

Size matters! Increasing DMO effectiveness and extending tourism destination boundaries

Abstract

In traditional community type of destinations, destination management organizations (DMOs) provide local services for visitors and fulfill destination marketing functions. On the demand side, they focus their activities on image and reputation building, product bundling and sales and distribution management. On the supply side, they are involved in various functions like information services, coordination among the tourist SME's, infrastructure operation or support as well as destination planning functions. Traditionally these local DMOs, often to be found in mature tourism destinations, are organized as more or less public administrations and authorities or as public-private-partnerships, mostly covering the territory and being responsible for services in one or more municipalities. As traditional community type of destinations have to compete with company type of destinations like resorts, theme parks or even cruise boats, the respective DMOs have to transform themselves into modern, market oriented service centers. The current challenges require a critical budget and product-oriented regions, with a rather centralized marketing and management. Therefore, the reach and boundaries of destination areas must be evaluated and in many cases redefined. With the aim of deepening the understanding of destinations economics and delivering a structure for analyzing and organizing destination functions, this paper analyses the criteria for defining the boundaries of destinations and consequently budgets for the respective DMOs by looking at the case of the Swiss canton of Grisons. The conceptual paper is based on a single case study and demonstrates the link between type of destination and its life cycle position with its DMOs tasks, activities and budgets.

Keywords:

destination management organizations, destination marketing, DMO functions, DMO tasks, DMO budgets; Switzerland

Introduction

Local Destination Management Organizations (DMOs) in community type of destinations, particularly in mature destinations in Europe, must adapt their tasks and activities due to increasing competition and changing markets (Bieger, 1998). This article contributes to the deeper understanding of the transformation process of DMOs in traditional destinations by looking particularly at the tasks of DMOs with regard to

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critical mass. The geographical size of a destination has an impact on the ability of its DMO to fulfill certain functions. In fact, the tradeoff between internal and external marketing functions (Presenza, Sheehan, & Ritchie, 2005) induces the DMO to seek an optimal reach, in order to contribute to the destination's competitiveness and, at the same time, to fulfill the corresponding activities with the available budget. According to Presenza et al. (2005), tourism destinations require a DMO which is, on the one hand, capable to fulfill local services and earn internal acceptance and, on the other hand, finance its marketing and sales activities. The resulting conflict between different optimal boundaries - for internal functions rather small, for external functions rather large - poses an existential challenge for DMOs.

This paper is novel with regard to two aspects. First, a theoretical discussion of the requirements and functions of local DMOs extends the existing research in DMO tasks and activities (Getz, Anderson, & Sheehan, 1998; Presenza et al., 2005; Ritchie, & Crouch, 2003; Sainaghi, 2006; WTO, 2004), by addressing the drivers affecting DMO tasks and activities with regard to budgets. Second, by applying a longitudinal research approach, leaning on Mintzberg, and McHugh (1985) and Eisenhardt (1989) the empirical case of the Swiss canton of Grisons shows that the boundaries of DMOs and their responsibilities change depending on the lifecycle stage of the destination. Hence, this article provides new insights for destination transformation theory as well as practical results for DMO managers in form of a DMO task and activity list and a standardized budget.

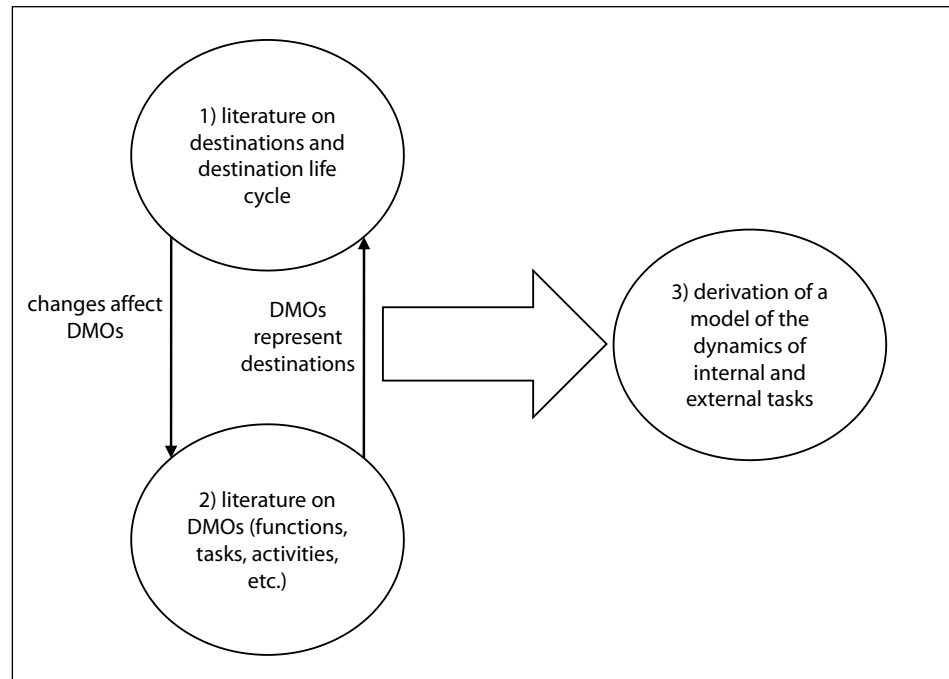
Consequently, the objectives of this paper are: a) to identify tasks and activities of DMOs in community type of destinations; b) to optimize the boundaries of a tourism destination based on the life cycle approach, and c) to discuss the corresponding impacts of changing destination boundaries on the DMO tasks and activities.

