Destination management: A process based view

DISSERTATION
der Universität St. Gallen
Hochschule für Wirtschafts-,
Rechts- und Sozialwissenschaften (HSG)
zur Erlangung der Würde eines
Doktors der Wirtschaftswissenschaften

vorgelegt von
Ruggero Sainaghi
aus
Italien

Genehmigt auf Antrag der Herren

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Die Universität St. Gallen, Hochschule für Wirtschafts-,Rechts- und Sozialwissenschaften (HSG), gestatten hiermit die Drucklegung der vorliegenden Dissertation, ohne damit zu den darin ausgesprochenen Anschauungen Stellung zu nehmen

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Der Rektor:

Prof. Dr. Peter Gomez

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December 2002 Ruggero Sainaghi

Chapter 1
Research design: goal and methodology

1. STARTING POINT

Since the early 1990s the traditional tourism centers, especially in Europe, have experienced a dramatic change in tourism demand (Bieger, 1998a, p. 3; Weiermair, 1996). Cheap airline transport, new information technologies such as internet and global distribution systems, and travel-experienced customers have led to a fast globalization in tourism demand[1]. Tourists satisfy their travel needs in destinations all over the world, depending on the specific travel motivation (Bieger, 1997, pp.28 ff.; 1999, p.36). Tourism destinations, including mountain regions, now compete with each other on a world-wide scale (Siegrist, 1999, p. 40).

This evolution illustrates the importance that destination plays in tourism[2] and its status as a competitive market[3]. Destination is a heterogeneous bundle of services produced by different types of economic actors such as hotels, restaurants, tourism organizations, agencies, local transportation companies and so on. The client experiences the final package as the sum of all of the activities, so he or she actually makes a global judgement when evaluating the package. If inadequate services (the bed or the food in the hotel, insufficient amenities, overcrowded beaches) are rendered, this reduces the overall satisfaction of the client. A mistake made by just one of the players involved in just one of the activities compromises all of the work done by the entire "value-creating system", damaging the image (and, over the long term, also the

[1] Smeral wrote: "in a purely economic sense, the term globalization stands for the increasing interdependence of markets and production in different countries through trade in goods and services, cross-border flows of capital, international strategic alliances, corporations, mergers and exchanges of technology. Globalization also means an increase in the international division of labor, achieved through the international fragmentation of production as well as the political trend towards a more liberal world economic order. […] In tourism the different destinations compete worldwide, through globalization. Further, the focus of the tourism business is no longer air travel, overnights, meals and so on, but rather experiences or fantasy worlds related to specific destination (Keller and Koch, 1995). […] These markets of experiences have become global, effecting the demand as well as the supply side. Today tourists decide between a city experience, skiing in the Rocky Mountains or an island in the Pacific. On the supply side the business is dominated by global-acting airlines, hotel chains and tour operators" (1996, pp. 392-393). The author identifies three primary factors that explain globalization in tourism: i) worldwide suppliers as well as the impetus of computerized information and reservation systems; ii) the more travel-experienced customer; iii) decreasing transportation costs for air travel and the access to a wide range of destinations at a relatively low price.

[2] The main effects of globalization are: "i) the potential demand for a tourism destination has increased considerably; ii) the competition between tourism destinations has become very intense; iii) the typical small and medium enterprises (SME) of the (European) tourism industry have to fight for their survival in competing against global-acting areas and/or enterprises; iv) increased pressure towards cooperation, product innovation, specialization, branding and higher service quality; v) increasing shortage of capital finance necessary to meet future goals; vi) tourism destinations in developed economies with high income and social standards have difficulties as their supply structure is often not heterogeneous and quality-oriented enough" (Smeral, pp. 396-397).

[3] "The most practical «framework» for future research developments lies in tourism destinations at a sub-national rather than national level, especially for larger countries comprising many different types of destination. […] The author believes that there are several internationally relevant factors influencing tourism which, in the next decade, will increase the importance of visitor marketing and management at local destinations" (Middleton, 1994, pp. 115-116). "One of the most important challenges arising from the goal of sustainable tourism development is destination planning. […] However, researchers in the tourism industry are noting with more frequency that the impacts of the traditional market-driven approach does not always provide the most appropriate or sustainable solution" (Dredge, 1999, pp. 772-773).

business) of even those who have done their part properly[4]. The supply side perspective suggests that the destination is an appropriate level of analysis in defining brand strategies[5], developing new products, creating quality standards and managing relationships among different SME.

1.1 Research question

In the 1970s and the early 1980s, the main issues in research of travel and tourism had been the external effects of tourism on different dimensions of the environment. These issues reflect the problem in the pattern of an industry in its growth stage, as has been the case of tourism in traditional destinations.

Since the 1990s a new question has become "essential": "what are the key strategic success factors of tourism destination"? This question reflects more a strategy of "positioning[6]", where benchmarking activity with competitors is often crucial[7]. The described paradigm is well defined by strategic literature as "strategy content research[8]". Within this broad approach we can identify primarily two schools. The first, which is associated with the work of Porter and the industrial organization school, developed an "external approach", which means that strategy is more the search for a favorable competitive position in an industry[9]. Based on this premise, the author identified two components of firm's profitability: "industry effect"[10] and "positioning effect"[11].

[4] "From the tourist's point of view, the perceived bundle of experiences of a whole destination is by far more important than the single components" (Smeral, 1996, p. 398).

[5] "The image of the attraction is the attraction to the public; therefore that image must be protected, nourished, and enhanced at all costs. What is depicted or not depicted in destination image advertising, and on whose authority it is selected, involves a more complex question of what comprises the destination and who has the power to define its identity" (Fesernmaier and MacKay, 1996, p. 38)

[6] Porter wrote: "Competitive strategy is the search for a favorable competitive position in an industry, the fundamental arena in which competition occurs. … Two central questions underlie the choice of competitive strategy. The first is the attractiveness of industries for long-term profitability and the factors that determine it. The second central question is the determinants of relative competitive position within an industry" (1985, p. 1).

[7] The tourism literature has often translated the term destination management into destination marketing and the level of analysis was more a country or a continent rather than a regional or local area (Middleton, 1994; Dredge, 1999; Donlicar and Weber, 1999). Middleton wrote: "The ability to influence the demand side through marketing is often more important than the control of supply, and regulatory controls often have to be supplemented by marketing influences" (1994, p. 121).

[8] Strategy content focuses primarily on what strategic positions of the firm lead to optimal performance under varying environmental contexts.

[9] "At the broadest level, firm success is a function of two areas: the attractiveness of the industry in which the firm competes and its relative position in that industry" (Porter, 1991b, p. 100).

[10] The first fundamental determinant of a firm's profitability is industry attractiveness. Competitive strategy must grow out of a sophisticated understanding of the rules of competition that determine an industry's attractiveness. The ultimate aim of competitive strategy is to cope with and, ideally, to change those rules in the firm's favor. In any industry "the rules of competition are embodied in five competitive forces" (Porter, 1985). The collective strength of these five forces determines the ability of firms in an industry to earn, on average, rates of ROI in excess of the cost of capital. The strength of the forces varies from industry to industry, and can change as an industry evolves. The result is that all industries are not alike from the standpoint of inherent profitability. In industries where the five forces are favorable many competitors earn attractive returns. But in industries where pressure from one or more of the forces is intense few firms command attractive returns despite the best efforts of management. The five forces determine industry profitability because they influence the prices, costs, and required investment of firms in an industry – the elements of ROI.

Positioning effect, which is also called "internal approach"[12] developed the relationship among performance, resources and capabilities (RBV).

By contrast, the process under which this "position" or these "core capabilities" can be conquered remains a "black box". This work focuses precisely on this, defined by strategic scholars as "strategy process research[13]". The first research question will identify what the main approaches are, and the concepts, frameworks, and processes developed in this field by the strategic management literature. A previous knowledge of the topic is fundamental in doing an in-depth study in the field of tourism destination.

RESEARCH QUESTION 1: WHAT ARE THE MAIN APPROACHES, CONCEPTS, FRAMEWORKS, AND PROCESSES DEVELOPED BY THE STRATEGIC MANAGEMENT LITERATURE IN THE FIELD OF STRATEGY PROCESS RESERCH?

The literature about strategy process focuses primarily on complex industrial organizations[14]. The focus of this work is on a particular type of complex organization represented by tourism destination, rather than specific firms. This choice reflects the

[11] The second central question in competitive strategy is a firm's relative position within its industry. Positioning determines whether a firm's profitability is above or below the industry average. A firm that can position itself well may earn high rates of return even though industry structure is unfavorable and the average profitability of the industry is therefore modest. The fundamental basis of above-average performance in the long run is sustainable competitive advantage. Though a firm can have a myriad of strengths and weaknesses vis-à-vis its competitors, there are two basic types of competitive advantage a firm can possess: low cost or differentiation. The two basic types of competitive advantage – cost and differentiation – combined with the scope of activities for which a firm seeks to achieve them lead to three generic strategies for achieving above-average performance in an industry: cost leadership, differentiation and focus.

[12] The idea of looking at firms as a broader set of resources goes back to the seminal work of Penrose (1959). The traditional concept of strategy (Andrews, 1971) is also important. Strengths and weaknesses in the SWOT model (S and W) reflect the resource position of the firm. In 1984 two authors, using different ways, concluded that the performance heterogeneity, within and across sectors, cannot be explained just by considering entry barriers and mobility barriers that have access to a specific industry or sector's segment.

Wernerfelt, in a SMJ'S article (1984) coined the term RBV. The basic idea developed by Wernerfelt is that firms should look to resources because "for the firm, resources and product are two sides of the same coin. Most products require the services of several resources and most resources can be used in several products. By specifying the size of the firm's activity in different product markets, it is possible to infer the minimum necessary resource commitments. Conversely, by specifying a resource profile for a firm, it is possible to find the optimal product-market activities" (1984, p. 171). A different stock of resources can lead to high profits. Analogous to entry barriers, Wernerfelt coined the term "resource position barriers". Parallel Rumelt (1984) developed a view of firms as a bundle of resources that can create *isolation mechanism*. Based on empirical analysis the author noted that within-industry differences are greater, in terms of ROI, than among-industry. The importance of isolating mechanisms in business strategy is that they are the phenomena that make competitive positions stable and defensible. Many of them appear as first-mover advantages.

[13] Strategy process research is concerned with how a firm's administrative systems (organizational structure, planning, control, incentives, human resource management, and value systems) and decision processes (concerned with how effective strategies are shaped within the firm and then validated and implemented efficiently) influence its strategic position (Chakravarthy and Doz, 1992, p. 5).

[14] Chandler selected his final sample of du Pont, General Motors, Jersey Standard and Sears from a longer list because their administrative reorganizations were more creative, their businesses were more complex and data about them was more readily available (1962, p. 3). The choice was similar for Bartlett and Ghoshal. "Our selection of companies for detailed clinical studies was also biased toward those in complex and dynamic businesses that were attempting relatively more radical changes and were willing to give an access to their managers and their files" (1993, p. 24).

conclusions of many tourism scholars that define the character of a "new competitive subject" of the destination[15]. Comparing destinations to complex industrial organizations one can find similar characteristics, (see figure 1), in particular:

- ✓ The feature of network;
- ✓ The strong tie to a specific location;
- ✓ The production of service;
- ✓ The character of "district".

The second research question relates these distinctive elements to the character of destination strategy process.

RESEARCH QUESTION 2: HOW DO THE DISTINCTIVE CHARACTERISTICS OF TOURISM DESTINATION INFLUENCE THE DESTINATION STRATEGY PROCESSES? WHAT ARE THE MAIN PROCESSES THAT EMBODY DESTINATION STRATEGY-MAKING?

Figure 1. Main distinctive elements of tourism destination.

1. Destination as a network	✓ Complexity ✓ Multiple sectors ✓ Multiple subjects
2. Destination as a specialized supply	✓ Tourism product tends to coincide with destination ✓ Destinations present a basic specialization
3. Destination as a competitive subject	✓ Destination is a distinctive competitive subject ✓ How as a competitive subject, destination must be managed
4. Destination as a services' producer	✓ Intangibility ✓ Client is "prosumer" ✓ Company-client interfacing ✓ Personality intensity
5. Destination as a district	✓ Limited geographic area ✓ Similar culture ("industrial atmosphere") ✓ Relevance of medium and small firms ✓ Relevance of institutional subjects

Source: own analysis.

The concept of destination does not define a fixed stereotype. Destinations are different considering elements such as size, relevance of meta-management structure, competitive results, target of clientele, degree of destination integration and so on (see § 1.4.2 – selecting cases).

The tourism industry, despite the growing trends, is in constant competition, due primarily to the factors reported at the beginning. In this new scenario, the focus on the strategy process rather than on strategy content is surely more relevant. This work is based on six cases, and is developed in a longitudinal approach. Hence, one can see the ways in which "strategic center" orchestrates strategy process. In addition, it is

[15] Lorenzoni and Baden-Fuller, in analyzing the management of network (destination is a network composed by all the actors that contribute in creating tourist package) noted the relevance of "strategic center".

interesting to note the multiple ways in which "strategic center" or "destination meta-managers"[16] can be used to "renew" strategy.

This level of analysis is synthesized in the third research question.

RESEARCH QUESTION 3: WHO ARE THE MAIN ACTORS THAT EMBODY THE DESTINATION STRATEGY? WHAT KINDS OF FINANCIAL AND ORGANIZATION POWER DO THEY HAVE?

The goal of this work is to produce, using an inductive method based on six cases, a theoretical model about destination strategy process. Using Glaser and Strauss language, we want to build a "fit and work theory", where "by 'fit' we mean that the categories must be readily (not forcibly) applicable to and indicated by the data under study; by 'work' we mean that they must be meaningfully relevant and able to explain the behavior under study" (1967, p. 3).

The relevance of inductive analysis is central because researchers must "constantly compare theory and data – iterating towards a theory which closely fits the data. A close fit is important to build a good theory because it takes advantage of the new insights possible from the data and yields an empirically valid theory" (Eisenhardt, 1989, p. 541). The fourth research question introduces this goal, and allows classification, based on the empirical work, of the main types of destination strategy processes. Furthermore, we come to understand how they are interrelated with the destination results, and why different processes produce different results.

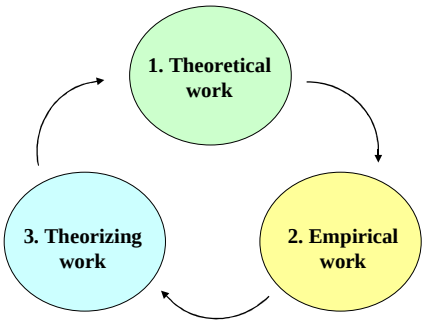
RESEARCH QUESTION 4: HOW ARE THE DIFFERENT STRATEGY PROCESSES AND THE DESTINATION RESULTS INTERRELATED? WHY DO DIFFERENT PROCESSES PRODUCE DIFFERENT RESULTS?

