

## Innovation in the tourism context: New opportunities for enhancing competitiveness

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### Abstract

An important development in the tourism industry is the emphasis on innovative services. In a marketplace where services make little difference one from another, innovation is necessary to increase competitiveness. Tourists are a different group of customers as they are not depending on the service as they have lots of possibilities in front of them. Tourists, as a matter of fact can exploit different sources of information which helps them decide on which service to choose. Studies show that innovation in tourism services follow a different pattern from innovation in manufacturing, as tourism service innovation is behavioral rather than technological (Drejer, 2004). Tourism businesses now days don't compete with service quality only but they focus on providing innovative services and quality to customers and are organized under Destination Management Organizations. Tourism services follow a shorter lifecycle than before which is a major factor for moving toward innovation. This research paper focuses on tourism businesses which operate in Shkodra city and tries to evaluate how innovative they are. Also it represents a case study which shows the importance of a DMO as a concept of collaboration which leads to innovative products and services and it would be an innovation to Shkodra.

**Keywords:** innovation, services, tourism, Shkodra city, DMO

### Introduction

The industry of tourism is in a continuous evolvement and it is seen to be one of the most important areas of development of the economy of different countries. If we go back in time and think about how tourism was organized in the 19<sup>th</sup> century, people couldn't imagine that they would visit a destination miles away just in a few hours or that they would be able to arrange their own journey. New dimensions are added to the tourism industry by the development of technology. These dimensions are the one which if adopted keep destination competitive as the competition among destinations is increasing. Tourism destination don't compete only with the natural beauties or landscapes where in some cases if they don't exist are created but they compete by the services which are delivered within the system of the touristic destination and create the experience.

In this rapidly evolving, high competitive and uncertain environment businesses if not willing are forced to find new ways to enhance their competitive advantage. The competitive advantage now requires the ability of the firms to manage effectively all components of the tourism system to ensure success is achieved. Many destinations have found that the creation and implementation of a destination management organization helps to succeed. According to *Prancane (2009) destination management framework is one of the most remarkable innovations in the tourism field*. Tourism including here also services has become a mature market in different countries of the world so there exists the need for innovation and it was seen that

attractions alone couldn't achieve to satisfy the requirements of the market. But why innovation is becoming so important? Innovation has to do with doing things differently (and hopefully better) and thus, innovation is a key that unlocks growth (Heskett, 1986; Sundbo, 2009; Voss & Zomerdijk, 2007). Every tourism destination wants to experience growth, more tourists, more spending and more overnights but a destination which keeps its status quo can no longer be competitive as other destinations bring innovations. If an industry has to be criticized it is enough to declare that it is not innovative.

Innovation in tourism brings new ideas, services and products to the marketplace. Drucker Defines innovation as an "opportunity" that results in the creation of a new or different product or service (1985). Innovation in tourism is to be seen as a permanent, global and dynamic process. Encompassing the whole tourism value chain, innovation does not only mean adapting the tourism industry to the changing tourism patterns with new marketing strategies, but also fostering new and innovative services, products and processes. Most definitions of innovation contain the concept of a new thing but new don't always mean new to everyone, it can be new for the tourism business only and its customers.

### Literature review

According to the Oslo Manual, innovation in general is the implementation /commercialization of a product with improved performance characteristics such as to deliver objectively new or improved services to the customer. The

manual emphasizes the linkages with other organizations and institutions as a determinant for innovation.

McGrawhill (2010) shows that tourism companies can choose to pursue from the four basic types of service innovation which are:

- New service innovation. Innovation comes from the discovery of new or related jobs that a current or new service can help customer get done.
- Core service innovation. Innovation comes from helping the customer get a core job done better by improving a current service or introducing new services.
- Service delivery innovation. Innovation comes from improving how the customer obtains the benefits of a service when getting a core job done.
- Supplementary service innovation. Innovation comes from helping the customer get jobs related to product usage or consumption done.