By the nature of the objectives, this paper is rather conceptual. It relies on theoretical analyses and draws on practical results of a case study of a traditional tourism region with community type of destinations. Thus, it contributes to the deeper understanding of destination economics which can be described as forces and factors influencing efficiency and effectiveness of destinations and their DMOs. It also provides a structure for analyzing and organizing destination functions and budgeting for practitioners.

Extending theory on DMOs

This section aims at three targets. Firstly, to review tourism destination definitions combined with the life cycle concept of the tourism destination. Secondly, to analyze adaptation of DMO activities to changing competitive and environmental conditions. Thirdly, to review the trade-off between internal and external tasks contextualized in the current challenges for DMOs based on a model, to be verified with the help of the case study in section three. Figure 1 illustrates the contribution of the three subsections as well as their interrelations.

Figure 1
LITERATURE STREAMS AND THEIR INTERRELATIONS



TOURISM DESTINATIONS AND THEIR LIFE CYCLE

Destinations can be defined as well delimited geographical areas (Hall, 2008) to which people travel and in which they choose to stay (Leiper, 2004). Being the focus of facilities and services designed to meet the needs of the tourists (Cooper, 2005), destinations can "be seen as the tourist product that in certain markets competes with other products" (Bieger, 1998). They are considered to be the competitive unit in incoming tourism. The need to define a destination policy, its strategy and to conduct a consequent destination planning (Gunn, 1988; Inskip, 1991; Pearce, 1989) and destination marketing (Buhalis, 2000; Gartrell, 1996; Heath, & Wall, 1992) implies that even in community type of destinations a rather coordinated and focused kind of management of the whole destination network is needed (Ritchie, & Crouch, 2003). Hence, the tasks that have to be performed centrally are, among others, destination planning, product development and marketing, since the customer sees and buys the whole destination's service bundle as one integrated product (Bieger, & Laesser, 1998).

Butler (1980) presents in his tourism area life cycle (TALC) the most influential model on destination development based on the life cycle concept. In his seminal work he describes the changes on demand and supply side affecting the tourism destination. According to the TALC model, the tourism destination evolves along with its visitors, its competitive environment as well as with its economic, social and environmental context. Further empirical studies highlight selected issues like the operationalization of the model (Haywood, 1986), with the help of local's perceptions (Getz, 1992), quantitative economic indicators (Tooman, 1997), statistical series analyses based on economic indicators (Beritelli, 1997) or on tourist arrivals (Lundtorp & Wanhill,

2001). Specific aspects focus on environmental issues (Meyer-Arendt, 1985) or on second homes (Strapp, 1988). Despite the rich literature on the topic, the empirical validity of the TALC model bears two constraints which are relevant for this paper. First, the unit of analysis (i.e. the tourism destination) is difficult to define. In fact, Agarwal (1997) points out that the geographical extent to which the model could successfully be applied is limited. Particularly, "regeneration is an ongoing process; resorts must continually re-orientate and rejuvenate their product, in order to keep abreast with competing destinations and constant market changes" (Agarwal, 1997). In fact, most of the empirical research highlights the difficulties in recognizing and describing the decline and rejuvenation stages, if the unit of analysis is kept stable, i.e. the destination's boundaries do not change along the life cycle. Second, and in line with Agarwal's request, Cooper & Jackson (1989) point out that also facilities and administrative structures must adapt, subject to destination development. This includes obviously the DMOs as coordinating institutions in the destinations.

DESTINATION MANAGEMENT ORGANIZATIONS

Whereas in company type of destinations an enterprise like a single resort, a theme park, or in the case of a cruise ship, the shipping company performs all the services, in community type of destinations, services which have the quality of public goods are performed by a DMO (Presenza et al., 2005; Ritchie, & Crouch, 2003; WTO, 2004). In fact, certain services like visitor information, indoor and outdoor sport facilities cannot be operated on a commercial basis and are therefore, according to the tragedy of the commons (Ostrom, 1991), managed and financed with public funds. When regrouping all the public and semi-public services to be provided in a community type of destination, local DMOs must fulfill four main tasks, as defined by Heath, and Wall (1992), namely: 1) strategy formulation, including planning (Jamal & Getz, 1995); 2) representing interests of stakeholder and install and nourish relationships between DMO and stakeholders as well as between stakeholders (Morrison, Bruen, & Anderson, 1997; Sheehan, & Ritchie, 2005); 3) co-ordination of activities, either by shaping the supply-sided product/ production (Getz et al., 1998; Smith, 1988, 1994), or by catalyzing all the actors in the tourism destination (Manente, & Minghette, 2006), and 4) marketing of the destination as well as destination branding (Blain, Levy, & Ritchie, 2005).

