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## DESTINATION MARKETING THROUGH A UTILITY BUSINESS MODEL: THE CASE OF CYPRUS

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*Traditional business models that used to govern the operations of travel and tourism businesses defined in a rigid way their functional areas and the relationships among them. The advent of Information and Communication Technologies (ICT) has driven the transformation of these business models into novel destination marketing models. The Cyprus Tourism Organisation (CTO) recognising the need of establishing an explicit model for managing the process of destination marketing has developed an integrated marketing model to guide the management of the destination's marketing process. Moreover, the CTO, aiming at enhancing the country's tourism industry electronic marketing deployment levels, has put in place a utility business model that aims at optimising the industry's potential to engage in integrated marketing activities. The key for optimising destination's marketing processes is the successful implementation of the model through ntegration of traditional with electronic marketing activities.*

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JEL Classification: *L83, M1, O1*

### INTRODUCTION

In the process of achieving their marketing objectives, Destination Marketing Organisations (DMOs) deploy Information and Communication Technologies (ICT) in diverse ways and extends.

The early ICT deployment days, in regards to electronic marketing, were marked by the development of brochure-like web sites, which had as a primary purpose the representation of the DMOs' products and services. These web sites were characterised by limited interaction with the users, replicating the organisations' offline marketing brochures (Chaffey et al., 2003).

DMOs soon realised the real marketing value of ICT towards reaching different groups of customers through innovative marketing



methods (Sigala, 2004). Modern electronic marketing deployment times involve the execution of models that provide DMOs with a plethora of options towards satisfying particular customer needs through interactive and direct marketing techniques (Sargeant & West 2001).

The modern electronic marketing business models provide DMOs with the capacity to utilise ICT for achieving their strategic marketing objectives. Through the selection of the most appropriate electronic marketing methods, DMOs can maximise their reach towards their customers and business partners, while facilitating their internal processes (Philips, 2003).

The process of establishing an electronic marketing business model for a DMO is comprised by four basic steps (Osterwalder, 2002):

1. The first step involves the definition of the products or services that the DMO offers, which deliver a considerable value to its customers.
2. The DMO's value networks need then to be defined. These identify the DMO's partners and internal structures that are necessary to create value to the organisation's products or services.
3. The third step of the process involves the recognition and the definition of the DMO's customers and the channel structures that the DMO shall deploy to service them.
4. Finally, the DMO's revenue model that will describe the specific techniques through which the DMO will generate income needs to be defined.

A DMO can establish its electronic marketing business model based on the four steps identified and maintain it by continuously evaluating its marketing environment based on the above process (Rayport & Jaworski 2001). Electronic marketing business models evolve continuously and can be categorised in many different ways (Timmers, 1998; Eisenmann, 2002; Rappa, 2005).

## **TRAVEL AND TOURISM BUSINESS MODELS**

The travel and tourism industry, being highly dynamic by its nature, requires the deployment of electronic marketing business models to efficiently promote and distribute products and services towards satisfying particular customer needs in business-to-business (B2B) or business-to-customer (B2C) markets. The intangible nature of the travel and tourism product in relation to its sensitivity to internal and external

environmental threats, have driven travel and tourism organisations to adopt ICT to enhance their marketing activities (Kotler et al., 2006).

Traditionally, travel and tourism organisational models were grouped into five major functional categories that supported the tourism buying process (Law et al., 2003). These models along with example organisations are presented in Table 1 below.

**Table 1.** Traditional travel and tourism organisational models

<b>Organisation Model</b>	<b>Example Organisation</b>
Tourism Product Management	National and Regional Tourism Organisations
Travel and Tourism Organisers	Travel Agents and Tour Operators
Transportation Providers	Airlines, Car Rentals, etc.
Accommodation Providers	Hotels, Villas, Apartments, etc.
Food and Entertainment Providers	Restaurants, Bars, etc.

The relationship between these models was very well defined and difficult to yield. However, the advent of ICT has led to the evolution of the way traditional travel and tourism organisations supported the tourism buying process, and has driven them to employ robust electronic marketing models for achieving their strategic marketing objectives (Rodriguez, 2003). This change has led to the formation of novel destination marketing models augmenting the tourism buying process.