According to the concept of Bettencourt, tourists hire services to get job done. So tourist chooses a destination not for the destination itself but for the fact that it satisfies the needs of the clients. And if we take in consideration the fact that the needs and wants of tourists are rapidly and sometimes unconsciously changing, tourism businesses need to provide innovation which attracts and fulfills the "innovative" needs. In many cases it is not enough for only a business to be innovative as a tourists doesn't need only that service but it is important that service providers along the supply chain of a tourism destination should understand that the whole experience depends on the availability of all services in the right time and according to the preferences of tourist segments. Services that clearly align with customer needs achieve more than five times the success rate of services that have a poor fit with customer needs. Many destinations have used different innovative approaches. One of the most actual approaches is the existence of the destination management organization which brings together the highly fragmented industry of tourisms. The innovation process starts from the interdependence that all tourism businesses have among each other and the goals set by the DMO are seen as a driving factor for innovation for the tourism businesses. A DMO is seen as a community marketer and an industry coordinator which ensures the quality of services and products which becomes possible by interaction, the interaction which takes place between people, groups of individuals, organizations, etc. The interactions with external organizations and institutions influences innovation process within organizations. Asheim and Isaken (2003) state that cooperating in clusters and networks provide competitive advantage to organizations as well as to regions. Each destination is an unique case, it is unique due to its great variety stakeholders involved, and their fragmented power to influence the decision-making process, moreover, the vision of development, desired goals varies remarkably by each stakeholder group. It is great challenge for tourism managers to develop the framework of integrated destination management. Nevertheless, the challenge has to be implemented in order to avoid from destructive and chaotic development

that leads towards the collapse of profitable tourism industry in the destination.

Schumpeter distinguishes between radical and incremental innovations. Radical innovations are major changes in relation with the current technology. Radical innovation can lead to many smaller innovations. Incremental innovations are gradually, cumulative changes based on continuous processes. Examples of incremental innovations in tourism are quality enhancements, improvement on environmental stability or the augment of the collaboration with other organizations. In this type of classification Gallouj (2002) includes three more categories which are: *Ameliorative innovations*, as improvements that increase the value of the service. *Recombinative innovations* produced by combining existing service and technical characteristics. And last, the *incremental innovations* which emerge from the addition or removal of new elements. Regarding the service sector, innovation usually emerges from incremental changes rather than radical shifts on the current technology (Gallouj 2002, OECD 2005) and the most frequent innovation in the tourism sector are recognized the incremental innovations (Sundbo et al. 2007, Hall and Williams 2008).

#### Drivers of innovation

There exist different motivators which drive the way of tourism businesses innovation as:

- *Changing of structures*: The tourism industry is largely dominated by small and medium sized enterprises (SMEs) called SMTE. To survive in an increasingly competitive and global environment, tourism enterprises, small ones in particular, have to achieve economies of scale and scope in order to reduce transaction costs, increase productivity and gain market power. More generally, new business opportunities linked to technological change, regulatory reform, market liberalization and the continuing expansion of tourism will play an important role in the innovation process. Likewise, in other industries, benefits arising from economies of scale and scope will continue to be a major driving force in both the restructuring of the tourism industry and innovation.
- *Improving the performance of tourism enterprises*: Recent advances in telecommunications, networking, databases, data processing and electronic marketing provide many new opportunities for tourism business and are significantly impacting on traditional tourism business models. The use of information and communications technology (ICT) adds value to tourism services and products and supports the development of industry networks and clusters. Consumers are becoming increasingly familiar with the use of ICT in their tourism arrangements. They seek flexible, specialized and easily accessible products and would like to communicate directly with tourism producers. Therefore, tourism enterprises inevitably need to adopt innovative methods to enhance their competitiveness.