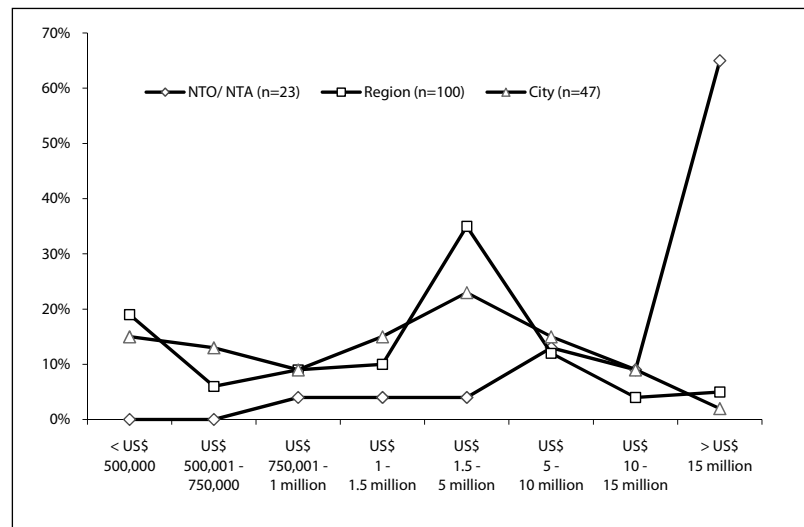
Various conceptual and empirical contributions try to differentiate and particularize selected issues arising with the request to fulfill the four tasks. For example, Getz et al. (1998), in an empirical study on Canadian convention and visitor's bureaux (CVBs), concluded that these institutions show a poor involvement in product development on one side. But, on the other side, they facilitate and produce events, generally limited in scope due to small budgets. By doing so, they comply to the requirement of contributing to projects of public interest but, at the same time, they avoid competition with private enterprises, which are among others important shareholders of the CVBs. Sainaghi (2006) disarms this challenge by presenting a dynamic destination management model (DDMM) which distinguishes primary (operative processes, new product development, communication) and secondary (internal marketing, training, research)

processes. His model, based on a multiple case study approach, puts forward strategy content and strategy process and emphasizes the importance of DMOs contribution to the processes (Sainaghi, 2006). A first attempt to define quantitative criteria for the categorization of local DMOs is presented by Bieger, & Laesser (1998), who provide quantitative requirements for the case of Switzerland. According to destination's main markets the following approximate overnight frequencies and respective DMO budgets are recommended: (1) domestic markets with destinations of approximate 300,000 overnights and approximate 700,000 EUR budget for the DMO, (2) international markets with approximate 600,000 overnights and approximate 1.5 million EUR budget for the DMO, (3) global markets with approximate 1 million overnights and approximate 2.5 million EUR budget for the DMO. Finally, they suggest that 50% of the overall budget shall be dedicated to the marketing task, implying that there are different local DMOs which have limited budgets and different scopes (Bieger, & Laesser, 1998). As a consequence, as the destination evolves, a local DMO must adapt its activities and budgets.

CHALLENGES FOR DMO TASKS

The World Tourism Organization (2004), in a survey in which 23 national tourism authorities/ organizations (NTA/ NTO), 100 regional and 47 city DMOs participated, shows the similarities of budgets as well as budgets for external marketing activities across the different types of organizations. Figures 2 and 3 display the percentage distributions of analyzed DMOs.

Figure 2
PERCENTAGE DISTRIBUTION OF OVERALL BUDGETS



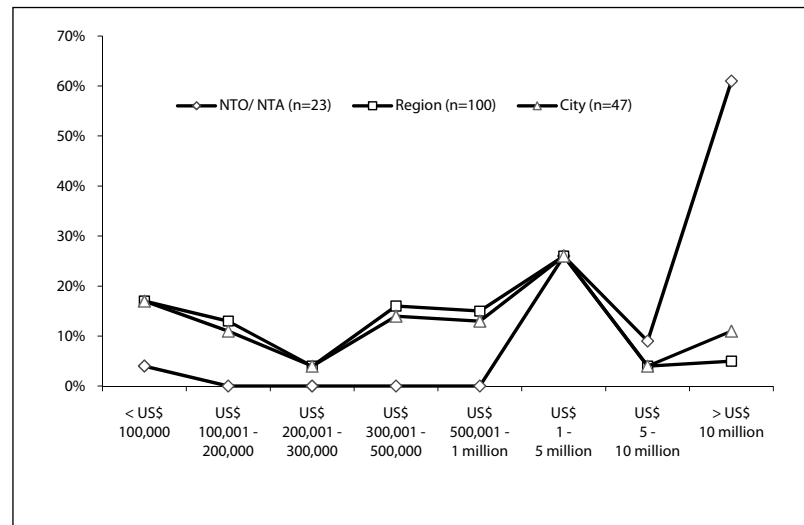
Source: WTO (2004, p. 8)

Additionally, three results characterize the differences between these three types of institutions. First, NTA/ NTOs generally show the largest overall as well as marketing budgets. Second, NTA/ NTOs and regional DMOs dedicate a considerable amount of their budget to marketing, while city DMOs have other additional expenditures. In fact, Figure 2 shows a rather equal distribution of overall budgets for all city DMOs

in contrast to Figure 3, which displays distribution of marketing budgets in-line with regional DMOs and hence increasing with city DMOs budgets. Third, with decreasing destination boundaries, when looking at the differences between the three categories, marketing budgets decrease.