1.2 Structure of work

The work is structured in three parts (see figure 2).

[16] The literature of complex organization has identified the relevance of a guide that is superior (meta) over all other managerial leaders operating in the strategic and operative management. The literature has coined different terms such as institutional leader, meta-manager and statesmanship. Normann wrote: "We are going to examine more closely the process by which the dominating ideas are adjusted and adapted as changing situations require, we find that the kind of leadership required at this level is essentially different: a leadership with the function to regulate the company's system of ideas. We call this kind of overarching leadership *statesmanship*, and those who are exercising it – the statesmen – are members of a *meta-management*. […] Typically, we can expect to find meta-management in companies in the process of diversifying, or in mature multi-business companies where every branch of operations has its own core group and meta-management operates on a higher level" (1977, p. 174). This kind of leadership has had a particular development in the field of industrial districts, where there are many independent companies but there is the necessity to create meta-goals, such as managing the district brand, conducting market research, defining some basic direction in the long term district's strategy and so on (Visconti, 1996). Molteni and Sainaghi adapted this concept in the field of tourism destination, where the need to create a common sense is strong (Sainaghi, 2000b).

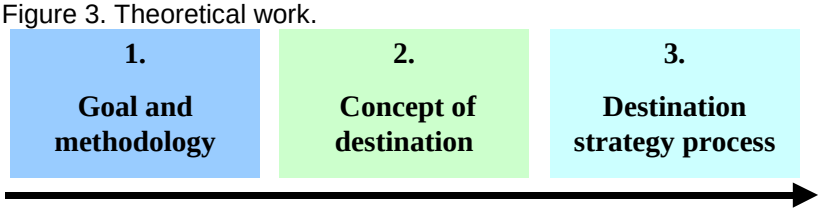
Figure 2. Structure of work.



Source: Adapted from Eisenhardt (1989).

The *theoretical work* presents goals and methodology, introduces the concept of destination and adapts the strategy process approach to the field of destination management (see figure 3). At the end of this part we identify the analytical framework to analyze each case study. These three points are developed within the first three chapters.

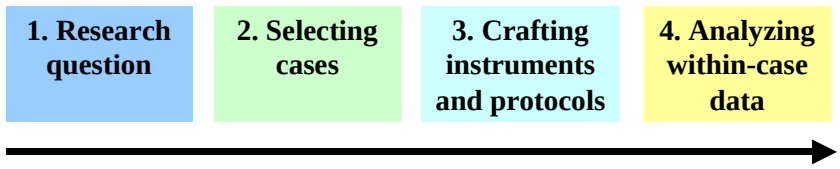
Figure 3. Theoretical work.



Source: own elaboration.

The *empirical research* includes the analysis of six case studies: three alpine destinations and three sea destinations. According to Eisenhardt (1989) some basic steps are necessary: identify research question, select cases, craft instruments and protocols and analyze within-case data (figure 4). The empirical analysis uses the framework developed within the theoretical work and it assures results' comparability.

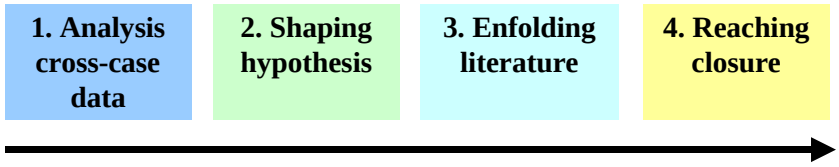
Figure 4. Empirical work.



Source: Adapted from Eisenhardt (1989).

The *theorizing process* includes the cross-case data analysis, the definition of hypothesis, the comparison between the results and the literature and finally the closure of the work (figure 5).

Figure 5. Theorizing work.



Source: Adapted from Eisenhardt (1989).

1.3 Goal of the work

The goal of this work is to produce a theoretical model which is empirically tested and is able to explain and to guide the strategy-making process in the field of tourism destinations, considering the different characteristics of such (see § 1.4.2).

The concept of theory adopted is in line with the work of many authors in the field considering the following:

- ✓ First, that theory must fit[17] the situation being researched, and work[18] when put into use;
- ✓ Second, that theory is a process working by approximation[19];
- ✓ Third, that theory cannot be divorced from the process by which it is generated[20].

2. RESEARCH STRATEGY

Research strategy is a way of answering research question(s)[21]. This work is based on "grounded theory", a methodological stream that find in the work of Glaser and Strauss

[17] "The central idea is that researchers constantly compare theory and data – iterating toward a theory which closely fits the data. A close fit is important to building good theory because it takes advantage of the new insights possible from the data and yields an empirically valid theory" (Eisenhardt, 1989, p. 541).

[18] According to Whetten's work (1989), a complete theory must contain four essential elements. First, questions about "what". "Which factors (variables, constructs, concepts) logically should be considered as part of the explanation of the phenomena of interest?" (p. 490). Second, questions about "how". Having identified a set of factors, the next question is: "how" are they related? Operationally this involves using "arrows" to connect the "boxes" (p. 491). Third, questions about "why". "What are the underlying economic or social dynamics that justify the selection of factors and the proposed causal relationships?" (p. 491). Together, "what" and "how" elements constitute the domain or subject of the theory. But "what" and "how" describe; only "why" explains. Fourth, who, where, and when questions. These conditions place limitations on the propositions generated from a theoretical model. These temporary and contextual factors set the boundaries of generalization, and as such constitute the range of the theory. Sensitivity to context is especially important for theories based on experience. According to the contextual perspective, meaning is derived from context (Gergen, 1982).

[19] Theory is more "a dimension rather than a category" (Weick, 1989, p. 516), which means that the more a generalization fully satisfies the criteria of theory, the more it deserves the label "theory". This definition underlines that the theorizing process works by approximation (Merton, 1967). Runkel and Runkel's (1984, pp. 129-130) illustrated that theory is a continuum rather than a dichotomy (comp. also Weick, 1995, p.386). Glaser and Strauss argued: "We have chosen the discussional form for several reasons. Our strategy of comparative analysis for generating theory puts a high emphasis on *theory as process*; that is, theory as an ever-developing entity, not as a perfected product" (1967, p. 32).

[20] "One canon for judging the usefulness of a theory is how it was generated" (Glaser and Strauss, 1967, p. 5); Yin suggests four tests to judge the quality of any given design: i) construct validity; ii) internal validity; iii) external validity; iv) reliability (Yin, 199e, pp. 33 ff.).

[21] Research strategy introduces basic choice about the process strategy, which is "concerned with understanding how things evolve over time and why they evolve in this way, and process data therefore consist largely of stories about what happened and who did what when – that is, events, activities, and choices ordered over time" (Langley, 1999, p. 692).

(1967) his original formulation and in the contribute of Eisenhardt (1989) an important application in the field of case study (see §4). Glaser and Strauss (1967) start noting that "previous books on methods of social research have focused mainly on how to *verify* theory" (p. 1). The scope of their work is to develop a general model of comparative analysis capable to support furthering discovery of grounded theory, where grounded theory is "the discovery of theory from data systematically obtained from social research" (p. 2).

This strategy research is in some sense at the opposition with theory generated by logical deduction from a priori assumptions and for this reason the authors specify that "generating grounded theory is a way of arriving at theory suited to its supposed uses" (p. 3). Theory must fit the situation being researched, and work when put into use. Two words are illuminating to clarify this intimacy relationship between theory and reality: fit and work. "By «fit» we mean that the categories must be readily (not forcibly) applicable to and indicated by the data under study; by «work» we mean that they must be meaningfully relevant to and be able to explain the behavior under study" (p. 3). The operative way, the methodology that can assure this close relationship, is identified by the authors in the systematic discovery of the theory from the data of social research[22]; for this reason the resulting theory cannot be divorced from the research process[23]. The relevance of generation processes represents a central point in the grounded theory.

The focus on the theorizing process rather than on the verification process, favorites a new reflection between qualitative and quantitative data. In fact, the emphasis on verification has increased the relevance of quantitative data and qualitative analysis has been relegated to preliminary, exploratory, groundbreaking work for getting surveys started[24]. The authors' judgment about the increasing opposition between quantitative

[22] "Since the categories are discovered by examination of the data, laymen involved in the area to which the theory applies will usually be able to understand it, while sociologists who work in other areas will recognize an understandable theory linked with the data of a given area. Theory based on data can usually not be completely refuted by more data or replaced by another theory. Since it is too intimately linked to data, it is destined to last despite its inevitable modification and reformulation. […] In contrast, logically deduced theories based on ungrounded assumptions, such as some well-known ones on the «social action» can lead their followers far astray in trying to advance sociology" (Glaser and Strauss, 1967, p. 4).

[23] "In contrasting grounded theory with logico-deductive theory and discussing and assessing their relative merits in ability to fit and work (predict, explain, and be relevant), we have taken the position that the adequacy of a theory for sociology today *cannot be divorced from the process by which it is generated*. Thus one canon for judging the usefulness of a theory is how it was generated – and we suggest that it is likely to be a better theory to the degree that it has been *inductively* developed from social research. We also believe that other canons for assessing a theory, such a s logical consistency, clarity, parsimony, density, scope, integration, as well as its fit and its ability to work, are also significantly dependent on how the theory was generated. They are *not*, as some theorists of a logico-deductive persuasion would claim, *completely independent of the processes of generation*" (p. 5, Italics added).

[24] "Historically linked with the change in relative emphasis from generation to verification of theory was the clash between advocates of quantitative and qualitative data. The generators of theory in the late 1930's had use qualitative data in a nonsystematic and non-rigorous way, in conjunction with their own logic and common sense. […] Meanwhile, beginning in the late 1930's, and especially after World War II, quantitative researchers made great strides both in producing accurate evidence and in translating theoretical concepts into research operations. The result was an ability to begin the challenge of testing theory rigorously. […] Qualitative research, because of its poor showing in producing the scientifically reproducible fact, and its sensitivity in picking up everyday facts about social structures and social systems, was relegated to preliminary, exploratory, groundbreaking work for getting surveys started.

and qualitative data is illuminating: "There is no fundamental clash between the purposes and capacities of qualitative and quantitative methods or data. […] We believe that *each form of data is useful both verification and generation of theory*, whatever the primacy of emphasis. Primacy depends only on the circumstances of research, on the interests and training of the researcher, and on the kinds of material he needs for his theory. *In many instances, both forms of data are necessary* – not quantitative used to test qualitative, but both used as supplements, as mutual verification and, most important for us, as different forms of data on the same subject, which, when compared, will each generate theory" (pp. 17-18, italics in the original).

The general strategy that Glaser and Strauss detail in developing grounded theory is comparative analysis, applied to social units of any size, large or small, ranging form men or their roles to nations or world regions (p. 22). They stress the relationship between fact and conceptual or property category. Researchers, in collecting and coding facts, increase the probability to relate a fact or a series of facts to conceptual categories or their properties and the evidence from which the category emerged is used to illustrate the concept[25]. The categorization process will empowered using comparative analysis: by comparing where the facts are similar or different, researchers can generate properties of categories that increase the categories' generality and explanatory power.

2.1 Research design

Following Yin's work, we distinguish among five different research design: experiment, survey, archival analysis, history and case study[26].

Experiment differs from case study in that a phenomenon is deliberately divorced from its context. Cook and Campbell wrote: "By experiments we understand any experimenter-controlled or naturally occurring event (a "treatment") which intervenes in the lives of respondents and whose probable consequences can be empirically assessed" (1976, p. 224). Campbell and Stanley's (1963) paper was a milestone in the experimental tradition. It provided the concepts of internal and external validity and described the procedures required to evaluate them. The discussion of threats to the internal validity of experimental designs outlined in that paper clarifies the issues of causal interference. The authors described three necessary conditions for causal inference: i) the cause precedes the effect in time, ii) the cause and effect co-vary, and iii) there is no plausible alternative explanation for the covariation. Cook and Campbell (1976) broadened this conceptualization in a number of ways. First, quasi-experimental designs received a more detailed treatment and second, the number of validity concepts expanded to four – internal, construct, statistical conclusion[27] and external validity.

Survey has been most effectively promoted by Van de Ven and colleagues working on the Minnesota Innovation Research Project. In this approach, researchers start with

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Qualitative research was to provide quantitative research with a few substantive categories and hypothesis" (p. 16).

[25] "The evidence may not necessarily be accurate beyond a doubt (nor is it even in studies concerned only with accuracy), but the concept is undoubtedly a relevant theoretical abstraction about what is going on in the area studied. Furthermore, the concept itself will not change, while even the most accurate facts change. Concepts only have their meanings respecified at times because other theoretical and research purposes have evolved" (p. 23).

[26] In a recent review of research strategy Langley (1999) identifies seven different strategies including: i) narrative strategy; ii) quantification strategy; iii) alternate templates strategy; iv) grounded theory strategy; v) visual mapping strategy; vi) temporal bracketing strategy and synthetic strategy.

[27] Statistical conclusion validity is usually defined by methodological language reliability.

in-depth process data and then systematically list and code qualitative incidents according to a number of predetermined characteristics, gradually reducing their variables to a set of quantitative time-series that can be analyzed using statistical methods[28]. The advantage of this quantification approach lies in the systematization of process analysis. Assuming that the original data is complete and that the coding of incidents is reliable, descriptive patterns in the sequences of activities and events can be systematically verified. Explicit process theories can also be rigorously tested, as long as these theories can be expressed in the form of mathematical models and clear propositions similar to the dimensions coded over time. The approach seems particularly useful for the *verifications* of dynamic theories that may include causal feedback loops. All this supposes, however, that comparable incidents within the same case or across similar cases are sufficiently large in number to create enough degrees of freedom for statistical analysis.

In contrast with the narrative approach (see histories), this research design leads us more easily to a transparent and parsimonious theoretical conceptualization (i.e., simplicity). Because of the generic character of coded events and the parsimonious mathematical formulation of the models tested, (which are often supported by deductive reasoning), the theorization is also likely to have greater potential generality. Yet to achieve this result, the approach drastically simplifies the original data, setting in motion certain dimensions and replacing the ambiguous, rich and specific context with a series of precise, thin and general indicators.

Archival analysis is a research design based on the following archival records: i) service records, such as those showing the number of clients served over a given period of time; ii) organizational records, such as organizational charts and budgets over a period of time; iii) maps and charts of the geographic characteristics of a place; iv) personal records, such as diaries, calendars, and telephone listings; v) lists of names and other relevant commodities.