For the purpose of facilitating the process of destination marketing planning, Kotler et al. (1999) proposed a model, comprising of the five primary reference points identified below:

- i. The tourist: Understanding the tourist needs and desired experience from a destination is the key to enable successful relationship marketing.
- ii. The destination: The successful management of the set of available products and services that create the total experience and value proposition to the tourist distinguish a successful destination.
- iii. Tourism services suppliers: The management of independent suppliers of tourism services and the implementation of policies to sustain their interdependencies will provide mutual benefits and long-term economic returns.

- iv. The local population (citizens): The satisfaction of the long-term needs and wants of the local population will sustain the destination's development.
- v. The public-private interest coordinator: The coordination and facilitation of the interests of both the public and private sectors through effective communication will enable the destination's economic growth.

While many authors (Frew, 2005; Buhalis, 2003) have provided a multiplicity of perspectives on the tasks required for guiding the process of destination marketing planning, the above conceptual model facilitates the exploration of the criteria that contribute to the successful attainment of multi-stakeholder goals, which are often the norm for DMO's marketing planning.

Since destination marketing planning models continuously advance and in view of the fact that they can be categorised in many different ways (Demetriades & Baltas 2003), below a functional approach to their categorisation is presented:

- A. Destination Management Organisation (DMO) Model: The DMO model describes organisations that have as their core business the management of the tourism product; National and Regional Tourism Organisations (Schaumann, 2005). NTOs, starting with their natural requirement to distribute up to date information, have utilised ICT to augment the process of knowledge management (Mertins, et al., 2003). Through the deployment of ICT, NTOs have managed to capture information, share and distribute it across their partners and customers and create knowledge for utilising it towards achieving their marketing objectives (Liataud, et al., 2001).
- B. Low-Cost Airline Model: The low-cost airline model describes flight transportation providers that provide airline tickets at low prices in exchange for eliminating many traditional passenger services (Driver, 2001). Low cost airlines are characterised by operational efficiency and usually provide a single passenger class and a simple fare scheme. Low cost airlines' requirement for operational efficiency has driven the evolution of traditional Electronic Distribution Systems (EDS) into Global Distribution Systems (GDS). GDS have enabled the distribution of unreserved seating to B2B and B2C markets in real time (Mintel, 2003).

- C. Online Travel Intermediary Model: This model describes organisations that manage and distribute travel and tourism products and services by combining them to provide packaged holidays (Buhalis & Licata 2002). The inherent requirement of Online Travel Intermediaries for up to date information for product availability and pricing, as well as the perishability of the travel and tourism products and services has driven the extension of Global Distribution Systems (GDS) to support direct distribution of travel and tourism products and services across B2B and B2C markets. Modern GDS facilitate real-time, dynamic distribution of travel and tourism products and services across the world.
- D. Travel Search Engine (TSE) Model: The TSE model describes organisations that focus on the facilitation of the tourism buying process through the provision of specialised tools for helping customers search, compare, select and purchase the most fit for purpose travel and tourism products and services. TSE's deploy modern ICT to facilitate transactions in business-to-business (B2B), business-to-customer (B2C), and customer-to-customer (C2C) markets. By totally supporting the tourism buying process (Briggs, 2001), TSE's can achieve the tangibilisation of travel and tourism products and services (Shostack, 1977).

While in the past travel and tourism organisations questioned the need for electronic marketing business model deployment, today the question that needs to be answered is how to optimise the deployment of electronic marketing business models to survive competition and maximise the benefits out of their utilisation. Today's dynamic tourism market drives travel and tourism organisations to implement the above destination marketing planning models in diverse ways, in an attempt to stay competitive and maximise their market share (Law, et al., 2003). In an environment where customers' needs are constantly changing based on the availability of relevant up to date information, travel and tourism organisations need to devise novel methods to support the augmented tourism buying process.

## **THE CTO'S INTEGRATED MARKETING MODEL**

The Cyprus Tourism Organisation (CTO) has always aimed to fulfil customers' needs to the maximum possible level, being aware of the significance of customer satisfaction towards loyalty and retention. Following its customers' new behavioural characteristics, the CTO has