- *The existence of facilitating networks:* Innovation in the tourism industry relies as much on co-operation and networks as in other service industries. Co-operation among policy makers and entrepreneurs is also one of the key factors for the constant growth of the tourism industry. While the business sector plays the main role in establishing networks, governments are responsible for the development of infrastructure that enables better co-operation and supports market networks. Networks/clusters can play a major role in the capacity of operators to innovate (e.g. lower experimentation costs, increased visibility and better responsiveness to shifting demand).
- *Increasing power of consumers:* consumers are being empowered as never before by access to information, the ability to compare prices and share widely their experience, and businesses need to ensure their service offerings have distinctive characteristics to meet rising customer expectations;
- *Globalization:* is creating opportunities for logistics organizations and knowledge based services as well as posing threats to lower skilled "back office" services;
- *Resource efficiency:* Concerns about the environment, reflected in legislation and regulations, and rising material prices are encouraging innovative approaches in all the sectors examined in this report; and
- *Impact of the public sector:* including public procurement and changes in the models of public service delivery which are increasing private sector involvement and promoting innovation.

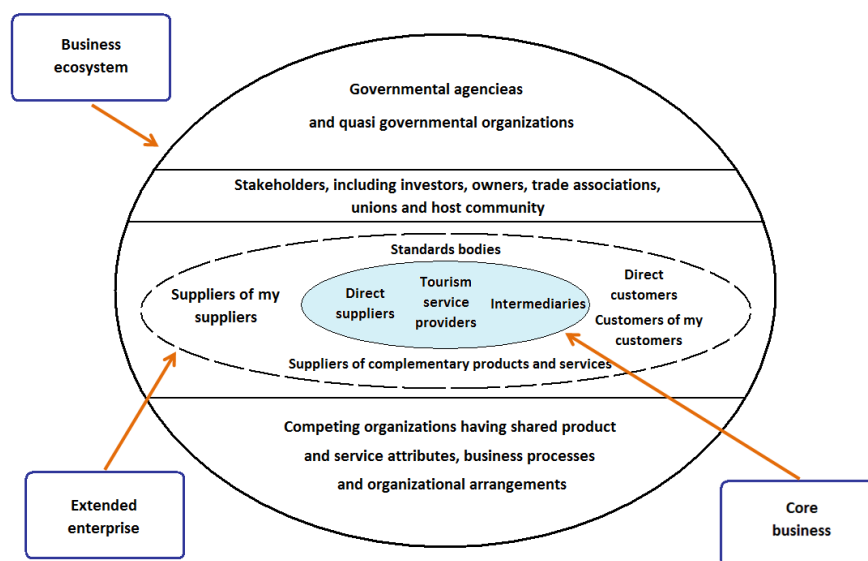
between tourism businesses is necessary to develop the tourism product. In some destinations firms are part of a system together with other private and public organizations. Sundbo et al. (2007) identify three organizational forms in the tourism industry that are highly innovative. First, large firms which have more capacity to innovate, mainly because they can invest more on innovation process. Next, SME's in collaborative environments. Finally entrepreneurs which are SME's that introduce new products and thus motivate other firms to invest in innovation processes in order to stay competitive. Given that the sector is mainly structured in SME's collaborative environments are of major relevance in the tourism industry. Regarding entrepreneurs, they create new business opportunities and motivate change processes. Furthermore, in order to bring the product into the market, they create linkages with other organizations and institutions from inside and outside destinations. Entrepreneurship thus influences innovation performance in the whole destination.

Tourists are in search not of the products or services but they look forward to have the experience at the destination and the expectations of this experience is created by the marketing techniques of the businesses and the whole destination, by the word of mouth or comments of friends and relatives or different ways a tourist can access the information. When the tourist visits the destination it is from the collaboration of customer and business that the experience happens. Sometimes it can happen that the experience is not at the same level as desired. Below we have the ecosystem of the tourism which now is facing some changes as changes in the way tourism industry and the global market works, has happened.

### The system where tourism operates

The economic development in the tourism sector is based on the activities carried out by businesses. Collaboration

Figure 1. The tourism ecosystem



Source: Pollok and Benjamin (2001)

Some basic changes which has happened and had their impact on this structure were the development of information technology and internet which made it easier to contact the end customer. Also changes in the behavior of customers who are in search of more personalized experiences as they have more holidays' opportunities, the incomes have increased and the family cycle has changed. According to Weiermair (2003) there are forces which drive this tourism ecosystem such as the e-tourism which makes possible for the businesses to contact the end customer with lower costs as the tour operator sometimes aren't used. Also the emergence of virtual agencies and portals make it easier for the company to contact the customer and this increases the power of customers. As customers are now oriented to the experience, it means that suppliers have to create new abilities toward the satisfactory experience of customers. Also the competition within this system has increased as for example the competition within the airlines company by the emerging of low cost opportunities.