When archival evidence has been deemed relevant, an investigator must be careful to ascertain the conditions under which it was produced as well as its accuracy. Sometimes, the archival records can be highly quantitative, but numbers alone should not automatically be considered a sign of accuracy. The same general word of caution therefore applies to the interpretation of documentary evidence: most archival records were produced for a specific purpose and a specific audience, and these conditions must be fully appreciated in order to interpret the usefulness of any archival records.

Histories differ basically from case in that they are limited to phenomena of the past, where relevant informants may be unavailable for interview and relevant events unavailable for direct observations. This strategy involves the construction of a detailed story from the raw data. In the area of strategic management, the classic example of this style is Chandler's (1964) history of the evolution of American enterprise. The same style also dominates the work of strategy researchers who adopt a "contextualist" perspective.

[28] For example, in their innovation project, Van de Ven's team first collected detailed real-time data, and then identified five characteristics or tracks that could be used to analyze each identifiable incident (people, ideas, transactions, context and results). The incidents and their corresponding tracks were transformed into a series of binary codes associated with a specific date forming a 0-1 matrix that the authors call a bit-map. Each incident corresponded to a line in the matrix. One column was reserved to indicate positive outcomes (0 or 1) associated with an incident and another for indicating negative outcomes.

Almost all process research involves recourse to this strategy at some point. However, the narrative can serve different purposes depending on the objectives of the researcher. For many, it is merely a preliminary step aimed at preparing a chronology for subsequent analysis, essentially a data organization device that can also serve as a validation tool (Eisenhardt, 1989). For "contextualists", it plays a more substantial role incorporating an analytical element: "Our analytical chronologies reach towards theory presentation but are prepared to get on top of the data, to clarify across levels of analysis, suggest causal linkages between levels, and establish early analytical themes" (Pettigrew, 1990, p. 280).

Finally, for others who adopt a constructivist or naturalistic perspective the narrative can be the main product of the research. The aim here is to provide greater understanding of organizational phenomena, not through formal theoretical propositions, but by providing "vicarious experience" of a real setting in all its richness and complexity. For the proponents of this approach, it is the contextual detail in the narrative ("thick description") that will allow the reader to make a judgement about the transferability of the ideas to other situations. Indeed, good research of this type will often produce a sense of "dejà-vu" among experienced readers.

The ***case study*** is a research design that focuses on understanding the dynamics present within single settings. To define what case study is, Yin (1981, 1984) introduced three important categories: types of evidence (e.g., qualitative data), types of data collection methods (e.g., ethnography), and research strategies (e.g., case studies).

First, the case study does not imply the use of a particular type of evidence. "Case studies can be done by using either qualitative or quantitative evidence. The evidence may come from fieldwork, archival records, verbal reports, observations, or any combination of these" (Yin, 1981, p. 58).

Second, the case study does not imply the use of a particular data collection method. A common misconception is that case studies are solely the result of ethnographies or of participant-observation, yet it should be quickly evident that numerous case studies have been done without using these methods (Yin, 1981; Allison, 1971).

"What the case study does represent is a research strategy, to be linked to an experiment, a history, or a simulation, which may be considered alternative research strategies" (Yin, 1981, p. 59). Similarly, Eisenhardt wrote: "the case study is a research strategy which focuses on understanding the dynamics present within single settings" (1989, p. 534).

Case studies can involve either single or multiple cases, and numerous levels of analysis. They can employ an embedded design, that is, multiple levels of analysis within a single study.

2.2 Selecting criteria

In the previous paragraph we collected five different research design. Now it is necessary to identify the selecting criteria. Methodological structure depends on the research objective. Considering the different ways in which we can describe and classify the research topic, using grounded theory, three aspects in particular play strategic roles: i) the type of research question posed, ii) the extent of control an investigator has over actual behavioral events, and iii) the degree of focus on contemporary as opposed to historical events. We summarize below a matrix of these relevant situations to research strategies (figure 6).

Figure 6. Relevant situations for different research strategies.

Strategy	***Form of research question***	***Requires control over behavioral events?***	***Focuses on contemporary events?***
Experiment	How, why	Yes	Yes
Survey	Who, what, where, how many, how much	No	Yes
Archival analysis	Who, what, where, how many, how much	No	Yes/no
History	How, why	No	No
Case study	How, why	No	Yes

Source: Yin (1994, p. 6).

In comparing personal research questions with this classification, the relevance of how and why questions emerge. This work will respond succinctly to three questions: i) what variables embody the destination strategy process in terms of actors and structures (both organizational and financial); ii) how are these variables interrelated in creating strategy processes; iii) why do different strategy processes produce different results?

2.2.1 Extent of control

We focus our attention on the three strategies related to why and how questions: histories, case study and experiment.

Histories are the preferred strategy when there is virtually no access or control. Thus the distinctive contribution of the historical method is dealing with the "dead" past – that is when no relevant persons are alive to report, even retrospectively, what occurred, and when an investigator must rely on primary documents, secondary documents, and cultural and physical artifacts as the main sources of evidence. Histories can, of course, be done about contemporary events. In this situation, the strategy begins to overlap with that of the case study.

The ***case study*** is preferred in examining contemporary events, but only when the relevant behaviors cannot be manipulated. The case study relies on many techniques as a history, but it adds two sources of evidence not usually included in the historian's repertoire: direct observation and systematic interviewing. Again, although case studies and histories can overlap, the case study's unique strength is its ability to deal with a full variety of evidence – documents, artifacts, interviews, and observations – beyond what might be available in the conventional historical study.

Experiments are done when an investigator can manipulate behavior directly, precisely, and systematically. This can occur in a laboratory setting, in which an experiment may focus on one or two isolated variables (and presumes that the laboratory environment can "control" for all the remaining variables beyond the scope of interest), or it can be done in a field setting, where the term *social experiment* has emerged to cover research in which investigators "treat" whole groups of people in different ways, such as providing them with different kinds of vouchers. Again, the methods overlap. The full range of experimental science also includes those situations in which the experimenter cannot manipulate behavior but in which the logic of experimental design may still be applied. These situations have been commonly regarded as "quasi-experimental" situations. The quasi-experimental approach can even

be used in a historical setting, in which, for instance, an investigator may be interested in studying race riots.

In conclusion "we can identify some situations in which all research strategies might be relevant, and other situations in which two strategies might be considered equally attractive. We also can use more than one strategy in any given study. To this extent, the various strategies are not mutually exclusive. But we can also identify some situations in which a specific strategy has a distinct advantage. For the *case study* this is when a «how» or «why» question is being asked about a contemporary set of events over which the investigator has little or no control" (Yin, 1994, p. 9).

In comparing these two criteria to our own work, the case study research appears to be the more adequate way. Before starting to design the case study research, it is important to reflect on some limits that the literature imposes.

2.3 Limits of the case study research

Yin identified three major limits (in his words "prejudices") against the case study strategy: i) limited rigor, ii) scarce generalizability, and iii) "unreadability". The first two limits are expressed also in the Miles' ASQ article: i) within case-analysis "was essentially intuitive, primitive, and unmanageable" (limited rigor in Yin's work); ii) cross-case analysis "was even less well formulated than within-site analysis" (scarce generalizability) (Miles, 1979, p. 597).

Yin wrote: "Too many times, the case study investigator has been sloppy and has allowed equivocal evidence or biased views to influence the direction of the findings and conclusions. The possibility also exists that people confused case study teaching with case study research. In teaching, case study materials may be deliberately altered to demonstrate a particular point more effectively. In research, any such step would be strictly forbidden" (Yin, 1994, pp. 9-10). What is often forgotten is that bias can also enter into the conduct of experiments and the use of other research strategies, such as designing questionnaires for survey[29].

A second common concern about case studies is that they provide little basis for scientific generalization. "How can you generalize from a single case?" This question had been frequently asked about experiment. In fact, scientific facts can rarely be based on single experiments; they are usually based on a multiple set of experiments, which have replicated the same phenomenon under different conditions. The same approach can be used with multiple-case studies but requires a different concept of the appropriate research designs. The short answer to Yin's complaint is that "case studies, like experiments, are generalizable to theoretical propositions and not to populations or universes. In this sense, the case study does not represent a "sample", and the

[29] Campbell, Daft, and Hulin wrote: "The addition of so-called organizational concept seems to have opened the door to sloppy, ill-considered, or even non-existent research methodology. A whole body of sound research concepts seems to have been suppressed; e.g. reliability of measurement, power of statistical tests, adequate and well-thought through sampling designs – unfortunately, a not uncommon phenomenon in the literature today is a «study» in which the authors sent a non pre-tested, non-scaled questionnaire to a convenient sample of uncertain nature in which little or no thought was given to the reliability of the measurement or the meaningfulness of responses. Nonetheless, numbers are obtained and are subjected to the staggering array of sophisticated computer-assisted statistical techniques and «results» are obtained and generalized to a population of which the initial sample had very little relationship" (Campbell, Daft, Hulin, 1982, p. 61).

investigator's goal is to expand and generalize theories (analytic generalization) and not to enumerate frequencies (statistical generalization)".

A third frequent complaint about case studies is that they take too long, and they result in massive, unreadable documents.

Considering the importance of case studies in this work, it is necessary to reflect on some additional points. For each case construct, there is internal and external validity. In addition, the creation of a database keeps a record of the reliability of findings. Case study includes multiple kinds of evidence; this triangulation process assures greater accuracy. The research is based on six cases which does not represent a significant sample, but the theory can be expanded and generalized with a cross-case analysis.

Finally, the topic of space is not really a problem for a doctoral work. This paper could be a detailed publication, containing the main elements of each case study in a database, which could be used as reference for future articles.

2.4 Strengths of case study

Daft identified three different research techniques useful in obtaining "significant knowledge about organizations" (1983, p. 539): i) natural science model research; ii) qualitative procedures; iii) mixing qualitative and quantitative data. Daft's work is important in the understanding of the unique insights that case studies offer.

The natural science model assumes that social reality is a concrete, measurable phenomenon. In organization textbooks the natural science model typically is associated with good research and is exemplified by precise definition, objective data collection, systematic procedures, and replicable findings. A milestone in the use of systematic procedures in organization studies was Campbell and Stanley's work on experimental design (1963). The natural science model is sometimes called quantitative research.

Qualitative research is concerned with the meaning rather than the measurement of organizational phenomena. Organizations are assumed to be enormously complex social systems that cannot be studied effectively with the same techniques that are used to study physical or biological systems. Qualitative research procedures assume that organization realities are not concrete, but are the projection of human imagination. Those who prefer qualitative research techniques argue that direct involvement in organizations and the use of human senses to interpret organization phenomena are necessary for discovering new knowledge.

"A few of us suggest yet a third answer" (Daft, 1983, p. 539). This answer would not make the distinction between natural science and qualitative research techniques as separate avenues to significant outcomes. Organizations are complex, multidimensional entities. A range of techniques can be adopted to pursue effectively a range of research topics. Indeed, qualitative and quantitative approaches can be used side by side, as in the natural science.

Daft's classification facilitates our understanding of the great advantages of case study research, permitting the use of multiple sources of evidence and studying social phenomena (the destination management) in its real context[30].

[30] Langley noted: "More complex phenomena, such as strategy formation or learning, are even harder to isolate. Process phenomena have a fluid character that spreads out over both space and time (Pettigrew, 1992). In addition, one of the main reasons for taking a qualitative process approach is precisely to take into account the context. This leads, inevitably, to the consideration of multiple levels of analysis that are sometimes difficult to separate from one another – made up of a continuum, rather than a hierarchy or a clear classification" (1999, p. 692).

3. RESEARCH DESIGN

Every type of empirical research has an implicit, if not explicit, research design. In the most elementary sense, the design is the logical sequence that connects the empirical data to a study's initial research questions and, ultimately, to its conclusions[31]. In this sense research design guides the investigator in the process of collecting, analyzing, and interpreting observations. It is a logical model of proof that allows the researcher to draw inferences concerning causal relationships among the variables under investigation. Research design is much more than a work plan. The main purpose of the design is to help to avoid the situation in which the evidence does not address the initial research questions.

3.1.1 Definition of research design

The structure of the work, depicted in figures 2-5, is the result both of an explorative analysis of different literature's streams such as strategy process research and destination management, and an empirical analysis of the pilot case of Livigno (Molteni, Sainaghi, 1997; Sainaghi, 2000c).

The deep iteration between these two experiences has generated the research questions and some methodological directions:

- ✓ The centrality of case study analysis to build a theoretical model, empirically tested;
- ✓ The opportunity to develop a longitudinal study in the strategy-making process;
- ✓ The necessity to mix qualitative and quantitative data: the combination of methodologies in the study of the same phenomenon (triangulation) increases the validity of the results. As Jick suggested (1979, p. 604), "the effectiveness of triangulation rests on the premise that the weaknesses in each single method will be compensated by the counter-balancing strengths of another".

3.2 Single cases Vs multiple cases

Yin classified cases as single- and multiple-case studies. The underlying logic "assumes that that single- and multiple-case studies reflect different design situations" (1994, p.38).

3.2.1 Single-case designs

The author identified several circumstances under which the single-case is an appropriate design:

- ✓ First, recall that a singles-case study is analogous to a single experiment, and many of the same conditions that justify a single experiment also justify a single-case study. One rationale for a single case is when it represents the critical case in testing a well-formulated theory. The theory has specified a clear set of propositions as well as the circumstances within which the propositions are

[31] "Colloquially, a research design is an action plan for getting form *here* to *there*, where *here* may be defined as the initial set of questions to be answered, and *there* is some set of conclusions (answers) about these questions. Between "here" and "there" may be found a number of major steps, including the collection and analysis of relevant data" (Yin, 1994, p. 19).

believed to be true. To confirm, challenge, or extend the theory, there may exist a single case, meeting all of the conditions for testing the theory;

- ✓ Second, single-case study represents an extreme or unique case. This has commonly been the situation in clinical psychology, in which a specific injury or disorder may be so rare that any single case is worth documenting and analyzing;
- ✓ Third, single-case study represents a revelatory case. This situation exists when an investigator has an opportunity to observe and analyze a phenomenon previously inaccessible to scientific investigation.

These three rationales serve as the major reasons for conducting a single-case study. A potential vulnerability of the single-case design is that a case may later turn out not to be the case it was thought to be at the outset. Potential single-case designs therefore require careful investigation in order to minimize the chances of misrepresentation and to maximize the access needed to collect the case study evidence.