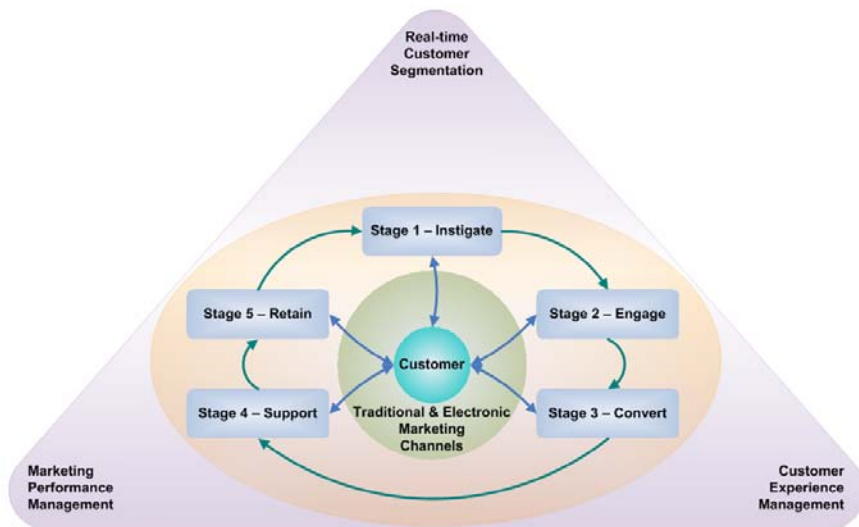
developed an integrated marketing model (Machlouzarides, 2009) that guides the realisation of best practices across alternative communication channels among the destination's stakeholders. The developed marketing model aims at facilitating the effectiveness of the CTO's global marketing activities as well as supporting the marketing actions carried out by the destination's stakeholders in an attempt to supply customers with authentic experiences. The results of the implementation of the model will involve the optimisation of the Cyprus' destination marketing process, by enabling the maximisation of customers' satisfaction. Figure 1 presents the CTO's integrated marketing model.

The model begins by capturing customers' needs during the initial stage of the buying process, which deals with awareness. At this stage the customer identifies the need to purchase a product or service and begins exploring about it. The CTO along with the destination's stakeholders are expected to instigate customers' attention at this stage by promoting the destination's products and services through the appropriate communication channels.

Once the customer's attention has been acquired by the CTO and the destination's stakeholders, the customer begins to seek for information about the destination's products or services in the available information space. The customer at this stage aims at discovering detailed information about the product or service under consideration towards formulating specific requirements (product characteristics, price, convenience, etc). Once specific requirements have been formulated, the customer tries to find detailed information about the provider(s) of the product or service under consideration and evaluates the opportunity cost of not choosing the next best alternative. The CTO and the destination's stakeholders at this stage are expected to provide explicit information about available products and services and distribute this information through the appropriate communication channels towards engaging the customer in a process that will facilitate higher possibilities of sale leads.

The customer is ready for purchasing the relevant product or service when all the questions around it have been answered and the relevant product or service has been recognised as the one which provides maximum satisfaction to the customer's needs. At this stage the customer seeks guidance on how to purchase the selected product or service. The CTO and the destination's stakeholders should provide at this stage the required processes and support services to guide the customer through the purchasing/conversion process.

**Figure 1.** The CTO's Integrated Marketing model



The customer enters the fourth stage as soon as the order for the relevant product or service is placed. Now, the customer seeks for cognitive closure and affirmation (Choi, et al., 2008) through the feedback provided that by the supplier and is applicable to the specific product or service that was purchased. The CTO and the destination's stakeholders are expected to support the customer's cognitive processes by providing feedback and support information at this stage, as well as by enabling online customer care and support services. Moreover, the CTO and the destination's stakeholders should provide relevant cross-selling offers to the customer.

The fourth stage extends to cover the period of the customer's visit to the destination. Here, the CTO and the destination's stakeholders are expected to provide customer care and support services. Through the provision of traditional and electronic customer support services they will manage to maintain close contact with the customers in an attempt to anticipate and satisfy their expectations. This will be possible through the analysis of the relevant customers' information to derive their individual preferences and employ the appropriate procedures to support them across the time and place dimensions (NOST, 2005).



During the final stage of the model, the customer expects to receive post purchase communication relevant to the purchased products or services, for completing the buying process's stages of cognitive closure and affirmation (Choi, et al., 2008). Additionally, the customer will expect to have the appropriate means that will enable the provision of feedback ratings relevant to the products or services purchased. In the case where the customer requested to receive news and promotions about the destination's products and services the CTO and the destination's stakeholders are expected to communicate relevant offers to the customer which should encourage customer retention.