Figure 3

PERCENTAGE DISTRIBUTION OF MARKETING SPENDING



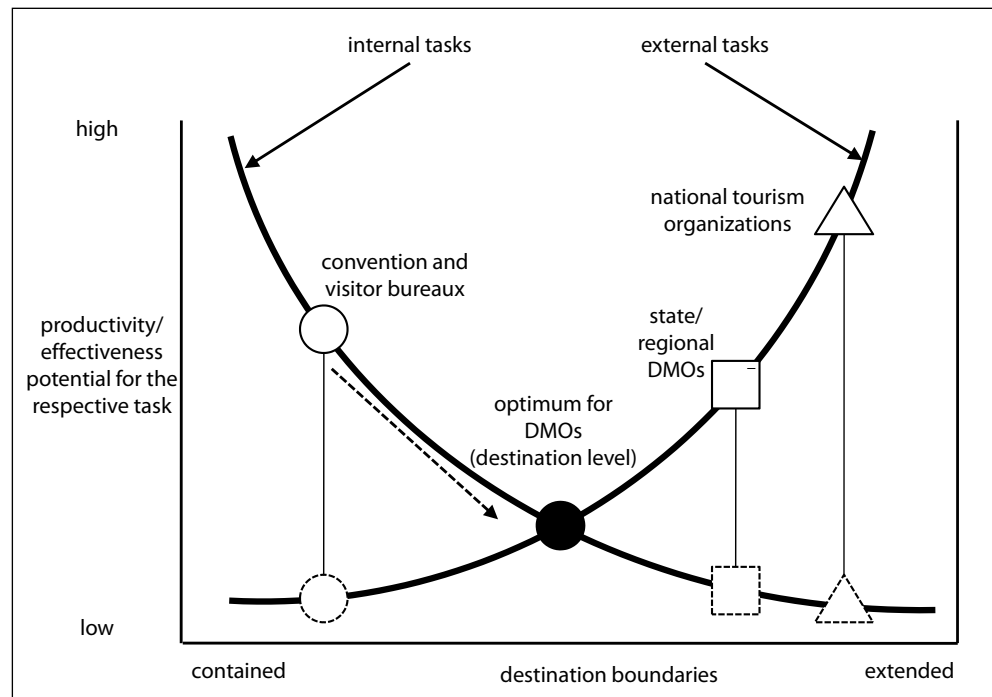
Source: WTO (2004, p. 11)

The abovementioned observations reflect four current challenges affecting the future of local DMOs in community type of destinations. First, with the increasing competition in tourism markets, the ongoing commoditization of many types of tourism products, the increasing information and promotion flows customers are exposed to and the concentration in the media industry, the critical marketing and sales budgets must increase. Hence, the financial basis of independent destination marketing must be bigger and more stable than in the past (Perdue, & Pitegoff, 1990). Second, due to more efficient inner destination transport infrastructure combined with the trend to multi-optional service and attraction consumption patterns destination areas, as perceived from the visitor point of view, tend to expand their boundaries (Hyde, & Laesser, 2009). The geographical scope for destination product development therefore must be broader. Third, the growing necessity to legitimize tourism development and the associated unavoidable negative impacts require an internal marketing and communication tailored to specific stakeholder's interests and concerns (Buhalis, & Fletcher, 1995; Reed, 1997) to the extent that even numerous face-to-face discussions are needed. This would require organizations close to the community (Ryan, 2002) and rather limited in scope. Fourth, the commoditization tendencies require clear positioning strategies with focused product identity (Flagestad, & Hope, 2001). Destinations with confined boundaries show a rather homogeneous product/set of products and could achieve a distinct positioning. In contrast, the closeness to local enterprises and actors requires the DMOs to present a picture of the destination to which most of the stakeholders could identify themselves.

The above challenges lead to different requirements for destinations and for their boundaries in different development stages. From the abovementioned discussion, a trade-off between two main functions which must be fulfilled by local DMOs arises. First, DMOs must pursue internal destination development activities in order to satisfy local stakeholders. Second, DMOs must keep up with the pace of the competitive environment and therefore increasingly invest in marketing (Presenza et al., 2005). An early contribution by Pearce (1989) highlights the importance of the tourism environment, the inter-organizational networks as well as the changes over time in a destination for the tasks and roles of local DMOs. Local DMOs must deploy increasing resources in order to comply with the various requirements from internal and external customers. By looking for new products and markets, their scope and their tasks shift towards a stronger market orientation, along a path which leads them to operate in more extended boundaries of the destination but forces them to emancipate themselves from a too strong dependency on local stakeholders and interests.

Figure 4 illustrates the shift of functional emphasis of convention and visitor bureaux, as they evolve towards larger DMOs. So far, convention and visitor bureaux represent rather contained areas, concentrating on local information services, local events as well as planning and stakeholder management. Their activities with regard to product development and marketing (market research, market development, promotion, distribution and sales, etc.) are very limited (Getz et al., 1998).

Figure 4
MODELED TRADE-OFF BETWEEN INTERNAL AND EXTERNAL TASKS FOR LOCAL DMOs



By extending the destination boundaries, DMOs invest more resources in product development and market orientation but simultaneously decrease their attachment to

local planning and local stakeholder management, eventually reaching an optimum. In contrast to local DMOs, regional DMOs as well as national tourism organizations focus on marketing the extended territory they represent, increasingly investing in new market development, branding as well as distribution and sales. Larger organizations due to bigger budgets and market competence are more effective/ productive with regard to external market tasks. Smaller organizations are closer to the local SMEs and to the political networks and by this are more productive with respect to internal tasks

Obviously, the optimal destination boundaries cannot be quantitatively defined for every local DMO seeking for the optimal trade-off between internal and external tasks. In fact, tourism destinations differ with respect to: type of destination product (e.g. rural-city, summer-winter, type of activity/ main motivation), target market (e.g. domestic-international, phase of life, travel behavior) and development stage of a destination (introduction-growth-maturity-decline-rejuvenation).

Depending on the abovementioned three dimensions, convention and visitor bureaux must adapt the focus of future tasks and activities reacting upon changes along these three dimensions. The relevant changes which affect the transformation include the following developments:

- commoditization of the product(s), indicated by increasing competition, reduced positioning potential, and necessity to internalize economies;
- development of new markets, indicated by increasing budgets for promotion, distribution and sales, and
- destinations moving to the maturity stage, leading to decreased cooperation because of heavier conflicts for resources among enterprises and institutions, increasing need for coordination of infrastructure and capacities and increasing (re-)investments

Based on the discussion of trade-off between internal and external tasks as well as the optimal destination boundaries, changes of the reach of the destination are required as a reaction to the earlier mentioned developments. But do these considerations really apply in practice? Are there tourism destinations and regions affected by these challenges and could the respective DMOs react in the way, as presented in this chapter? The following two sections present a practical case which currently undergoes such a phase of adaptation and transformation.