In comparing this approach to our own research goal, it appears inadequate. This work is more "explorative" and we want to build a theoretical, empirically tested model about destination strategy process. Using this perspective, the insights of single-case study do not satisfy the criteria of external validity.

3.2.2 Multiple-case designs

Multiple-case designs have distinct advantages and disadvantages in comparison to single-case designs. The evidence from multiple cases is often considered more compelling, and the overall study is therefore regarded as being more robust. Every case should serve a specific purpose within the overall scope of inquiry. Here, a major insight is to consider multiple cases as one would consider multiple experiments, that is, to follow a "replication" logic. This is far different from a mistaken analogy in the past, which incorrectly considered multiple cases to be similar to the multiple respondents in a survey – that is, to follow a "sampling" logic. The methodological differences between these two views are revealed by the different rationales underlying the replication as opposed to sampling logic.

This replication logic must be distinguished from the sampling logic commonly used in surveys. According to the sampling logic, a number of respondents (or subjects) are assumed to "represent" a larger pool of respondents (or subjects), so that data from a smaller number of people is assumed to represent the data that might have been collected from the entire pool.

The sampling logic demands an operational enumeration of the entire universe or pool of potential respondents and then a statistical procedure for selecting the specific subset of respondents to be surveyed. This logic is inapplicable to case studies, primarily because they would have to cover both the phenomenon of interest and context, yielding a large number of potentially relevant variables. In turn, this would require an impossibly large number of cases.

Each individual case study consists of a whole study, in which convergent evidence is sought regarding the facts and conclusions for the case, each case's conclusions are then considered to be the information needing replication by other individual cases. Both the individual cases and the multiple-case results can and should be the focus of a summary report.

Hear are some disadvantages:

- ✓ First, a multiple-case study can require extensive resources and time;
- ✓ Second, the rationale for single-case designs usually cannot be satisfied by multiple-case. The unusual or rare case, the critical case, and the revelatory case are all likely to involve only single cases, by definition.

We adopt multiple-case designs (based on six cases) because the replication logic is essentially in the theorizing process, and multiple cases offer the possibility to obtain more external validity in the findings.

3.3 Criteria for judging the quality of research design

Because a research design is supposed to represent a logical set of statements, we can judge the quality of any given design according to certain logical tests. Concepts that have been offered for these tests include trustworthiness, credibility, conformability, and data dependability.

Cook and Campbell (1976) identified four criteria to establish the quality of experiments that are now commonly used as standard. They include: construct validity, internal validity, external validity and reliability. These four elements represent ex-post as the basis to judge this work, but also ex-ante as an important compass to guide the whole process (theoretical work, empirical work and theorizing work). We will now analyze briefly each condition (see figure 7).

3.3.1 Construct validity

As figure 7 shows, three tactics are available to increase construct validity in case studies. The first one, the use of multiple sources of evidence, encourages the manner of convergent lines of inquiry. This tactic is relevant during data collection.

Figure 7. Case study tactics for four design tests.

Tests	***Case study tactic***	***Phase of research in which tactic occurs***
1. Construct validity	✓ Use multiple sources of evidence ✓ Establish chain of evidence ✓ Have key informants review draft case study report	✓ Data collection
2. Internal validity	✓ Do pattern-matching ✓ Do explanation-building ✓ Do time-series analysis	✓ Data analysis
3. External validity	✓ Use replication logic in multiple-case studies	✓ Research design
4. Reliability	✓ Use case study protocol ✓ Develop case study data base	✓ Data collection

Source: Yin (1994, p. 33).

Case study does not imply the use of only qualitative data. The evidence may be qualitative, quantitative or both. The literature identifies six different sources of evidence. Each source presents strengths and weaknesses, and no single source has a complete advantage over all of the others. The various sources are highly

complementary, and a good case study will therefore require the use of as many sources as possible. The next figure reports source of evidence and its strengths and weaknesses. Applying this schema to our work, we can undoubtedly use the first four kinds of sources.

Figure 8. Six sources of evidence: strengths and weaknesses.

Source of evidence	*Strengths*	*Weaknesses*
1. Documentation	✓ Stable – can be reviewed repeatedly ✓ Unobtrusive – not created as a result of the case study ✓ Exact – contains exact names, references, and details of an event ✓ Broad coverage – long span of time, many events, and many settings	✓ Retrievability – can be low ✓ Biased selectivity, if collection is incomplete ✓ Reported bias – reflects bias of author ✓ Access- may be deliberately blocked
2. Archival records	✓ (same as above for documentation) ✓ Precise and quantitative	✓ (same as above for documentation) ✓ Accessibility due to privacy reasons
3. Interviews	✓ Targeted – focuses directly on case study topic ✓ Insightful – provides perceived causal inferences	✓ Bias due to poorly constructed questions ✓ Response bias ✓ Inaccuracies due to poor recall ✓ Reflexivity – interviewee gives what interviewer wants to hear
4. Direct observations	✓ Reality – covers events in real time ✓ Contextual – covers context of events	✓ Time-consuming ✓ Selectively – unless broad coverage ✓ Reflexivity – event may proceed differently because it is being observed ✓ Cost – hours needed by human observers
5. Participant observations	✓ (same as above for direct observations) ✓ Insightful into interpersonal behavior and motives	✓ (same as above for documentation) ✓ Bias due to investigator's manipulation of events
6. Physical artifacts	✓ Insightful into cultural features ✓ Insightful into technical operations	✓ Selectivity ✓ Availability

Source: Yin (1994, p. 80).

First, *documentation* includes brochure, administrative documents (proposals, progress reports), local and regional literature, minutes of meetings and other written reports of events.

Second, *archival record* includes client profile, overnight stays, arrivals, organizational records (budgets, income statements over a period of time), survey data, and ad hoc research (customer satisfaction).

Third, *interviews* includes opinion leaders, managers of the main tourism organizations and important companies. Yin wrote: "One of the most important sources of case study information is the interview. Such a conclusion may be surprising, because of the usual association between interviews and the survey method. However, interviews are also essential sources of case study information" (1994, p. 84). The interviews should always be considered verbal reports only. As such, they are subject to the common problems of bias, poor recall, and poor or inaccurate articulation. Again, a reasonable approach is to corroborate interview data with information from other sources.

Fourth, *direct observations* include field visits to the case study "site". Assuming that the phenomena of interest have not been purely historical, some relevant behaviors or environmental conditions will be available for observation. The interviewing work and more generally the data collection process, offers a good occasion to stay in the destination and to use its tourist services. In the case of a destination being both for winter and summer, it is important to replicate the observations for both seasons.

Fifth, *participant observation* is, by a different degree, a special observation in which the researcher is not merely a passive observer. The multiple case study approach and the timetable limits exclude this type of evidence for each case study. The pilot case could be an exception.

Six, *physical artifacts* include technological devices, a tool or instrument, a work of art, or some other physical evidence. It is relevant especially in anthropological research. We do not use this source.

3.3.2 Internal validity

This second test has been given the greatest attention in experimental and quasi-experimental research. Internal validity is a concern only for causal (or explanatory) case studies, in which an investigator is trying to determine whether event *x* led to event *y*. If the investigator incorrectly concludes that there is a causal relationship between *x* and *y* without knowing that some third factor *z* may actually have caused *y*, the research design has failed to deal with some threat to internal validity[32]. This logic is inapplicable to descriptive or exploratory studies, which are not concerned with making causal statements.

3.3.3 External validity

The third test deals with the problem of knowing whether a study's findings can be generalized beyond the immediate case study. The external validity problem has been a major barrier in doing case studies. Critics typically state that single cases offer a poor

[32] Mitchell wrote: "When there is a lack of internal validity, there is a possible alternative explanation for the relationship between A (the cause) and B (the effect). But, as Cook and Campbell (1976) point out, there are two ways this may occur. First, there is the situation in which a spurious event can be used as a plausible explanation. [Second where] there can be an improper inference due to a third variable" (1985, p. 193).

basis for generalizing. However, such critics are implicitly contrasting the situation to survey research, in which a "sample" readily generalizes to a larger universe. This analogy to samples and universes is incorrect when dealing with case studies. This is because survey research relies on statistical generalization, whereas case studies rely on analytical generalization. In analytical generalization, the investigator is striving to generalize a particular set of results to some broader theory.

In our work, external validity may be judged at two different levels.
At the first level, external validity requires generalization of the findings of single cases, which means that the case identifies important elements that answer research questions that then can be applied to similar situations in other destinations. The external validity at this level does not mean that the findings must to be applied in all contexts. For example, the case of Livigno suggests the importance of stable financial resources for tourism organizations, of which there are many in Livigno. This conclusion does not suggest that in each destination the town must finance the tourism organization, but suggests that without stable financial resources, it is hard to assure destination excellence.

At the second level, external validity is applied to the novel theory, and is empirically tested. It is based on six cases, and the cross-case analysis assures replication. The theoretical model should give policy indications for practitioners responsible for destination management.

3.3.4 Reliability

The objective is to be sure that if a later investigator followed exactly the same procedures as described by an earlier investigator and conducted the same case study all over again, the later investigator should arrive at the same findings and conclusions. Note that the emphasis is on doing the same case over again, not on "replicating" the results of one case by doing another case study. The goal of reliability is to minimize the errors and biases in a study.

One prerequisite for allowing this other investigator to repeat an earlier case study is the need to document the procedures followed in the earlier case. Yin wrote: "With case studies, the distinction between a separate database and the case study report has not yet become an institutionalized practice. Too often, the case study data is synonymous with the evidence presented in the case study report, and a critical reader has no recourse if he or she wants to inspect the database that led to the case study conclusions" (1994, p. 95). The main point here is that every case study project should strive to develop a formal, presentable database, so that, in principle, other investigators can review the evidence directly and not be limited to the written reports. In this manner, a case study database markedly increases the reliability of the entire case study.

For each case we want to build a database including the minutes of the interview, archival records and other documents. All the written support will be codified and included in the case's database. Furthermore, the interviewed subjects will revise each interviewer's notes.

4. BUILDING THEORY FROM CASE STUDIES

The study's goal is to build a theoretical model, empirically tested, about destination management. While the previous paragraphs explained the relevance of case studies as research strategies (§2) and the conditions that assures the relevance of this approach in

defining research design (§3), in the following paragraph we would like to identify the operative steps in building theory from case study.

This paragraph develops Eisenhardt's work (1989), based on Yin's approach. The strong relationship between Yin's and Eisenhardt's approach does not require a review of the definitions of case study, research strategy, research design and theory. While Yin's book explains how case study is and how this research strategy works, Eisenhardt's work identifies a roadmap for building theory from case study research. In this perspective the second work is a consolidation and a completion of the first.

Next we will briefly present Eisenhardt's framework and apply it to our own research. This roadmap "synthesizes previous work on qualitative methods (e.g., Miles and Huberman, 1984), the design of case study research (Yin, 1981, 1984), and grounded theory building (e.g., Glaser and Strauss, 1967)" (Eisenhardt, 1989, p. 532).

Figure 9 synthesizes the different blocks. In analyzing each block we connect it to the basic structure of this work depicted in figure 2.

Figure 9. Process of building theory from case study research.

Step	Activity
1. Getting started	✓ Definition of research question ✓ Possibly a priori constructs
2. Selecting cases	✓ Neither theory nor hypotheses ✓ Specified population
3. Crafting instruments and protocols	✓ Multiple data collection methods ✓ Qualitative and quantitative data combined
4. Entering in the field	✓ Overlap data collection and analysis, including field notes ✓ Flexible and opportunistic data collection methods
5. Analyzing within-case data	✓ Write-ups
6. Analyzing cross-case data	✓ Finding similarities and differences
7. Shaping hypothesis	✓ Iterative tabulation of evidence for each construct ✓ Replication, not sampling, logic across cases ✓ Search evidence for "why" behind relationships
8. Enfolding literature	✓ Comparison with conflicting literature ✓ Comparison with similar literature
9. Reaching closure	✓ Theoretical saturation when possible

Source: Adapted from Eisenhardt (1989, p. 533).

4.1 Getting started

An initial definition of the research question, in broad terms, is important in building theory from case studies. Mintzberg (1979, p. 585) noted: "No matter how small our sample or what our interest, we have always tried to go into organizations with a well-defined focus – to collect specific kinds of data systematically". The rationale for defining the research question is the same as it is in hypothesis-testing research. Without a research focus, it is easy to become overwhelmed by the volume of data[33].

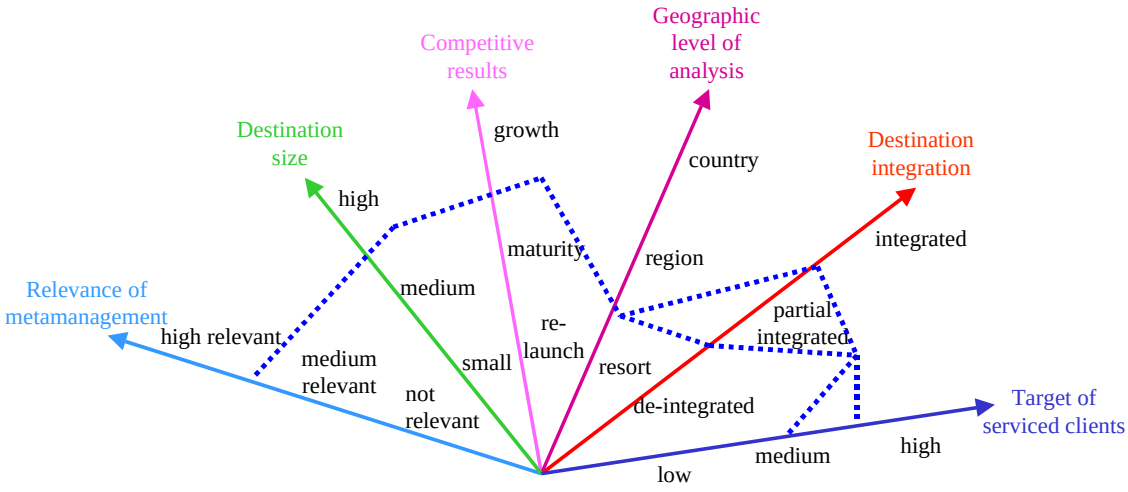
[33] Langley noted: "Also, although offering greater potential for new discovery, the open-ended inductive approach that most researchers use in process research tends to lead to postponement of the moment of decision between what is relevant and what is not, sometimes aggravating these difficulties" (1999, p. 694).

Our own research focus is synthesized in the research question presented at the beginning of this chapter. This first block, getting started, also includes a definition of "framework" that the researchers will use during the process. Eisenhardt wrote (1989, p. 536): "Investigators should formulate a research problem and possibly specify some potentially important variables, with some reference to extant literature". This second point is developed at the end of the third chapter, which concludes the theoretical work.