Three major foundations, namely, Real-time Customer Segmentation, Customer Experience Management and Marketing Performance Management underpin the developed model's implementation. These foundations enable the maximisation of the model's performance as they enable the successful management of the dynamic marketing processes that result out of the interactive nature of this model.

The CTO and the destination's stakeholders will only be able to optimise the model's performance through closely monitoring these three underpinning factors. Failure to manage these factors will have adverse results on the effectiveness of the model negatively impacting the destination's dynamic marketing processes.

By utilising real-time customer segmentation the CTO and the destination's stakeholders will attain effective management of customer targeting throughout the model's stages (Hass, 2005). Real-time customer segmentation involves the analysis of the information resulting from every interaction with the customer leading to customisation of the product offering to satisfy the customer's expectations. Through the knowledge that will result from real-time customer segmentation the development of new customer segments will be possible, as well as the evolution of existing ones towards the realisation of more efficient marketing activities.

Customer experience management during all the stages of the model will increase customer satisfaction and provide for extending and sustaining long lasting relationships (ETC, 2008). The management of customer experiences will only be feasible through the design and delivery of customised products and services that will facilitate the satisfaction of customers' expectations. The CTO and the destination's stakeholders will manage to optimise the customer's purchasing process only through closely managing customer experiences. This will provide for the establishment of long lasting relationships with the customers, which will be founded upon authentic experiences.

Marketing performance management enables the monitoring and control of real marketing outcomes in relation to marketing investments. The need for marketing performance management is now becoming more imperative than ever before since there is a direct relationship between measurability and profitability, which is becoming more apparent through electronic marketing techniques (Hair, et al., 2003). The deployment of advanced metrics that evaluate the performance of the CTO and the destination's stakeholders' marketing activities at every stage of the model as well as collectively throughout the lifetime of a customer, will determine the destination's marketing model effectiveness.

The implementation and close supervision of the aforementioned underpinning factors will enable the successful deployment of the developed integrated marketing model for the CTO and the destination's stakeholders, which will enhance customer satisfaction and facilitate the growth of long lasting relationships with customers.

## **FRAMEWORK FOR DEPLOYING A UTILITY BUSINESS MODEL**

Despite the fact that the Cyprus tourism industry has been long established it is still based on small – medium companies (SME's), a factor that hinders its dynamism to adopt new marketing models (Kotler, et al., 2006). Additionally, accommodation establishments in Cyprus have traditionally used as their main distribution channel the tour operators (who book their rooms early in the season), resulting in low investment in alternative distribution channels. The above mentioned characteristics of the tourism industry are considered as an obstacle to the introduction of modern marketing techniques.

Cyprus was ranked 24th, out of 130 countries, in the Travel & Tourism Competitiveness Index 2008 (World Economic Forum, 2008) scoring 4.9 out of 7. In particular, regarding the industry's ICT infrastructure indicator, Cyprus was ranked 37th, scoring only 3.7 out of 7.

Based on the data residing on the CTO accommodation database, in 2008, only 64% of the licensed accommodation establishments had an email address while only 53% had their own website. The disappointing numbers regarding the accommodation establishments' ICT infrastructure can be explained based on the aforementioned characteristics of the Cyprus tourism industry.

The results of a survey carried out for the e-business watch (EC, 2006), illustrated that on the totality of the Cyprus tourism sector, which is comprised by Accommodation, Restaurants and Catering Services, and

Travel Agencies and Tour Operators, 82% had internet access (EU average 93%), while only 42% of them had broadband internet access (EU average 69%).

With the advent of electronic distribution channels, visitors are searching and booking online, customising their packages according to their individual needs (Wang & Fesenmaier 2006). An accommodation establishment that does not have an online presence will fail to even be presented as an option to the visitor and as a result it will be omitted.

In an era that being online is not enough, tourism enterprises in Cyprus need to establish strong online presence through online marketing campaigns and modern distribution strategies (Marcussen, 2008). The industry's nature, however, along with the scarcity in availability of qualified labour make this a very hard task for tourism enterprises in Cyprus to perform. Cyprus was ranked 112th regarding the availability of qualified labour in the Travel & Tourism Competitiveness Index 2008 (World Economic Forum, 2008) scoring 4.7 out of 7.

The seriousness of the situation was recognised by the Cyprus government, which recently established at the Cyprus University of Technology the department of Tourism and Hotel Management where higher level education will be provided to individuals for entering the tourism industry.