### Research findings

Tourism industry is becoming of major importance for the development of our country. The number of tourist arrivals has increased in the recent years and most organizations and institutions are focusing their intention toward the development of touristic services and products which appeal the market. In a very competitive market as the tourism market has become, it is becoming more and more important to focus on new services and products and that because of different reasons: for businesses to stay competitive in the market, to attract new customers or to increase the market share. The main result is the enrichment of the tourist experience and for the businesses to stay competitive. This requires businesses to collaborate and take advantage from this collaboration and it creates synergy.

Our research has been focused on the evaluation of innovation performance of tourism businesses which we consider to be the major actor which can influence the industry performance. Our findings are based on primary information which was gathered by the questionnaires which were distributed to 15 tourism related businesses. The questionnaire includes items which evaluate the performance of planning, marketing, quality and human resources. The second part of our research was the interpretation of a case study as that of Korca DMO through an in depth interview we did with the directors.

### Questionnaire results and interpretation

First the results of strategy and planning were analyzed. According to the questions the major part of the respondents (80%) showed that their company didn't have a written idea about how is going to be the future of the company but they had a certain idea which was not specified. From this answer we understood that undertaking activities of innovation was not something planned but if it happens then the business searches for resources. Also the employees of the company don't participate in the process of setting the vision but generally

the vision is explained to them by their superiors but this doesn't leave room for the employees to react to the set vision. When we asked directly for the existence of innovative programs 66.6% said that any plan for innovation is formed one year before and the business doesn't have many resources for innovation. 20% of them have only short plans according to what comes from the market.

Seven out of fifteen businesses don't have planned actions if something goes wrong with the implementation of the plan. 5 of them have an idea of what to do if something goes wrong but has nothing written. An interesting finding is that when it comes to the financial analysis these businesses carry out the monitoring of costs so here we think is a bigger space for possible innovations as businesses evaluating the present compare it with the past and can make some predictions from the future which can lead to the necessity of innovations in this rapidly changing market.

From the overall evaluation of these questions we understand that businesses can manage their present situation and the immediate future but they generally have a linear structure with a standard information flow. Sometimes it is difficult under this situation to develop new ideas or products.

The evaluation of marketing performance gave us the following results. When asked if they monitor the trends of market 14 out of 15 businesses answered that they try to follow the new development of the market when they make marketing plans. Businesses make research within their unit and sometimes lack money to obtain valid information from outside. But this can be over passed by the access to information. One question was regarding the competition and here all businesses are able to identify their competitors and they stay alert to the changes that competitors do. But sometimes happens that businesses are not realist to the evaluation of the competitors as they think that they always have something more as the competition and what they don't exactly know is the market share they have. 9 out of 15 businesses tries to have feedback from the customers as with satisfaction surveys, free comments in the bills, email contacts, etc. They do generally take into consideration the customer opinions and try their best to solve the problems if there is any. What was missing here was the lacking of written information of what happens in the market and which can be shared with the employees. And 11 out of 15 businesses include marketing in their financial plan. From the overall result of marketing performance we can say that these tourism businesses understand the importance that the marketing function has and they try to have their customers in the center of their activities.

The next step was to evaluate the technological process within these businesses. Most of the businesses don't monitor the development of new technologies in the industry and when a new technology has to be introduced it mostly (8 out of 15) comes from the pressure from outside but 5 of the businesses introduce new technology because they think that they are necessary to operate effectively within their business and impulses come from inside also.

They also calculate the costs of the new technology but they are not calculated continuously so the analysis can't have total reliable results. Businesses know the importance of the technology and the impact it has on their competitive performance but somehow are concerned for the cost it has.