4.2 Selecting cases

As Pettigrew (1988) noted, given the limited number of cases that can usually be studied, it makes sense to choose cases such as extreme situations and polar types in which the process of interest is "transparently observable". In this work we focus only on successful resort destinations (figure 10).

Figure 10. Operative criteria to select cases.



Source: own elaboration.

The multiple-case research is based on six cases. The selecting criteria (see figure 10) considers:

- ✓ Relevance of meta-management function: We focus on destinations which developed meta-structures;
- ✓ Destination size: All cases are medium-high destination (more than 500.000 overnight stays, considering both hotels and apartments);
- ✓ Competitive results: The selecting cases can range from growth to maturity considering the life-cycle. We do not analyze re-launch cases because it is difficult to produce a theoretical model with three subfields (growth, maturity and re-launch) using only six cases. Furthermore, destination re-launches itself can assume a very large spectrum;
- ✓ Geographic level of analysis: The cases are resort destinations. Despite this, in some cases (such as Livigno within the Alta Valtellina) the strategy process can influence a more broad "competitive scope" (region);
- ✓ Destination integration: The European destinations tend to be characterized by the relevance of small, not integrated companies (SME). The selecting criteria sifts between de-integrated or partially integrated realities;

- ✓ Target of serviced clients: We focus primarily on destinations that specialize in serving a medium-high target of clients.

4.3 Crafting instruments and protocols

Describing and clarifying strategy process requires a different source of evidence. Following Yin's classification (1994, p. 80), the main data collection methods are related to interviews, documentation, archival records, direct observation and when possible, participant observation.

This broad mix of sources assures the positive interrelation of qualitative and quantitative data and allows the measurement of (with quantitative data) the effects produced by decisions. In addition, this mix is a useful way in verifying the information, especially that collected by interview.

4.4 Coding variables

Grounded theory involves the systematic comparison of small units of data and the gradual construction of a system of "categories" that describe the phenomena being observed. The categories may have several "sub-categories", and associated "dimensions" and "properties", which are gradually elaborated and refined as specific incidents are examined, systematically coded, and compared.

The coding activity plays a central role in defining category, properties, and hypothesis[34], and it can use a large range of tools. Glaser and Strauss wrote: "Coding need consist only of noting categories on margins, but can be done more elaborately (e.g., on cards). It should keep track of the comparison group in which the incident occurs. To this procedure we add the basic, defining rule for the constant comparative method: *while coding an incident for a category, compare it with the previous incidents in the same and different groups coded in the same category*" (1967, p. 106, italics in the original).

4.5 Entering in the field

A striking feature of research to build theory from case studies is the frequent overlap of data analysis with data collection. Field notes, a running commentary to oneself and/or a research team, are important means of accomplishing the overlap. One key to useful field notes is to write down whatever impressions occur, that is, to react rather than to sift out what may seem important, because it is often difficult to know what will and will not be useful in the future.

Overlapping data analysis with data collection not only gives the researcher a head start in analysis but, more importantly, allows researchers to take advantage of flexible data collection[35].

[34] "The elements of theory that are generated by comparative analysis are, first, conceptual categories and their conceptual properties; and second, hypothesis or generalized relations among the categories and their properties" (Glaser and Strauss, 1967, p. 35).

[35] "A key feature of theory-building case research is the freedom to make adjustments during the data collection process. … These alterations create an important question: Is it legitimate to alter and even add data collection methods during a study? For theory-building research, the answer is yes, because investigators are trying to understand each case individually and in as much depth as is feasible" (Eisenhardt, 1989, p. 538).

Entering in the field, concretely, means to start collecting data, write field notes, conduct interviews and briefly begin to answer research questions in the specific context of each case study.

4.6 Within case-analysis

Analyzing data is the heart of building theory from cases. Even though it is the least codified part of the process, several key features of analysis can be identified. Eisenhardt distinguished between within-case analysis and cross-case analysis. Within-case analysis typically involves detailed case study write-ups that are often simply pure descriptions, but they are central to the generation of insight because they help researchers to cope early in the analysis process with the often-enormous volume of data.

The operative output of this step is the single case study reports which will conclude the empirical work.

4.6.1 Triangulation process

During within-case analysis researchers compare different sources of evidence to stimulate conclusions or insights. In this paragraph we briefly summarize the concept of triangulation that we want to apply.

Triangulation is broadly defined by Denzin (1978, p. 291) as "the combination of methodologies in the study of the same phenomenon". The triangulation metaphor is from navigation and military strategy that use multiple references points to locate an object's exact position. Given basic principles of geometry, multiple viewpoints allow for greater accuracy. Similarly, researchers can improve the accuracy of their judgments by collecting different kinds of data bearing on the same phenomenon.

In the social sciences, the use of triangulation can be traced back to Campbell and Fiske (1959) who developed the idea of "multiple operationism". They argued that more than one method should be used in the validation process to ensure that the variance reflected that of the trait and not of the method. Thus, the convergence or agreement between two methods "enhances our belief that the results are valid and not a methodological artifact" (Bouchard, 1976, p. 268). This kind of triangulation is labeled by Denzin (1978, p. 302) as the "between (or across) methods" type, and represents the most popular use of triangulation. It is largely a vehicle for cross validation when two or more distinct methods are found to be congruent and yield comparable data. Multiple and independent measures, if they reach the same conclusions, provide a more certain portrayal of the phenomenon.

4.7 Cross-case analysis

Coupled with within-case analysis is cross-case search for pattern. The tactics here are driven by the reality that people are notoriously poor processors of information[36]. The key to good cross-case comparison is counteracting these tendencies by looking at the data in many divergent ways.

Eisenhardt's work suggested three tactics:

[36] "People leap to conclusions based on limited data, they are overly influenced by the vividness or by more elite respondents. The danger is that investigators reach premature and even false conclusions as a result of these information-processing biases" (Miles and Huberman, 1984).

- ✓ First tactic: select categories or dimensions and then look for within-group similarities and differences;
- ✓ Second tactic: select pairs of cases and then list the similarities and differences between each pair;
- ✓ Third tactic: divide the data by data source to exploit the unique insights possible from different types of data collection.

4.8 Shaping hypotheses

Shaping hypotheses is a central step in theorizing work. First, conduct the within-site analysis plus various cross-site tactics and overall impressions, tentative themes and concepts, and it can be seen that possibly even relationships between variables begin to emerge. The next step of this highly iterative process is to compare systematically the emergent frame with the evidence from each case in order to assess how well or poorly it fits with case data. A close fit is important to building good theory because it takes advantage of the new insights possible from the data and yields an empirically valid theory.

"One step in shaping hypotheses is the sharpening of constructs. This is a two-part process involving i) refining the definition of the construct and ii) building evidence which measures the construct in each case. This occurs through constant comparison between data and constructs so that accumulating evidence from diverse sources converges on a simple, well-defined construct. … A second step in shaping hypotheses is verifying that the emergent relationships between constructs fit with the evidence in each case. This verification process is similar to that in traditional hypothesis testing research. The key difference is that each hypothesis is examined for each case, not for the aggregate cases. Thus, the underlying logic is replication, that is, the logic of treating a series of cases as a series of experiments with each case serving to confirm or disconfirm the hypotheses" (Eisenhardt, 1989, pp. 541-2).

At this point, the qualitative data is particularly useful for understanding why or why not emergent relationships hold.

4.9 Related literature

Wrote Yin: "An essential feature of theory building is comparison of the emergent concepts, theory, or hypotheses with the extant literature. This involves asking what is this similar to, what does it contradict, and why. A key to this process is to consider a broad range of literature" (1994, pp. 73-74).

Chapter 2
Research objective: the resort destination

This chapter examines the research field of tourism destination, within the broader context of the travel and tourism industry. The research objective will be established, as well as a clear definition of destination to aid in the understanding of the insights suggested by the literature in the field of strategy process.

Specifically, this chapter will:

- ✓ Put destination within the travel and tourism industry context;
- ✓ Show the different approaches in analyzing destination;
- ✓ Introduce the concept of destination;
- ✓ Identify the main distinctive elements of destination;
- ✓ Identify the type of destination studied in this work;
- ✓ Define what destination is for the purpose of this work.

1. TRAVEL & TOURISM INDUSTRY

According to the World Travel and Tourism Council (hereafter WTTC), the travel and tourism industry is one of the world's largest and fastest growing sectors, and is expected by many to become the world's largest industry[1]. The World Trade Organization (hereafter WTO) wrote: "The travel and tourism industry is the world's largest and most diverse industry. Many nations rely on this dynamic industry as a primary source for generating revenues, employment, private sector growth, and infrastructure development" (WTO, 1997, p. 3).

The travel and tourism industry is a group of economic activities which, when combined, makes it the world's largest industry. It is the number one generator of jobs, one of the world's biggest exports, and a major stimulus for investment and growth. Since 1950, when international travel started to become accessible to the general public, international tourist arrivals have risen each year at an average rate of 7.2 percent and international tourist receipts by 12.3 percent (WTO, 1994, p.1).

The reasons people desire to travel are complex and varied. Contributing to the powerful growth in tourism in a relatively short time frame has been the increased accessibility to the many components of the travel experience[2]. Transportation to, from, and within parts of the world once considered remote has become more affordable for, and within the reach of, the majority of residents in many nations. Accommodations and restaurants in assorted budget categories are universally found in major cities, resort locations, adjacent to airports and thoroughfares, and in rural areas. Professional services provided by travel agencies and tour operators, marketing efforts by public

[1] "The WTTC has been measuring the economic impact of travel and tourism since 1991. In 1992 they released their first estimates of the impact of travel and tourism for the world, regions, and OECD countries indicating that travel and tourism is one of the world's largest industries and a generator of quality jobs" (Goeldner, Ritchie, and McIntosh, 2000, p. 7). Smith wrote: "Tourism is a major industry. […] The magnitude of the industrial growth that prompted such predictions can be appreciated by the fact that per annum increases in world tourism receipts for the period 1972 through 1983 averaged 13.2 per cent" (1989, p. 1).

[2] "Since the Second World War, there has been rapid growth world-wide in international tourism. After the war, increasing proportions of the populations of the industrialized nations were in possession of both the time (in the form of paid leave from employment) and the money (owing to increased disposable incomes) to engage in international travel. Supply to meet this increased demand for leisure tourism was made possible by the arrival of the jet aircraft in 1958, and by cheap oil" (Cooper et al., 1998, p. 68). See also Mill and Morrison (1992, chapter 1); Smith (1989, chapter 1); Theobald (1998, pp.2-5); (Goeldner, Ritchie, and McIntosh, 2000, pp. 6-7); Hunt and Layne (1991).

sector tourism offices, advanced technology that rapidly brings the tourism components together in a flash for the potential traveler – all make today's travel experience safe, comfortable, and enjoyable.

1.1 Size of the largest industry

The boom in international tourist arrivals[3] around the globe is a relatively new occurrence. In 1950, 25 million people crossed an international border. In 1960, nearly 70 million international arrivals were recorded. By 1970, this figure had grown to 160 million. In 1980, international arrivals totaled over 280 million; by 1999 it was over 650[4]. The forecast for 2000 is expected to peak 700 million. Comparing the evolution of international arrivals and receipts has registered an impressive development (figure 2). Focusing our attention on the 1990s, figure 1 shows an interesting pace of growth in both variables. The medium annual growth for the whole period ('50-'00) measures a dramatic development.

It is important to note that an extremely high portion of travel is received, as well as generated, by relatively few countries. The top two regions account for more than 85% of international arrivals and during the 1960s and the 1980s this percentage was 10 points higher[5] (figure 3). The market share held by Europe and the Americas together accounted for 80% in 1998[6]. The evolution of international arrivals in Asia and the Pacific shows a dramatic development during this period too. Receipts reflect this

[3] "International tourist arrivals cover the number of arrivals of visitors and not the number of persons. The same person who makes several trips to a given country during a given period will be counted each time as a new arrival. The term «international visitor» describes any person who travels to a country other than that in which he/she has his/her usual residence but outside his/her usual environment for a period not exceeding twelve months and whose main purpose of visit is other than the exercise of an activity remunerated from within the country visited. International visitors include tourists (overnight visitors) and same-day visitors" (WTO, 1996).

[4] Cooper et al. wrote: "Generally, at times of economic growth, demand for travel has increased; on the other hand, during times of recession, demand has either remained constant or has soon recovered" (1998, p. 69).

[5] "Europe and the Americas are still the main tourist-receiving regions. But since other regions are growing at a faster pace, their respective shares in the world total show a declining tendency. In 1999 Europe accounted for 59% and the Americas for 19%. East Asia and the Pacific are the regions that have most benefited from this transformation of the market" (WTO, 2000, p. 2).