Following a CTO's initiative, a number of regional and thematic tourism boards have been established in an attempt to resolve the industry's inherent problems. These tourism boards are being funded by the CTO and are expected to resolve many of the industry problems that are related to the limitations mentioned above.

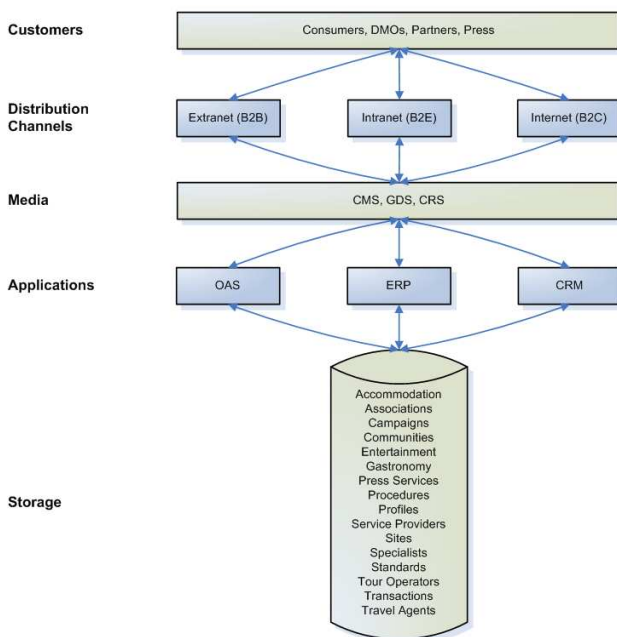
Additionally, the Ministry of Commerce, Industry and Tourism has published a subsidisation scheme through which SME's may receive funding for introducing ICT at three different levels. The first level involves the introduction of basic ICT to the SME's, while the second level involves the establishment of a web presence. The third level involves the introduction of business management applications as well as electronic commerce solutions.

Furthermore, research and development projects that are funded by the European Union's Structural Funds, the Cyprus Research Promotion Foundation and other funding organisations are continuously undertaken by various institutions around Cyprus to promote the industry's dynamism towards adopting new marketing models.

Through the actions taken, the tourism industry's competitive levels are expected to evolve and develop to an extent that will reflect its overall maturity standards.

The CTO, aiming at enhancing the country's tourism industry electronic marketing deployment levels, is employing a utility business model that will optimise the industry's potential to engage in modern electronic marketing activities. Through the framework for deploying a utility business model, illustrated in Figure 2, the CTO aims to provide the services that are required by the industry in a reliable and usable environment (Malhotra, 2000). The provision of these services will be facilitated by business partners through service level agreements that will set the ground for a sustainable business environment.

**Figure 2.** Framework for deploying a utility business model



The proposed model aims to serve customers at all business levels through three distinct customer service paths (Distribution Channels), namely, Extranet - B2B, Intranet - B2E and Internet - B2C, as well as to facilitate communities and transactions among customers (C2C).

The provision of content to the alternative customer segments will be facilitated by a series of underlying media. The completeness, timeliness and accuracy of the provided content will guide the quality of communication during the process and will enable the facilitation of high customer satisfaction levels.

A series of web-based applications will be utilised for processing the customer requests and enable usable procedures that will facilitate task oriented interactions. The procedures will relate to all stakeholders, whose profiles will be securely kept in a central storage, which will be the foundation of the proposed framework's infrastructure.

Customers interacting with individual tourism businesses through the electronic marketing channels that will be created by the utility business model described above may be segmented based on their (Hass, 2005):

1. Accessibility; Ease to reach them efficiently,
2. Differential; Responsiveness differences to different marketing mix,
3. Actionability; Product or service availability for segment,
4. Measurability; Ease to measure their size and purchasing power,
5. Substantial; Size and profitability of the segment.

Segmenting customers based on the above criteria will enable tourism businesses to formulate and refine customer profiles, which will lead to personalised interactions. Tourism businesses, through deploying the possessed knowledge about the specific customer segments, will be able to dynamically optimise their marketing mix, towards providing customised interaction experiences at an individual segment level.

The challenge encountered by the individual tourism businesses, in the process of formulating their marketing action plans, is finding the correct balance between traditional and modern marketing channels. The implementation of a well-balanced marketing action plan that will involve the exploitation of traditional as well as modern marketing channels will significantly enhance the process of achieving the individual tourism businesses' marketing objectives.

