mechanisms within the destination. The range of action for implementing the strategies is defined by different actors in various constellations of power. In classic governance constellations the actors defining this range have been local tourism entrepreneurs and the destination management organisation. With the 'destination development concept' new actors defining the range of action, local public administration and spatial planners were introduced, leading to a shift in the constellation of power and changing the governance structure.

The case study is one approach to define rejuvenation strategies for traditional tourism destinations, suffering from stagnation, even though the success of these strategies cannot be measured yet. A further and ongoing research on the processes of change and development in the destination would be necessary. The approach applied in this case study is very specifically tailored to the rather unique legal framework for spatial development and tourism in South Tyrol. Therefore other case studies are needed to confirm the appropriateness of this approach for other tourism destinations with different framework conditions in terms of spatial planning.

In addition, the created common fields of activity, which have been defined in this article, need further empirical tests and a deeper theoretical discussion. The utilised approaches of strategic product development and experience space have thus neither been modelled sufficiently nor discussed and proofed by the scientific community.

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## Endnotes:

<sup>1</sup> Private accommodation, camping grounds, boarding houses, farmhouse holidays, youth hostels

<sup>2</sup> Hotels, inns, pensions

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