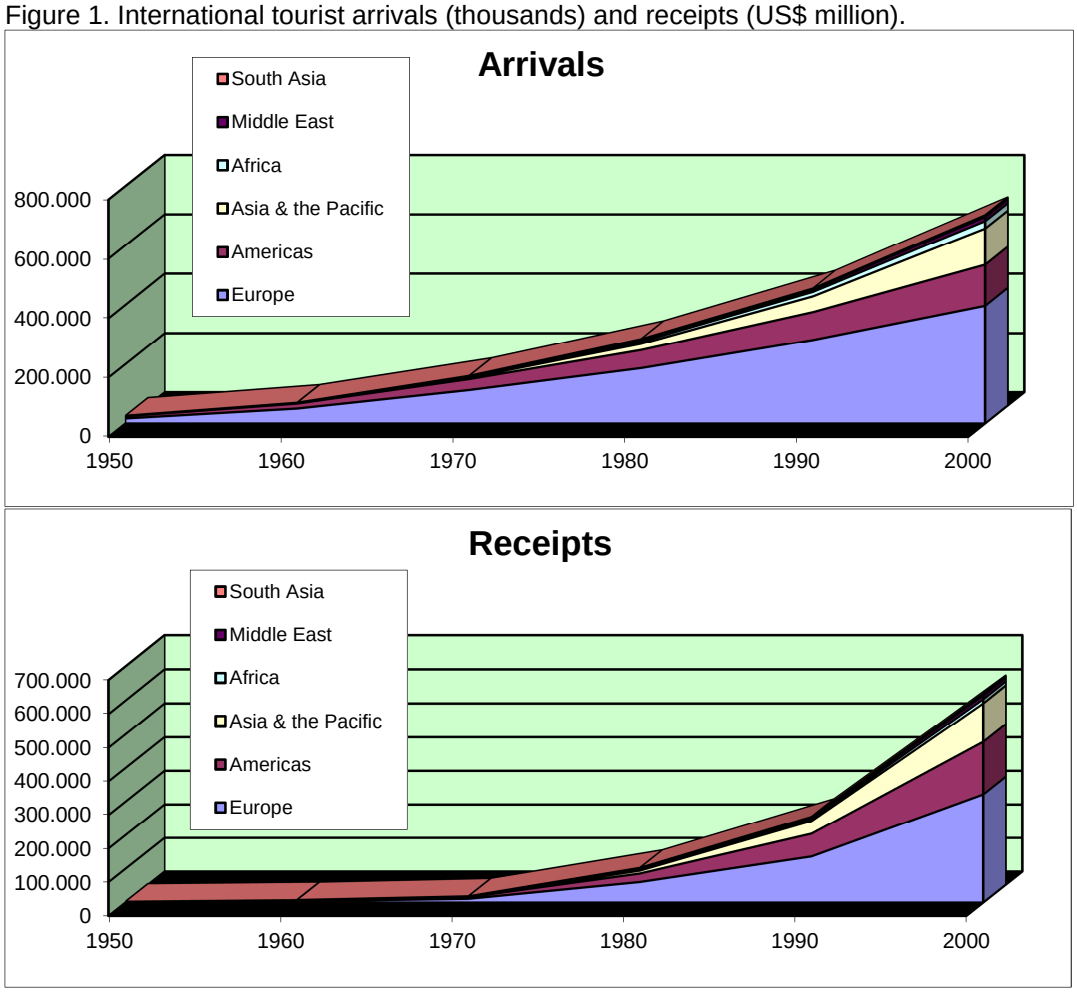
[6] "Europe and, to a lesser extent, the Americas have for some time dominated the international travel scene in terms of numbers of arrivals and receipts. […] We can identify a number of factors that explain the leading position held by Europe:

- ✓ Large segments of the populations receive relatively high incomes, resulting in high levels of disposable income;
- ✓ Paid leave form work is normal in European countries;
- ✓ High proportions of the populations of, for example, Germany, France and the UK attach very high priority to the annual foreign holiday and are reluctant to let it go even in times of recession;
- ✓ There is a wealth of both artificial and natural attractions;
- ✓ Demand for foreign travel is satisfied by a large tourist industry and the necessary infrastructure;
- ✓ International travel need not involve great distances, owing to the number of relatively small countries

A number of these factors are equally applicable to North America. However, the sheer size of the USA and Canada means that the majority of their populations prefer to take domestic trips" (Cooper et al., 1998, pp. 70-71).

positive trend also, with 15.4% in Asia, and the Pacific just behind as the third region[7]. Other countries have a very small share[8].

Figure 1. International tourist arrivals (thousands) and receipts (US$ million).



Source: Own analysis on Cooper et al. (1998, pp. 68) and WTO data.

[7] "The clearest trend though has been the emergence of countries of East Asia and the Pacific (EAP) region as both receivers and generators of international tourism. The EAP share of arrivals world-wide was only 1% in 1960, but grew to 3% in 1970, 7% in 1980 and 11% in 1990. The increasing share is of an expanding market. This represents remarkable growth in a highly competitive environment" (Cooper et al., 1998, p. 72).

[8] "The share of international tourism of Africa, Middle East and South Asia has been small throughout the period 1950 to 1990, though with a high level of fluctuation. As regions, they are not able to compete with Europe, the Americas and the EAP either in terms of generating or receiving large numbers of international tourists. The reasons for this are mainly economic. Destination countries within these regions can compete for specific markets from the major generating countries. Many, though, have been vulnerable to the effects of unrest and war, not necessarily in their own countries but near enough for them to be perceived as dangerous places to visit. In general, their incoming international tourism has suffered when business conditions have been depressed in the traditional tourism generating countries" (Cooper et al., 1998, p. 72).

Figure 2. Rates of growth of international tourism, 1950-00.

	Average annual percentage increase	
	Arrivals	Receipts
1950-60	15,8%	20,6%
1960-70	11,9%	14,6%
1970-80	7,1%	42,9%
1980-90	5,4%	13,6%
1990-00	4,9%	13,0%

Source: Own analysis on WTO data.

From an international perspective, the most popular destinations in the world in the years 1995-99 were France, followed by Spain and the United States. The top ten destinations account for 50.8% (1999) of the world volume of tourism flow, with five of the top ten countries located in Europe. The pattern for tourism receipts is similar to tourism arrivals: the top ten earners represent 54.6% (1999) of the world total (figure 4). The US leads the world in tourism receipts, with Italy and France in second and third place, respectively. There has been a swift increase in recent years of international tourism to and within East Asia and the Pacific; two Asian destinations are among the top ten on the earner list in 1998.

Figure 3. International market share by region.

	1950	***1960***	***1970***	***1980***	***1990***	***1995***	***1996***	***1997***	***1998***	***1999***	***2000 (*)***
arrivals											
Europe	66,5%	72,5%	70,5%	65,6%	62,1%	59,7%	59,0%	59,8%	60,0%	58,8%	56,6%
Americas	29,5%	24,1%	23,0%	21,5%	20,6%	19,5%	19,5%	19,1%	19,2%	19,3%	19,7%
Asia & the Pacific	0,8%	1,0%	3,0%	7,4%	11,6%	14,3%	14,9%	14,2%	13,7%	14,2%	17,4%
Africa	2,1%	1,1%	1,5%	2,6%	3,3%	3,6%	3,7%	3,8%	3,9%	4,2%	3,6%
Middle East	0,9%	1,0%	1,4%	2,1%	1,7%	2,2%	2,2%	2,3%	2,4%	2,7%	2,0%
South Asia	0,2%	0,3%	0,6%	0,8%	0,7%	0,7%	0,7%	0,8%	0,8%	0,8%	0,9%
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
receipts											
Europe	41,3%	56,8%	62,0%	59,5%	53,7%	51,8%	50,5%	50,3%	52,0%	-	-
Americas	50,5%	35,7%	26,8%	24,6%	26,6%	25,2%	25,7%	27,2%	27,4%	-	-
Asia & the Pacific	1,4%	2,9%	6,1%	8,4%	14,9%	18,3%	18,9%	17,2%	15,4%	-	-
Africa	4,2%	2,6%	2,2%	2,6%	2,0%	2,0%	2,1%	2,2%	2,3%	-	-
Middle East	2,3%	1,5%	2,3%	3,4%	2,0%	1,8%	1,9%	2,1%	2,0%	-	-
South Asia	0,3%	0,5%	0,6%	1,5%	0,8%	0,9%	0,9%	1,0%	1,0%	-	-
Total	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,1%	-	-

Source: Own analysis on WTO (http://www.world-tourism.org/pressrel/Tab01.htlm and http://www.world-tourism.org/pressrel/Tab03.htlm) and Databank (1998, p.30).

Figure 4. World's top tourism destinations in terms of arrivals and receipts.

	Arrivals					Rank					World market share				
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999
France	60,0	62,4	67,3	70,0	73,0	1	1	1	1	1	10,6%	10,4%	10,9%	11,0%	11,0%
Spain	38,8	40,5	43,3	47,4	51,8	3	3	3	2	2	6,9%	6,8%	7,0%	7,4%	7,8%
USA	43,3	46,5	47,8	46,4	48,5	2	2	2	3	3	7,7%	7,8%	7,7%	7,3%	7,3%
Italy	31,1	32,9	34,7	34,9	36,1	4	4	4	4	4	5,5%	5,5%	5,6%	5,5%	5,4%
China	20,0	22,8	23,8	25,1	27,0	7	6	6	6	5	3,5%	3,8%	3,8%	3,9%	4,1%
United Kingdom	23,5	25,2	25,5	25,7	25,7	5	5	5	5	6	4,2%	4,2%	4,1%	4,0%	3,9%
Canada	16,9	17,3	17,6	18,9	19,6	9	9	9	8	7	3,6%	3,6%	3,1%	3,1%	2,9%
Mexico	20,2	21,4	19,4	19,8	19,2	6	7	7	7	8	3,0%	2,9%	2,8%	3,0%	3,0%
Russian Fed	9,3	14,6	15,4	15,8	18,5	10	10	10	10	9	1,6%	2,4%	2,5%	2,5%	2,8%
Poland	19,2	19,4	19,5	18,8	18,0	8	8	8	9	10	3,4%	3,2%	3,2%	3,0%	2,7%
total top 10	***282,4***	***303,0***	***314,3***	***322,8***	***337,4***	-	-	-	-	-	***50,0%***	***50,6%***	***50,8%***	***50,7%***	***50,8%***
total world	**565,4**	**599,0**	**618,2**	**636,6**	**664,4**	-	-	-	-	-	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

	Receipts					Rank					World market share				
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999
USA	63,4	69,8	73,3	71,3	74,4	1	1	1	1	1	15,6%	15,9%	16,7%	16,2%	16,4%
Spain	25,4	26,7	26,7	29,7	32,9	4	4	4	4	2	7,1%	6,9%	6,8%	6,8%	7,2%
France	27,5	28,4	28,0	29,9	31,7	3	3	3	2	3	6,3%	6,1%	6,1%	6,7%	7,0%
Italy	28,7	30,0	29,7	29,8	28,4	2	2	2	3	4	6,8%	6,5%	6,4%	6,8%	6,2%
United Kingdom	18,6	19,2	20,0	21,0	21,0	5	5	5	5	5	4,6%	4,4%	4,6%	4,8%	4,6%
Germany	17,9	17,4	16,5	16,4	16,8	6	6	6	6	6	2,2%	2,3%	2,7%	2,9%	3,7%
China	8,7	10,2	12,1	12,6	14,1	8	8	7	7	7	3,3%	2,9%	2,5%	2,5%	3,1%
Austria	13,5	12,8	11,0	11,2	11,1	7	7	8	8	8	1,9%	2,0%	2,0%	2,1%	2,4%
Canada	7,9	8,6	8,8	9,4	10,0	9	9	9	9	9	4,4%	4,0%	3,8%	3,7%	2,2%
Mexico	6,2	6,9	7,6	7,9	7,6	10	10	10	10	10	1,5%	1,6%	1,7%	1,8%	1,7%
total top 10	***217,7***	***230,0***	***233,7***	***239,2***	***248,0***	-	-	-	-	-	***53,7%***	***52,5%***	***53,2%***	***54,2%***	***54,6%***
total world	**405,8**	**437,9**	**439,7**	**441,0**	**454,6**	-	-	-	-	-	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**

Source: Own analysis on WTO data (http://www.world-tourism.org/pressrel/Tab01.htlm, WTO, 2000).

We would like to dedicate some time to Italian tourism. Four of the case studies have been done on Italian destinations. Figure 5 describes the composition of overnight stays; it suggests:

- ✓ The importance of seaside tourism, that represents more than 35% of Italian overnight stays;
- ✓ The importance of alpine tourism (19.6%) and cultural cities (23.0%). During the years 1996 and 1997 the importance of alpine destinations decreased -6.1% in terms of overnight stays and -1.4% in terms of national market share. This trend is mostly due to the loss of national overnight stays (-10.9%);
- ✓ The presence of three others important but secondary segments, represented by business cities, health tourism, and lake tourism.

Figure 5. Composition of Italian overnight stays.

	1996			1997			% variation		
(numbers mn)	Total	Italians	Foreigners	Total	Italians	Foreigners	Total	Italians	Foreigners
Seaside tourism	76.843	52.181	24.662	77.369	53.225	24.144	0,7%	2,0%	-2,1%
Cultural cities	46.305	20.713	25.592	48.638	21.459	27.179	5,0%	3,6%	6,2%
Alpine tourism	44.294	26.406	17.888	41.595	23.528	18.067	-6,1%	-10,9%	1,0%
Business cities	15.740	10.013	5.727	17.057	10.253	6.804	8,4%	2,4%	18,8%
Health tourism	15.197	9.497	5.700	14.813	9.791	5.022	-2,5%	3,1%	-11,9%
Lake tourism	11.876	4.078	7.798	12.375	4.172	8.203	4,2%	2,3%	5,2%
total Italy	**210.255**	**122.888**	**87.367**	**211.847**	**122.428**	**89.419**	**0,8%**	**-0,4%**	**2,3%**
	1996			**1997**					
(numbers mn)	Total	Italians	Foreigners	Total	Italians	Foreigners	Total	Italians	Foreigners
Seaside tourism	36,5%	42,5%	28,2%	36,5%	43,5%	27,0%	0,0%	1,0%	-1,2%
Cultural cities	22,0%	16,9%	29,3%	23,0%	17,5%	30,4%	0,9%	0,7%	1,1%
Alpine tourism	21,1%	21,5%	20,5%	19,6%	19,2%	20,2%	-1,4%	-2,3%	-0,3%
Business cities	7,5%	8,1%	6,6%	8,1%	8,4%	7,6%	0,6%	0,2%	1,1%
Health tourism	7,2%	7,7%	6,5%	7,0%	8,0%	5,6%	-0,2%	0,3%	-0,9%
Lake tourism	5,6%	3,3%	8,9%	5,8%	3,4%	9,2%	0,2%	0,1%	0,2%
total Italy	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**0,0%**	**0,0%**	**0,0%**
Legend:	negative performance			positive performance					

Source: Own analysis on Databank (1998, p.50).

1.2 Factors shaping the development of tourism

We do not aim to trace the history of the travel & tourism industry [53], but it is important to understand the circumstances in which this industry became so important. Referring to the WTO conclusion, we can identify two elements: a) exogenous factors and b) market forces.

Exogenous factors include all the progress realized in other sectors that can have positive effects on the travel and tourism industry[54]. These include economic and financial developments, technological developments and innovations. In addition, the evolving nature of the tourism system itself is also driving change internally within the sector. These influences can be termed market forces. Most of these trends and variables are linked and combined to accelerate the pace of change. Now we would like to examine exogenous factors and market forces more closely.

1.3 Exogenous factors

1.3.1 Changing demographics

An important factor is the changing demographic profile of the world's population. In light of the projected six billion people populating our planet by the year 2000, tourism product development and service delivery for the years ahead require the anticipation of demographic changes. Three well-defined groups of travelers, each distinct in their travel consumption and preferences, will be examined.

[53] We refer to the following contributors: Friedlander (1965); Lindsay (1965); Leiper (1983); Cohen (1985); Towner (1985, 1988); Wall (1989). Towner and Wall (1991) traced a full bibliography about historical studies in tourism.

[54] "There are a number of influences that are outside the control of tourism itself and yet will have an impact upon its development. These can be termed exogenous variables (Cooper et al., 1998, pp. 448).