Modern electronic marketing channels should be deployed to enable the process of identifying and analysing specific target market's demands and distributing quality products and services to satisfy those demands, providing customer value in pursue of customer satisfaction.

The distinguishing feature that electronic marketing channels provide in contrast to traditional ones is the wealth of information that can be generated during the process that can be deployed to enhance the effectiveness of the channels at the velocity at which everything moves.

Consequently, electronic marketing enabled marketing processes can be constantly managed in an efficient manner towards achieving a competitive advantage.

Tourism businesses will deploy electronic marketing methods to manage their marketing processes by facilitating their relationships with customers in pursue of sustainable tourism development. Individual customer interaction with the individual tourism businesses' electronic marketing channels can be managed through the identification and analysis of the individual behaviour and preferences, thus providing a unique experience at every point of contact.

The ability of the tourism businesses to analyse, segment and target customers in real time through the deployment of the utility business model described above will enable the provision of unique customer experiences, engaging customers, leading into strong customer relationships. Operating within the strategic market – product segments (CTO, 2004), the individual tourism businesses can further segment customers based on their behavioural and preference patterns.

The analysis of the information about customer interaction through the multiplicity of electronic marketing channels will enable the tourism businesses to continuously refine individual segment profiles in an attempt to enhance customer interaction. The outcome of the above process will be the generation and management of strong customer relationships towards achieving tourism businesses' marketing objectives.

## **CONCLUSIONS**

In pursuing the paradigm proposed, the CTO will manage to gain a comprehensive understanding of customers' expectations, which will enable new strategic directions for facilitating their satisfaction. As a result, the destination's marketing operations will be optimised, impacting positively the sustainable development of the Cyprus tourism industry.

The proposed paradigm is premised on the belief that in a highly competitive business environment, the only way forward for the CTO is by maximising the effectiveness of its marketing efforts worldwide. This could only be achieved through the integration of its marketing processes and the facilitation of the industry's marketing processes for enabling the:

- Improvement of the destination's communication efficiency with its customers,
- Enhancement of the destination's brand image,
- Enrichment of customer service through alternative marketing channels,

- Facilitation of customer profiling and the achievement of relationship marketing,
- Improvement of knowledge distribution across the tourism industry,
- Reinforcement of tourist loyalty as a result of increased customer satisfaction.

The interactive nature of electronic marketing actions will assist the CTO in the process of identifying its customers' preferences for delivering value adding services, towards building long term relationships with them. In the process of pursuing a customer orientation strategy, the Cyprus tourism industry is advised to segment customers according to their value to the destination, so as to optimise the implementation of the destination's retention strategies.

Keeping and serving the right customers is a process that entails reasonable understanding of their preferences towards delivering value adding services. Appreciating customers' variances on demographic and experience variables will provide insights for the industry's marketing executives, towards planning and implementing effective customer acquisition and retention strategies. Segmentation of customers should be connected to customer behaviour profiling in order to derive knowledge about the range of value adding services that are expected to be delivered to specific customer segments.

During the process of realisation of the proposed paradigm, the industry should continuously evaluate the outcomes against the relevant objectives to ensure its effective implementation. Reconsidering value adding services and understanding customers' current needs as well as anticipating their future desires are among the critical criteria that need to be assessed in order to stay competitive in the modern marketplace. Therefore a key factor for the successful attainment of the destination's strategic objectives is the synchronisation of the electronic marketing activities with the traditional marketing activities.

Hence, the CTO should create holistic marketing plans that should involve a comprehensive approach that will lead to customer engagement through a combination of integrated marketing activities. This will drive the industry towards serving the customer's preferences more efficiently and will enable new strategic directions for benefiting the destination from enduring customers' relationships.

Through the integrated marketing approach, the CTO will manage to establish a common knowledge repository which will enable the derivation of valuable conclusions about understanding customers' preferences and segmenting them according to their value to the

destination. The integration of knowledge management models with the CTO's strategic objectives will enable the execution, management and monitoring of integrated marketing campaigns across alternative communication channels that will facilitate interaction with the customers in an attempt to satisfy their varying needs at a personalised level.

By enabling the provision of integrated marketing services to the customers, the CTO will manage to improve customer satisfaction and in extend build long lasting relationships with customers towards gaining a competitive edge.

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