Method

The changes are illustrated by the case of Grisons. The Swiss canton of Grisons serves as practical case study for the validation of the model presented in Figure 4 and its discussion presented in the previous section. The canton of Grisons can be considered as a role model for destination development and evolution because of its history of industrial tourism, dating back to the 19th century and because of its current challenges typical for mature destinations. Several other mountain regions like Tyrol (Austria), experience similar mechanisms of increasing destination size because they were exposed to similar developments. The applied methodology for the case study is based on

Mintzberg, & McHugh (1985) as well as on Eisenhardt's (1989) case study research. However, instead of building a theory based on case studies by first selecting the cases, then gather the data and later develop and test the hypotheses (Eisenhardt, 1989), the case study in this paper starts with an already hypothesized construct (i.e. modeled trade-off between internal and external tasks presented in Section 2.3.) and demonstrates its relevance with the help of the discussion derived from the case study. Hence, a first general theoretical analysis antecedes the methodological process which follows (1) the collection of basic data and information, (2) the inference of developments with respective periods, (3) the analysis of each period and (4) a second theoretical analysis, referring to the specific case (Mintzberg, & McHugh, 1985). The applied longitudinal approach allows reconstruction of historical developments which explain the current situation. Based on Pettigrew's (1990) research, two dimensions provide the differentiated reconstruction for every period of the case study: (1) the industry, i.e. the tourism industry in the canton of Grisons and (2) the firm, i.e. the local DMOs with their tasks, activities and budgets. For the reconstruction of the historical developments, the collected data and information is derived from secondary sources, comprising books and journal articles as well as statistical data provided by the Swiss Department of Statistics and the Department of Economics of the canton of Grisons. Project reports and personal information gathered directly from a project aiming at the restructuring of the regional and local DMOs of Grisons which took place between 2005 and 2007 and which is currently being rolled-out, helped describe the current situation and the incumbent challenges. The sources in this case included personal interviews and workshop protocols, held with the workgroup members of the project (i.e. governmental representatives, DMO managers and board members, industry association executives and board members, and executives of major tourist enterprises in the region). The collected primary and secondary sources were ordered according to two dimensions: (1) time period, (2) level of observation (i.e. the industry in general with particular attention to the development of the ski area companies and the accommodation sector and the local DMOs and the regional DMO).

Case Grisons

Grisons is a typical Swiss alpine region. The canton consists of approximately 190,000 inhabitants, 150 valleys and 206 communities. Besides tourism there are only two important international manufacturing sectors - hydro electrical power production and a rather considerable construction industry. Farming is gradually losing its importance as primary source of income for the main part of the population (AWT, 2008a). Today, Grisons is the biggest tourism region of Switzerland with a total of 6.2 millions overnights in 2008 (STV, 2009) and a typical example of a traditional European tourism region based on community type of destinations. Because of its early development and long history in tourism Grisons is considered a role model for destination development and evolution. In fact, summer tourism and especially spa tourism dates back centuries ago and modern winter sport tourism was founded in Grisons in the 1950s. Today, Grisons is a region with mature destinations with a high degree of commoditization of products. The main challenge in Grisons is developing new markets with the help of sales oriented professional tourism marketing. Hence, this case serves as a typical

example of a region which forces local DMOs to adapt to the new requirements and induces its stakeholders to redefine their destination boundaries.

HISTORICAL DEVELOPMENT

Exploration and growth (1850-1914)

The beginnings of modern tourism in Grisons started with health and spa tourism, which dates back more than two hundred years, particularly in the world-known villages of Davos and St. Moritz. Customers in that period were noble and wealthy people who stayed for several weeks. Alpine leisure and sports activities combined with recreation and recovery tourism took place in well-defined boundaries of towns and villages, embedded in a pristine mountainous natural environment. Grisons became the pioneer in alpine winter tourism when first British tourists followed the invitation of a St. Moritz hotel owner and spent their winter holidays in the Alps in the late 19th century. With the development of winter sports and especially ski tourism in the early 1920s, Grisons developed a second strong tourism season. As a consequence of the prosperity of mainly summer-based international tourism, a comprehensive railway network (Rhetian railways) was constructed in 1912, connecting the most important valleys and villages. With the installation of modern transport technique in form of railways, mass tourism developed and the markets started to diversify in terms of geographical areas and of activities. Marketing investments had to go further than word-of-mouth marketing among the communities of the European nobility and bourgeoisie. Hence, cooperative marketing structures were developed. The first DMO at community level was founded in 1864 in form of an association: the tourism promotion board of St. Moritz. At cantonal (state) level, today's cantonal tourism promotion board, Graubünden Ferien, was founded in 1909 (Müller, Kramer, & Krippendorf, 1995; STV, 1999).

Crisis (1914-1945)

During World War I and II as well as the intermediate period between the two wars, Switzerland's tourism was generally hit by a reduction in frequencies as well as over-capacities due to dramatic shifts in the demand structure. In fact, the nobility and bourgeoisie of the late 19th century was replaced by a broader market segment which increasingly gained importance in the period following the World War II (Müller et al., 1995; STV, 1999).