The largest group, 18-34 year olds, will continue to comprise much of the traveling public as singles or in groups. Whether traveling alone, with co-workers or with a group of friends, this age segment will continue to dominate much of the Asian outbound market.

In developed countries and Japan, the fastest growing population segments will be over the age of 50. Many will be early retirees due to the restructured job market of recent years. These "baby boomers" will have the financial resources and discretionary time to travel. However, their spending patterns will be quite mixed depending upon their retirement incomes. Longer visitor stays and greater overall visitor expenditures are expected from this group, who will be seeking physical adventure, intellectual enrichment and culturally rich destinations.

The family market will also be distinctive as families with children and two income households continue to increase. Travel will be used to provide quality time for parents and their children, resulting in greater demand for family-oriented attractions, facilities, and accommodations.

1.3.2 Technological advances

Technology continues to have an impact on the travel experience and those who use or supply it[55]. In particular, the link and interdependency among transportation, travel distribution systems, and customer information is receiving increased attention.

In aircraft development the technology is already available to transport passengers in a supersonic airplane from New York to Shanghai in under 3 hours, although it will be many years before economics make the technology feasible for marketplace adoption.

The services provided by airline Computerized Reservation Systems (CRS), telephone and cable companies, combined with the growth of electronic highways and online services, are dramatically altering the way travel products are marketed and distributed. Accessible and user-friendly Global Distribution Systems (GDS) (WTO, 1995b; Bieger, 1999), accessed by millions of individuals throughout the world, have the ability to do what the travel agent or tour operator has traditionally done: create a vacation package for the consumer that can be "tailor-made" by the customer. The convergence of the television, telephone and the personal computer will continue to create new distribution channels for reaching the customer directly.

1.3.3 Political change

We will continue to see political changes that will have strong effects on tourism. The emerging eastern European countries (and their entrance to the EU) and the Central

[55] "The use of modern information and communication technologies in connection with the various forms of horizontal, vertical and diagonal integration extends the value added chain. This is particularly true for destination management systems (Sheldon, 1993). The development of modern information and communication technologies occurred in symbiosis with the transformation of tourism demand towards a *new tourism*. This new tourism is characterized as flexible, segmented, customized and diagonally integrated. Utilizing new technologies, the tourism industry is able to offer a much more tailor-made product to an experienced, sophisticated and demanding tourist who is looking for authentic experiences and has wanderlust as well as an independent attitude. In contrast, the old tourism is characterized by mass, standardized and rigidly packed tourism products that pay little attention to tourist's personal needs. It appealed to the mass markets, based on economies of scale and primarily served the sun-seeking inexperience consumer. The traditional «4Ss» of the tourism industry (Sun – Sea – Sand – Sex) became transformed into Sophistication – Specialization – Segmentation – Satisfaction (Buhalis, 1991)" (Smeral, 1996, pp. 393-394).

Independent States, slowly establishing democratic governments and free market economies, are gradually having an impact on that region of the world's travel trends. The impact of China – with its population over 1 billion – as both an inbound, but more importantly, an outbound tourism market, attracts the interest of economists and business and government policy makers in neighboring countries and beyond.

1.4 Market forces

1.4.1 The new tourist

Many tourism futurists (such as Poon, 1989, 1993) have suggested that the maturing of the tourism market is creating a new tourist who can be characterized as experienced, sophisticated and demanding. This means that the annual family holiday usually spent in a beach resort may gradually be superseded by multi-interest travel and a range of creative and innovative travel experiences (such as activity, adventure, learning and nature-based tourism). These trends will illustrate the decline of conventional package tours in favor of independently organized tourism, or at least a more bespoke form of tourism.

To a certain extent, the new sophisticated traveler has emerged as a result of experience. Tourists from the major generating regions of the world have become frequent travelers, are linguistically and technologically skilled and can function in multicultural and demanding environments overseas. Add to this media and Internet exposure of tourism destinations and the reduction of perceived distance to reach such places and the stage is set for a reappraisal of holiday formulae. Education too has played a part, together with enhanced communications, and has led to more sophisticated requirements from holiday-makers who are now looking for new experiences combined with rewarding activities to fill their leisure time and satisfy their cultural curiosity.

Cooper et al. identified an important implication for the marketing of a destination: Traditionally, tourism marketing had been using geographic and demographic criteria in order to describe their markets, but psychographics and behavioral criteria will be increasingly used in order to:

- ✓ Provide detailed customer profiles;
- ✓ Identify motivations, needs and determinants; and
- ✓ Offer an appropriate marketing mix and service delivery strategy.

1.4.2 Sustainable development

As tourism reaches maturity as an industry in many countries around the world, the question is one of sustainability[56]. The term "sustainable tourism" is a relatively recent one with different meanings and interpretations[57]. WTO wrote: "Sustainable tourism

[56] In distinguishing between "traditional resort destinations" and "new resort destination", Middleton notes that "older traditional resorts in northern Europe dating mainly from the end of the 19th century" and that "by definition, traditional resorts are in the mature stage of the destination/product life cycle and many are in the decline phase. On the other hand, traditional resorts dominate numerically the overall capacity of holiday destinations available in Europe and will do so for the foreseeable future" (1998, pp. 154-155).

[57] After a detailed historical analysis Cooper concluded: "The concept of sustainable development has a long pedigree in the field of resource management and, at last, is becoming an acceptable term in

deals with the ability of a destination to remain competitive against newer, less explored destinations; to attract first time visitors as well as repeaters; to remain culturally unique; and to be in balance with the environment" (WTO, 1997, p. 36).

We can see that the central issue here is the gradual shift from short-term to longer-term thinking and planning in tourism. The concepts of the tourism area life cycle and strategic planning provide a much-needed long-term perspective in this respect. Consumers will place pressure upon the industry and destination managers to behave in a responsible manner; if they do not then their destination may be shunned as environmentally unacceptable to visit (Siegrist, 1999; Slater, 1992).

The industry itself is also anxious to demonstrate that it is both responsible and active in curbing some of the excesses of past development. Here are a number of initiatives that are notable:

- ✓ The WTTC represents the tourism industry and has been active in researching the impact of tourism. It has introduced an environmental awareness program *Green Globe*;
- ✓ The PATA has launched an environmental membership and endorsement scheme, *Green Leaf*;
- ✓ *Green Suitcase* sets out environmental quality standards for resorts, accommodation and travel agents in Europe, developed by Okologischer Tourismus in Europe;
- ✓ Companies have initiated awards, such as *Tourism for Tomorrow* by British Airways.

1.4.3 Technology, globalization and concentration

As the tourism market matures, heightened competition will force enterprises both to identify and to utilize modern methods of management. These methods will allow the sector to minimize operational costs and maximize output, while at the same time creating competitive advantage through differentiation throughout the tourism industry.

The need for efficiency in the international tourism market has accelerated the emergence of multinational corporations that provide tourism services in various countries. Quite simply for a tourism enterprise there are many advantages to increased size in a multinational market:

- ✓ Economies of scale;
- ✓ Ability to resource high-profile promotional campaigns;
- ✓ Brand name benefits through standardization and quality control;
- ✓ Ability to spread the risk among various markets;
- ✓ Implementation of advanced marketing techniques on an international basis;
- ✓ Utilization of technology (especially GDS and Internet);
- ✓ Optimization of capacity/inventory usage and reduction of seasonal problems;

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tourism. The Brundtland Report puts it simply as «meeting the needs of the present without compromising the ability of future generations to meet their own needs» (World Commission on Environment and Development, 1987). The concept of sustainability is central to the reassessment of tourism's role in society. It demands a long-term view of economic activity, questions the imperative of continued economic growth, and ensures that consumption of tourism does not exceed the ability of a host destination to provide for future tourists. In other words, it represents a trade-off between present and future needs. In the past sustainability has been a low priority compared with the short-term drive for profitability and growth but, with pressure growing for a more responsible tourism industry, it is difficult to see how such short-term views on consumption can continue long into the 1990s" (Cooper, 1994, p. 86).

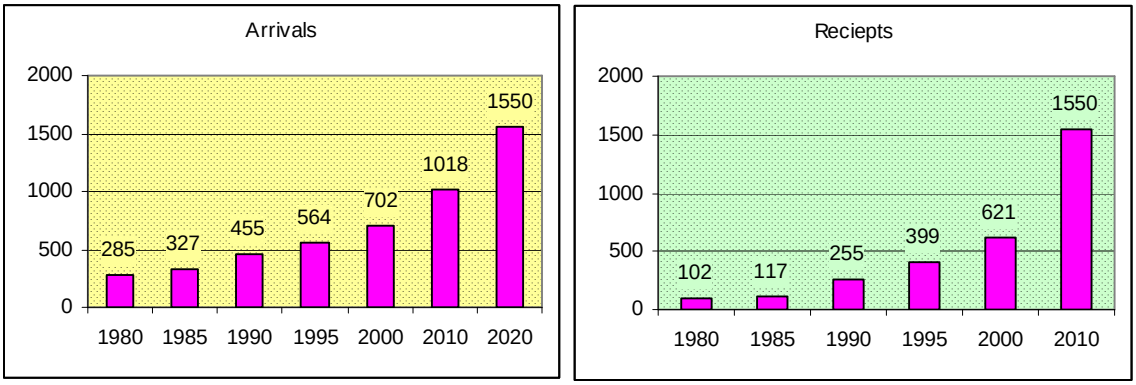
- ✓ Access to the international labor market;
- ✓ Advantages over other members of the distribution channel;
- ✓ Improved political influence;
- ✓ Managers who have more time to manage; and
- ✓ Market prominence with stronger branding.

1.5 Conclusion

Considering all of these elements, WTO concluded: "As the world looks ahead to the next millennium, there is little doubt that tourism will continue to be one of the most dynamic growth sectors of the global economy. Despite periodic recessions, political upheavals, wars, and uncertainties about the price and availability of fuel, international tourism is now the largest single item in the world's foreign trade budget. It is three times bigger than world expenditures. Tourism is now undertaken by millions of people who enjoy new places, seek a change in their environment, and look for meaningful experiences" (1997, p. 12).

WTO forecasts that international arrivals will top 700 million by the year 2000, one billion by 2010 and 1.6 billion by 2020. Likewise, earnings are predicted to grow to US$621 billion by the year 2000 and 1.5 billion by 2010 (figure 6). WTTC/WEFA forecasts that world travel & tourism GDP will increase in real time at 3.0% per annum to 2010. In the same period, employment is expected to grow at 2.6% per annum (figure 7).

Figure 6. The unstoppable growth of tourism.



Source: WTO (http://www.world-tourism.org/offer.htlm).

Figure 7. The unstoppable growth of tourism.

	1999			2010		
	US$ Bn	% of Total	Growth	US$ Bn	% of Total	Growth
Personal Travel & Tourism	2104,1	11,0	4,7	3960,2	11,0	2,8
Business Travel	397,5	---	4,4	742,7	---	2,9
Government Expenditures	247,1	6,7	-0,9	444,8	6,7	2,4
Capital Investment	733,2	11,3	3,9	1491,4	10,9	3,9
Visitor Exports	598,8	8,0	5,2	1325,7	7,9	5,7
Other Exports	394,7	5,3	5,2	1007,5	6,0	5,7
Travel & Tourism Demand	4475,5	---	4,5	8972,2	---	3,4
T&T Industry GDP	1328,8	4,4	4,7	2492,3	4,3	2,9
T&T Economy GDP	3549,9	11,7	4,3	6771,3	11,6	3,0
T&T Industry Employment	67,8	3,1	1,8	86,4	3,3	2,4
T&T Economy Employment	192,3	8,2	1,0	253,7	9,0	2,6

Source: WTO (http://www.wttc.org).

2. DESTINATION AND TOURISM DEFINITION

Now we will focus on our own research objective, the destination. Both demand and supply researchers stress the relevance of this sector. Cooper wrote: "the destination region is perhaps one of the most important elements. The destination represents the *raison d'être* for tourism; it is the reason for traveling, and the attractions at the destination generate the visit" (Cooper et al., 1993,p. 77).

The literature in the field has many definitions for destination. This ambiguity is due to the difficulty in defining what tourism is[58]. After an in-depth analysis of tourism definitions, Smith concluded: "What is tourism? The field does not lack answers to this question. In fact, it sometimes appears to have too many answers. Tourism researchers, governmental agencies, tourism associations, and individual businesses have offered different definitions reflecting their own perceptions and interests" (1988, pp.179-80)[59].

Tourism is a complex system, aiming to satisfy the generic travel needs of the man away from his normal surroundings. "Tourism is a study of man away from his usual habitat, of the industry which responds to his needs, and of the impacts that both he and the industry have on the host socio-cultural, economic, and physical environments" (Jafari, 1978, p. 8)[60]. This "complexity" is well synthesized in the tourism package,

[58] Cooper wrote: "there is still no agreement over definitions of tourism or just what comprises the tourism industry" (Cooper et al., 1993, p.2).

[59] This conclusion is corroborated by the work of many others researchers. Leiper wrote "It can be argued that a definition suitable for general tourism scholarship has not yet emerged" (1979, p. 391). Also Jafari stressed this uncertainty: "During recent years, attempts have been made to define tourism and discuss some of its major concerns (e.g. cf. Heeley, 1980; Leiper, 1979). But there still is no universally favored definition of tourism." Similarly Hunt and Layne concluded: "A review of the related literature of the past 30 or 40 years leads to the conclusion that inconsistencies in the meaning of tourism, particularly domestic tourism, have existed since it was first articulated. Indeed, during this period there has been a proliferation of terminology and definitions of travel. […] Unfortunately, the differences in definitions and terminology used in much of this research rendered comparisons between studies difficult if not impossible" (1991, p. 7). Crampon noted in 1959: "We can develop at least 550 different definitions for travelers. And knowing the ingenuity of researchers, I am certain that they soon will come up with more!" (1959, p. 4).

[60] This definition was developed by the pioneering work of Burkart and Medlick. These authors noted that "the word *tour* was more closely associated with the idea of a voyage or peregrination or a circuit, as in the case of a theatrical tour, than with the idea of an individual being temporarily away from home for pleasure purposes which is such a significant feature of the use of the work *tourist* today" (1974, p. 3).

including a heterogeneous bundle of goods and services. The number of economic actors involved also gives the tourism industry a multidisciplinary characteristic. (Burkart and Medlik, 1974).