Of the same importance was the evaluation of the quality performance of these tourism businesses. Eight out of 15 businesses evaluate the quality of the work of the employees and this is not done mainly to find out problems but to see for any possible area of improvement and innovation. None of the businesses prepares a quality audit and none of them has an ISO certificate.

The last section of analysis was that of human resources where results that all businesses don't have any system which evaluates the satisfaction of the employees and the mostly used way to motivate employees was through material stimulation (10 out of 15). The positive result was that businesses use both formal and informal communication between employees and superiors and there exists also delegation of power and duties.

From the last questions we got information about the willingness of the businesses to interact with each other under a structured body as a DMO could be. The results showed that 7 out of 15 businesses totally agree the idea. 5 of them agree the idea and 3 of them were neutral.

Mentioned benefits existing if a DMO is created was that it would create an identity for the destination, the collaboration would increase; there would be more ideas for innovative products and services and this would increase also the quality of products.

### **Increasing competition through an innovative collaboration – Korca DMO**

It was very important for us to present the new and important development which has happened in the tourism industry in Albania and we have tried to find the most innovative initiative in tourism which resulted with the destination management organization in Korca.

Tourism in Korca region is organized under the model of destination management organization. The main duties of this DMO are: the development of strategies, marketing and communication, information for the visitors, product development and coordination and the development of the system of touristic information. Since the existence of this organization a lot of steps have been undertaken for the improvement of the tourism experience in Korca. The regional tourism strategy has been created and implemented in collaboration with the local government, a regional brand has been created and different promotional items such as posters, brochures and internet pages. Also event marketing is an integral part of tourism development such as fairs and publicity. Another important activity was the market research done with questionnaires and the creation of a database for information on tourists and also the quality management.

Different tour operators have visited Korca region to know better its offer.

The main actors with who this DMO collaborates are: tourism businesses, cultural institutions, other businesses

related with tourism, organizations and individuals who are part of cultural activities, other public institutions, non for profit organizations and donators and also university.

The most important actor was considered the tourism business and in a decreasing degree, the public institutions, local populations, universities and professional schools and then customers.

The collaboration among these actors was considered good and there are a lot of possibilities to make it work better. In all three areas of innovation such as: product, service and administrative, the DMO has been much more innovative. The best area of innovation was considered the service and product innovation with: The beer fest, Carnivals in Korca, different international competitions, Pie fest, The end year fair, etc.

The Korca beer fest was awarded the 'Tourism Product Prize' given by ATA (Albanian Association of Tourism). This fest has attracted more than 20.000 visitors during five days. It was the best practical prize given the impact it had which was also supported by the touristic information, maps, first aid, information website and infrastructure.

### **Conclusions**

The development of tourism has gone through different changes in the recent years. The system were tourism operates now is influenced by new and important factors. Tourists now are in search of the experience and not only in search of products or services. The experience is created by the collaboration of all the actors within the system creating an interactive process in which communication, cooperation and coordination of different actors involved are necessary for generating and spreading new products and processes which lead to innovations. Innovation is known by different researchers as a tool to increase competition and improve performance of the industry.

By the analysis we did with the tourism businesses in Shkodra city we noted that the performance in four areas such as: planning, marketing, quality and human resources was not high enough to create a right environment for innovation to take place. Businesses don't have a written vision or written plans for the later future so this is can't make them competitive in the long run. They are mainly worried about the financial analysis and cost control rather than the ways to improve this performance. The main focus of these businesses is on marketing as they realize the importance of the marketing function but little marketing research is done. With this overall evaluation of the performance results that businesses are not really oriented toward the innovation as a way to improve performance, increase competitiveness and increase customers and profits. In this high competitive market this attitude of the businesses has to change if they don't want to stay still and move backwards. Taking this into consideration we presented an example of a DMO which resulted successful as it has increased collaboration between all actors of the tourism system, created coordination and coordinated planes. Also it resulted with innovative services and products as mentioned above and what we think is missing to Shkodra city is tourism DMO which will motivate the

main actor – businesses- to be innovative and would result with increased competitiveness.

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