Late growth and maturity (1945-1990)

The second growth phase, which occurred after World War II, was driven by increasing wealth and demographic growth in the domestic market. Winter sports for families of all income groups shaped the business model of alpine destinations in Switzerland, as well as in Grisons. Since the 1960s a network of approximately 60 ski destinations has developed throughout the entire canton. As a consequence, winter became Grison's strongest and economically most important season. In addition to the growing wealth of the population in the main markets like Switzerland's urban areas and southern

Germany, the second home sector started to boom. Today, 42% of all tourism bed capacities are provided in second homes (AWT, 2008b). Hence, tourism marketing was gradually reduced to traditional German-speaking markets and regular visitors; market segments that hardly needed marketing and were easy to reach. Only the two big players, mainly St. Moritz and parts of the upper Engadine, as well as Davos and Klosters, succeeded in preserving a relevant share of truly international and partly intercontinental visitors (AWT, 2008b; Bieger, Laesser, & Weinert, 2006b).

The late growth period gave birth to many new tourism destinations in the canton, like Alpenarena (communities of Flims-Laax-Falera), Lenzerheide-Valbella, Savognin, Disentis-Sedrun, Samnaun and offered the opportunity for further development of existing large destinations as well as the rejuvenation of declining ones, like Scuol-Tarasp-Vulpera. During the following decades, the local and regional DMOs as well as Switzerland Tourism as the national promotion board applied an increasingly elaborate breakdown of tasks between the different levels of tourism organizations. Switzerland tourism targeted long-haul markets, Grisons tourism was responsible for brand development for the entire canton of Grisons as well as for the presence on European markets which was of importance especially for smaller destinations. At the same time, the big tourism destinations like St. Moritz, Davos or Arosa operated their own intercontinental marketing and brand management (Bieger, & Laesser, 1998; Müller et al., 1995; STV, 1999). So far, the cooperative tourism structure, institutionalized by the local DMOs, was financed by tourism taxes in form of taxes per overnight stay paid by the tourists. In some cases, local tourism and non-tourism enterprises paid a value added tax according to their dependence on tourism and their total revenue. These financial sources for local DMOs were under the legislation and administration of the different communities. Thus, all the collected tourism taxes were controlled and deployed by the local communities. Central governance and therefore strategic marketing on regional or even cantonal level was very difficult or close to impossible.

Signs of decline and need for rejuvenation (1990-today)

Today, the canton of Grisons counts approximately 5 to 6 million overnights annually and around 46,000 bed places in hotels (AWT, 2009), resulting in a modest occupancy rate of about 33% (BfS, 2009a). Number of overnights has gradually decreased since the end of the 1990s, as well as average stay, dropping to approximately 3 days per trip (BfS, 2009b); the latter points to an increasing trend of short-trip and an increase in daily visitors, judging by increase in skier day's frequencies. The dependency on the domestic and the German market (45 % and 34% of the overnights respectively based on an average value 1992-1999 (AWT, 2009)) have made the canton of Grisons vulnerable not only to the tourism industry's general trends as for instance increasing mobility, increasing international competition and more demanding customers (Bieger, & Laesser, 2005). Grisons tourism industry additionally suffers from the saturation of its core markets which are characterized by more flexibility, access to long-haul destinations with regard to budgets and time, and an ageing society, seeking more valuable experiences than just skiing (Bieger, & Laesser, 2008).

While these dramatic changes were occurring in a time period of around 25 years, local DMOs as well as the regional DMO of Grisons, Graubünden Ferien, have tried to adapt to the increasing challenges. Some DMOs achieved a gradual increment of budgets, with the help of an increase in overnight taxes, in municipal subsidies, in the creation of additional taxes (e.g. sport taxes, promotional taxes), or in income from merchandising and booking provisions. Some other DMOs have reduced their engagement in local services and infrastructure by outsourcing previous responsibilities (e.g. sport centers, camping sites, hiking trails) and handing them over to the local municipality. Unfortunately, these adaptations have been carried out without seriously putting into question whether their structures and processes and their tasks and therefore activities were still up to date. Still in 1998 there were 92 local DMOs. Almost half of these organizations had a marketing budget of less than 50,000 CHF (approx. 30'000 EUR). (Bieger et al., 2006b).

NEW DESTINATION POLICY: SIZE MATTERS

With the loss of market share in alpine tourism, the pressure on cooperative marketing grew. The big hotels and ski areas became increasingly critical about the efficiency and effectiveness of cooperative tourism marketing. A study mandated by the new minister for economic affairs revealed several weaknesses of traditional cooperative marketing structures:

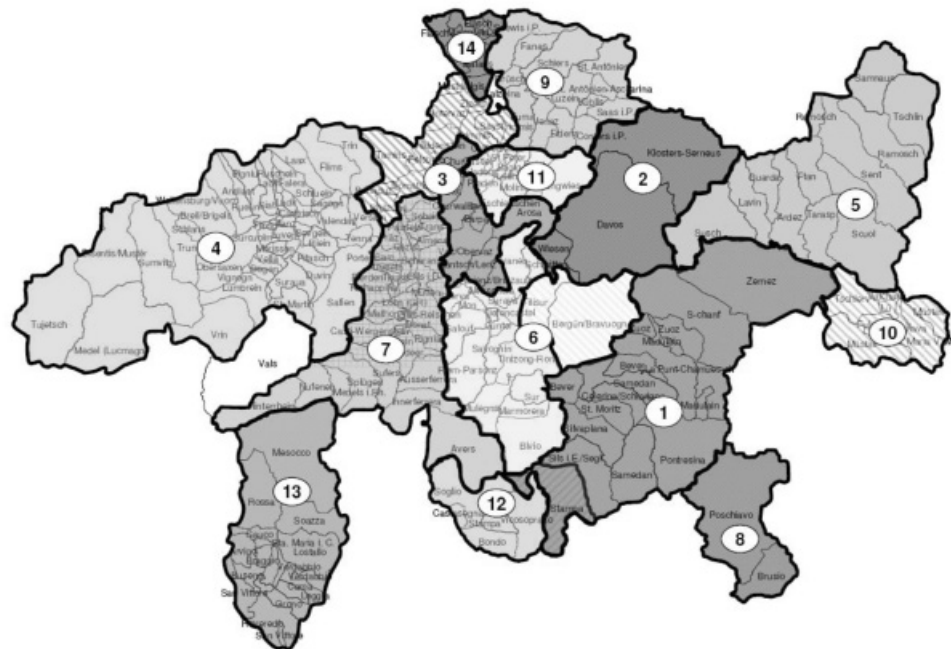
- inefficient structure with 86 tourism organizations, employing 293 full time equivalents staff (average of 3.4 employees), governed by boards with 428 members (compared to the WTO-benchmark for local DMOs with more than 80% of local DMOs counting more than 10 employees; WTO, 2004)
- an average budget of an equivalent of 250,000 EUR (compared to the WTO-benchmark for local DMOs of approx. 1 mil EUR; WTO, 2004);
- insufficient marketing budgets with an equivalent of 140,000 EUR flexible marketing budget per organization (compared to the WTO-benchmark for local DMOs of approx. 400,00 EUR; WTO, 2004);
- too many brands, with more than 30 destination logos and, on the other hand, no significant sales efforts and structures, too much emphasis on weak marketing instruments;
- exchangeable products difficult to access;
- not enough competencies and resources to develop new markets (Bieger et al., 2006b) .

After years of losing market share in international tourism, Switzerland's biggest tourism region, the canton of Grisons, decided to improve its destination marketing and management. Since the early days of tourism, more than a century ago, local community-based DMOs were responsible for destination marketing and management, similarly to convention and visitor bureaus described in Section 2. These institutions were in most cases organized as public-private-partnerships in form of associations with a strong reliance on political support and public money. They did not achieve a critical budget size which is why their marketing was often lacking or performed on a

subcritical level. The cantonal minister of economic affairs decided to initiate a major reform of the existing destination structures. The main goals were: to reduce the number of DMOs significantly to 5-8; to assure a minimal budget and flexible marketing resources, in order to gain critical market-force for the acquisition of new markets; to reduce the number of tourism brands and focus on the really strong ones by increasing sales competencies and efforts, and to position Grabubünden Ferien (cantonal DMO) as a platform for smaller and weaker tourism villages and regions and thus guarantee a minimal marketing coverage and information services for the complete canton's territory (Bieger et al., 2006b).

With a new destination structure based on regions consisting of several communities, a shift towards bigger DMOs should be induced. These organizations should be equipped with a budget large enough to compete on international markets. The definition of destination boundaries and of minimal DMO budgets was particularly challenging. Finally, the cantonal and the communal authorities as well as the DMOs agreed to regroup the areas according to Figure 5.

Figure 5
REGROUPED TERRITORIES OF GRISONS IN TOURISM DESTINATIONS WITH EXTENDED BOUNDARIES



Source: AWT (2008b)

In order to adapt DMO tasks according to destination size and available budgets, two models for DMOs were defined:

- Destination Management Organizations (DMOs) with full territorial and product related tasks: (1) Engadin St. Moritz, (2) Davos Klosters, (3) Chur – Arosa – Lenzerheide, (4) Flims Laax / Surselva, (5) Nationalpark-Region

- future tourism organizations (zTO) with limited tasks (similarly to local visitor bureaus): (6) Savognin-Surses / Albulatal, (7) Viamala, (8) Valposchiavo, (9) Prättigau, (10) Val Müstair (as part of 5), (11) Schanfigg, (12) Bregaglia, (13) Moesano, (14) Bündner Herrschaft

Two areas could initially not be assigned to any DMO or zTO: Vals and Valzeina, left as white spots on the map of Figure 5.

Table 1

TASKS AND BUDGET OF A DMO

| Task category | Territorial tasks (functions to be fulfilled for the whole destination area) | Product related tasks (functions to be fulfilled for key partners within the destination) |
|--|--|---|
| Planning/ conception | 1. Marketing strategy (50 k CHF) | 1. Anticipatory design and coordination of product lines (50 k CHF) 2. Creation of platforms for cooperation (50 k CHF) |
| Total planning/ | 50 k CHF | 100 k CHF |
| Product development/ marketing | 2. Securing the brand management (20 k CHF) 3. Reprocessing/ information (1.75 m CHF) 4. Territorially differentiated information centre/ call centre/ portal (1 m CHF) 5. Promotion of destination region/ intensive support for journalists and supply of media with contents (3 m CHF) 6. Product and performance platforms (20 k CHF) 7. Coordination of key media and key accounts (included above) 8. Support of organization and marketing (included above) 9. Passive sale (included above) | 3. Extended product management (50 k CHF) 4. Exchange platforms (50 k CHF) 5. Communication of segment specific offers (100 k CHF) 6. Promotion (100 k CHF) 7. Support for journalists and supply of media with contents (100 k CHF) 8. Support of key customers, tour operators and travel agencies (100 k CHF) |
| Total product | 5.79 m CHF | 500 k CHF |
| Internal marketing/ representation of interests | 10. Know-how development (200 k CHF) 11. Representation (included above) 12. Encouragement of tourism awareness (100 k CHF) 13. Administration of stakeholders (20 k CHF) 14. Coordination of political lobbying (100 k CHF) | |
| Total internal | 420 k CHF | |
| Total generic | 6.26 m CHF | 600 k CHF |

m = millions, k = thousands

Source: Bieger, Laesser and Weinert, (2006a).

Since so many board members with political contacts and relations were involved in these small DMOs all over the canton, technical argumentation had to be backed by strong incentives and political tactics. As a result, the first step was not to close down the small DMOs. It was conceded that they should keep certain functions like product development and lobbying on a community level. However, to effectively perform in marketing tasks, new organizations comprising of and servicing regions with more than two million overnights were founded and additional subsidies from the canton were offered to finance this process of change. As a precondition for the cantonal resources, a business plan for the change process had to be presented. To allow for more efficient governance and administration for the newly created DMOs, the local tourism tax regimes were substituted by a cantonal tourism value-added tax and a cantonal bed tax.

The new, bigger destinations are destined to become the core of tourism marketing in Grisons. Their DMOs should either substitute or work together with the local visitor bureaus and have a key focus on brand positioning and sales. In order, to professionalize and benchmark the work of these newly established organizations, a standardized list of tasks and a minimal budget was developed. Moreover, professionals and competent destination managers were hired.

Up to now, three of the foreseen five destinations started their operations. The first destinations operating in the new scheme have been the ones which developed from mergers of big players with surrounding smaller DMOs. These smaller DMOs could buy into an existing and strong brand as well as a competent destination management. In regions of weak destinations the transformation into a new DMO was also feasible because rather small and fragile structures had to be replaced. Furthermore, the involved communities have realized that they don't lose their identity but rather gain professionalism and dispose of increasing resources.

Implications

Based on literature research, this paper proposes a model in which mature destinations must extend their product and market basis, in order to cope with increasing competition. In order to do so, on the one hand destination boundaries are affected and must be redefined as larger areas. On the other hand, DMOs need to cover additional tasks going beyond the activities provided by convention and visitor bureaus. As a consequence these institutions must increase in size and budget. However, there is no perfect matching, because increasing destination boundaries lead mainly to a more effective destination with regard to external tasks oriented towards the markets. In contrast, a loss in the DMO effectiveness, particularly with regard to the internal tasks, had to be accepted. Following the discussion in the literature research section, it can be derived that, depending on destination type and destination life cycle phase, there is an optimum for destination boundaries with an according DMO.

For practitioners and particularly for executives and boards of DMOs this implies a periodical revision of its current destination boundaries and of the DMO tasks with

corresponding competencies and budgets. The need for revision depends on the speed of change of the destination's markets and products. As a matter of fact, the destinations of the canton of Grisons had to reform their DMO tasks and budgets, in order to be online with the strategic challenges. The effects of increasing commoditization of products and services, based on the needs for increasing diversification and internationalization have led the destinations in Grisons to generally improve their DMO effectiveness by merging smaller units into larger organizations. Consequently, the larger budgets had to be reallocated according to the current needs. The list of activities and budgets in Table 1 is a specific and at the same time generic example. It is specific because it reflects the financial and legislative conditions of one region and because it has been developed for a mature region. It is generic because it shows how standard DMO tasks are defined and how the budgets can be divided. Consequently, the case of Grisons illustrates the model put forward in chapter 2 by showing that depending on the life cycle stage of the destinations; the respective DMOs must revise (1) their combination of internal and external tasks, (2) the destination's boundaries according to market and product requirements, (3) the financial basis as well as their competencies. The case of Grisons has also shown that not all the tourist areas dispose of a convention and visitor bureau which is capable of undergoing the needed adaptations and cope with changing requirements. A combination of support delivered by the regional DMO, new (regional) financial sources, and simply time and personal leadership could pursue the process.

In practice, no specific rule could prescribe the procedures of change processes for DMOs and their destination boundaries. However, there are specific indicators signaling the need for change and there is a clear tendency, depending on the life cycle stage, which points to a specific development of DMO tasks and budgets. The earlier the indicators are recognized, the easier DMOs can adapt to the current changes and the higher is their effectiveness for external as well as the acceptance for internal tasks.

Conclusion

New destination structures are the appropriate response for destinations and tourism regions to meet globalizing tourism markets with increasing marketing costs. This includes the revision of tourism destinations boundaries. The drivers for revision are generally the increasing competition, the commoditization of products and services (with increasing involvement, integration of services and visitors and development of visitor communities), and the diversification and internationalization of markets. The dynamic model and the list of tasks and the minimal budget serve as a reference for the development of DMOs. However, the case also shows the difficulties of change processes when decentralized financing structures are affected and involved. Therefore, further research addresses

- understanding the transformation process of DMOs founded and grown in developing stages of the respective tourism destinations and discovering change management mechanisms which support a quick and appropriate adaptation of this kind of organizations,

- discovering and explaining the role of financing semi-public institutions like DMOs in the context of change and therefore the use of financial incentives and disincentives of DMOs as turning point of the development stages of a destination.

From the case in this paper we learn that the tasks of DMOs are defined according to the boundaries of the destination. The case of Grisons delivers an insight into the adaptation of destinations and their DMOs in a typical, traditional tourist region.

Limitations of this case apply obviously to the validity for other regions and countries, particularly to the case of urban areas and their DMOs. A further limitation must be seen in the application of the tasks and budget scheme, as financing structure and sources delimit the absolute and relative values for the organizations. Finally, we must see the case of Grisons as a running process. The objective of creating a maximum of eight destinations with respective DMOs is a work in progress which may be accomplished in the coming years.

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