We can identify some intrinsic aspects that make defining the travel and tourism industry difficult:

- ✓ The subject area itself is problematic, bedeviled as it is by conceptual weakness and fuzziness;
- ✓ Tourism encompasses a number of diverse industrial sectors (multidisciplinary);
- ✓ Tourism embodies many academic disciplines[61];
- ✓ Tourism suffers from a particularly weak set of data sources (in terms of both comparability and quality).

To move within these definitions, it is important to contextualize them. Contextualizing definitions means revealing and clarifying the research issues and the origins of the concepts discussed (Venzin, Von Krogh, Roos, 1998, p.27). Some researchers focus on demand-side while others focus on supply-side. We want to demonstrate how these different points of view enrich the study of defining destination.

2.1 Holistic point of view

To contextualize both approaches, we start by presenting Leiper's model to describe the tourism system. It represents a holistic model that "attempts to embrace the whole essence of the subject" (Leiper, 1990, p. 294).

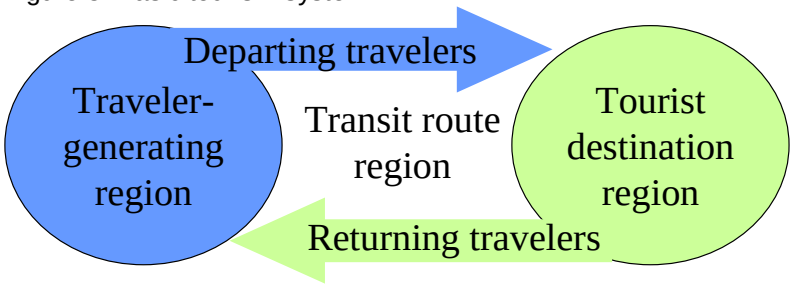
As figure 8 shows, the model includes three elements: a) the tourist, which means a human experience, enjoyed, anticipated and remembered, 2) geographical elements, which contain a traveler-generating region, tourist destination and transit route and 3) the tourism industry, which we can think of as the range of businesses and organizations involved in delivering the tourism product.

For a review of the evolution of usage and meaning of tourism we refer to the work of Leiper (1983) and Hunt and Layne (1991).

[61] Jafari and Ritchie (1981) identified five main academic disciplines in tourism research: economics, sociology, psychology, geography, and anthropology. Later, a review by Jafari and Aaser (1988) found 15 main disciplines present in 157 doctoral dissertations regarding tourism (the disciplines are: i) economics; ii) anthropology; iii) geography; iv) recreation; v) business administration; vi) education; vii) sociology; viii) urban-regional planning; ix) political science; x) fine arts; xi) social work; xii) theology; xiii) history; xiv) mass communication; xv) public relations; p. 413). The presence of many academic disciplines provokes a considerable debate about tourism methodology. Echtner and Jamal wrote: "There is considerable discussion among tourism scholars concerning methodological issues, research orientations, and the most appropriate approaches to tourism studies. […] These discussions also reveal that tourism scholars are divided in their opinions as to whether tourism should be studied as a distinct discipline or as an area of specialization within existing disciplines. Jovicic (1988) makes a plea for the establishment of «tourismology», or a distinct science of tourism. He argues that the study of tourism as a complex phenomenon cannot be adequately addressed from within any one existing discipline. He further suggests that the various disciplines that currently house tourism studies, including economics, sociology, and geography, «… fail to grasp the notion of the whole and endeavor to explain the entity which is tourism by its individual aspects» (1988, p. 2). According to him, only the emergence of a distinct discipline, such as tourismology, will allow for the development of an integrated theory of tourism. Tourismology would facilitate the merger of the specialized studies now occurring within diverse disciplines and would allow tourism to be examined as a composite phenomenon. […] Other tourism scholars, while noting the lack of integrated frameworks and concepts in tourism studies, have been unwilling to endorse the development of tourism as a distinct discipline" (1997, pp. 869-870).

We will briefly present this model and then apply it to the two approaches, demand- and supply-side.

Figure 8. Basic tourism system.



Source: Leiper (1990).

2.1.1 Tourists: the human element

Tourist activity has two components, "a dynamic element – the journey – and a static element – the stay" (Burkart, Medlik, 1974, p. 40). Leiper suggested three distinctions about tourists concerning these two components.

The first, which can be incorporated into a definition of tourists, stipulates that the activity involves a stay away from the usual place of residence for at least one night. The overnight-stay criterion demarcates tourists from day-trippers, partly to isolate tourism from this far larger phenomenon, and partly because overnight stays influence the psychological mindsets of the participants.

The second distinction that delineates tourists from travelers in general is that their activity represents a discretionary use of time and monetary resources. The fact is readily apparent in the case of a holiday tourist, and it can be shown to be applicable in some forms of business travel that can then be regarded in part as tourism Business travel for missions, conferences and conventions is outside of the normal day-to-day activities of the employee/participant. As such it represents a discretionary act on the part of its instigator, the employer, and accordingly can be regarded as tourism.

Third, tourists are net consumers of economic resources within the regions visited. This is manifested by expenditure on various items that exceeds any incidental remuneration gained by the tourist. Tourists do not travel for the primary purpose of earning remuneration from points en route. This feature delineates them from the commercial travelers and seasonal workers.

2.1.2 The geographical elements

Spatially, tourism involves three elements:

- ✓ Tourist-generating regions can be defined as the permanent residential bases of tourists, the place where tours begin and end, and in particular those features of the region which incidentally cause or stimulate the temporary outflow;
- ✓ Tourist destination can be defined as locations that attract tourists to stay temporarily, and in particular those features that inherently contribute to that attraction. In this context the attraction can be regarded as the anticipation by the tourist of some qualitative characteristic that the tourist wishes to experience personally and that is perhaps lacking in the tourist-generating region. In a broader context, a definition of tourist attractions would recognize that not all attractions draw tourists to a region; some are discovered en route;

- ✓ Transit routes can be defined as paths linking generating regions with tourist destination regions, along with tourist travel. They include stopover points that might be used for convenience or because of the existence of attractions. Transit routes are a vital element in the system.

2.1.3 Resources in the tourism process

Two factors interact in the tourism process. There is the tourist, in search of experiences and needing support services and facilities that are also experiential. Secondly, there is a diverse spectrum of resources that provides the experiences, services and facilities.

Within this "spectrum of resources" Leiper identified five categories:

- ✓ *Leisure* is usually recognized as an essential factor contributing to the demand for tourism and recreation. Leisure is equally important as a factor contributing to supply. It is the anticipation of leisure which operates as a demand factor, whereas the subsequent use of leisure is a factor of supply;
- ✓ *Organizational and planning input* for some tours stems wholly from the participants, the tourists. Some tours involve extra inputs from various information sources, in some the planning and organizing is largely performed by commercial firms such as tour wholesalers and travel agents;
- ✓ *Free inherent and natural resources* are vitally important to most forms of tourism. This category refers to such items as climate, landscape, beaches, water resources, scenery in general, flora and fauna, and local people who provide hospitality for visitors in an incidental, voluntary manner;
- ✓ *Incidental industries* serve tourists' wants and needs in many ways. There are many kinds of business firms, organizations, and facilities that encompass a variety of industries serving tourists incidentally. Examples include shops, restaurants, public services and recreational facilities. The proportion of tourists compared to the total clientele is seldom significant and is not recognized as such by the management of the individual unit, especially when it comes to marketing;
- ✓ The *tourist industry* consists of all those firms, organizations, and facilities that are intended to serve the specific needs and wants of tourists. That intention is manifested by a marketing and design orientation of the individual units forming the industry. The industry can be described and further defined by dividing it into six functional sectors:
  1. "Tourism marketing provides stimulation and facilitation of communication links among certain elements in the tourism system: tourists, destination region, and various units within the tourist industry (…);
  2. Tourist carriers provide public transportation to and from tourist destinations (…);
  3. Tourist accommodations provide temporary lodging and related services such as food, mainly in destinations but also at stopover points of transit (…);
  4. Tourist attractions within the industry are sights, events and facilities orientated towards experiential opportunities for tourists. In most cases the orientation is achieved by the nature of markers that, in a variety of forms, provide information about the attractions for tourists (…);

5. Miscellaneous tourist services include duty-free, souvenir, and other tourist-specialty shops; travel insurance and cheques, and those restaurants, taxis and the like which specialize in tourist markets (…);
6. Tourism regulation provides mechanisms to aid in the smooth operations of the industry in general and is thus specifically, but indirectly, serving tourists. Included here are associations of firms on a sectored, regional or industry-wide basis, some aspects of governmental and inter-governmental bodies, and vocational educational institutions" (Leiper, 1979).

2.2 Demand-side definition of the tourism industry

Despite differences in wording, most demand-side definitions of tourism share a common perspective: they attempt to define tourism in terms of who a tourist is (Smith, 1988). Within this wide scope, we can distinguish between a technical and an economic definition. Technical definitions are intended to serve as a guide for the consistent collection of tourism data. Economic definitions are intended more often to measure the implications of tourism (externalities could be not only economic but also social, cultural, ecological, anthropological and so on).

Economic demand-side approach is more focused on tourism externalities: "Tourism is the study of man away from his usual habitat, of the industry which responds to his needs, and of the impact that both he and the industry have on the host's socio-cultural, economic, and physical environments" (Jafari, 1977, p.6).

Another demand-side definition is Leiper's, which is the most complex: "[Tourism should be considered as] the system involving the discretionary travel and temporary stay of persons away from their usual place of residence for one or more nights, excepting tours made for the primary purpose of earning remuneration from points en route. The elements of the system are tourists, generating regions, transit routes, destination regions, and a tourist industry. These five elements are arranged in spatial and functional connections. Having the characteristics of an open system, the organization of five elements operates within broader environments: physical, cultural, social, economic, political, and technological with which it interacts" (Leiper, 1979, pp. 403-404).

In reviewing *statistical demand-side definitions*, it is important to distinguish between domestic and international definitions. This second level of analysis simplifies enormously the definition process, using administrative boundary[62]. Next we will focus on international definitions and then we will dedicate some time to domestic tourism.

Definitions of tourists have been proposed as early as 1937. In 1963, a United Nations Conference of International Travel and Tourism recommended a definition that encompassed "any person visiting a country other than that in which he has his usual place of residence, for any reason other than following an occupation remunerated form within the country visited" (Gee, Makens, and Choy, 1997, p. 11). Such an individual was defined as a visitor. The term visitor covered two distinct classes of traveler: tourists and excursionists. *Tourists* are temporary visitors staying at least 24 hours in the

[62] "Another approach is to use an administrative boundary such as a provincial or national border. With this criterion, crossing a designated boundary regardless of how short the actual distance qualifies a person as involved in tourism. The boundary approach is used to define «international visitors». One needs only to cross an international boundary, even if the trip is only 1000m, to be considered to be moving outside one's usual environment and thus a visitor. The boundary approach, however, does not work well when applied to domestic tourism" (Smith, 1999, p. 138).

country visited where the purpose of the journey can be classified as: a) leisure; b) business; c) family; d) mission; or e) meeting. *Excursionists* are temporary visitors, staying less than 24 hours in destination visited and not making an overnight stay.

Many of the widely quoted definitions in the field come from the WTO, the major intergovernmental body concerned with tourism and guidelines on statistical data collection standards.

In 1981 the WTO defined tourist as the following: "Any person residing within a country, irrespective of nationality, traveling to a place within this country other than his usual place of residence for a period of not less than 24 hours for a purpose other than the exercise of a remunerated activity in the place visited. The motives for such travel may be 1) leisure (recreation, holidays, health, studies, religion, sports); 2) business, family, mission, meeting" (WTO, 1995; 1997, p. 89).

In 1991, the WTO and the Government of Canada organized an International Conference on Travel & Tourism Statistics in Ottawa, which adopted a set of resolutions and recommendations relating to tourism concepts, definitions, and classifications. WTO concluded that: "Tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes" (WTO, 1997). The WTO introduced a classification of travelers:

- ✓ *Tourist* (*overnight visitor*): visitor staying at least one night in a collective or private accommodation in the place visited;
- ✓ *Same day visitor* (*excursionist*): visitor who does not spend the night in a collective or private accommodation in the place visited;
- ✓ *Visitor*: any person traveling to a place other than that of his/her usual environment for less than 12 consecutive months and whose main purpose of travel is not to work for pay in the place visited;
- ✓ *Travel*: any person on a trip between two or more locations.

Another crystalline example of the demand-side approach is the definition of the (American) National Tourism Policy Study: "Tourism is the action and activities of people taking trips to a place or places outside their home communities for any purpose except daily commuting to and from work."

The defining process continues. The WTO wrote: "Unfortunately, there is still confusion over this very basic definition. Even within the same country such as the United States, for example, different states may use different definitions for data gathering and statistical purposes" (WTO, 1997, p. 5).

The definition of *domestic tourism* is more complex. Cook (1975) identified six standards used by local agencies: i) geographical restriction; ii) purpose of trip; iii) miles traveled; iv) time away from home; v) mode of transportation and vi) a combination of operational limitations[63]. The difficult here is to clearly define what is

[63] In using these criterions it is important to consider Middleton's observations (1998, pp. 51-52):

- ✓ There is nothing that restricts tourism demand to overnight stays, it includes day visits;
- ✓ There is nothing that restricts tourism demand to travel for leisure or pleasure, it includes travel for business, social, religious, watching, and playing sports, and most other purposes, provided always that the destination of travel is outside the usual routines and place of residence or work;
- ✓ All tourism includes an element of travel but all travel is not tourism;
- ✓ Much of travel and tourism takes place in leisure time and gives expression to many recreational activities, but is not synonymous with either of them because the bulk of all leisure and recreation takes place in or around the home;

the meaning of the WTO expression outside the "usual environment" in the field of domestic tourism[64]. The European tradition has often operationalized this concept using the overnight criterion (time away from home), while the American tradition has opted more for the "distance thresholds"[65].

2.2.1 Pros and cons of demand-side approach

Demand-side analysis pulls together three fundamentals:

- ✓ Visitor activity is concerned only with aspects of life outside normal routines of work, education, subsistence and social commitments, and outside the location of those routines for periods of less than a year;
- ✓ All visits necessitate travel and, in nearly every case, some form of transport to a destination;
- ✓ Destinations (places) are the focus for a range of activities, and a range of facilities required to support such activities.

The most articulated critique to the demand-side approach is expressed by Smith (1988, 1994). I believe that this perspective is inconsistent with the accepted definitional standards used by other industries. Specifically, industries are normally defined in terms of the goods or services they produce, not the characteristics or motivations of their consumers. Smith says "the tendency of tourism authors to define the field in terms of tourists' action and activities or their motivations and behaviors is comparable to defining the health care industry by defining a sick person" (Smith, 1988, p. 183).

The implications of defining destination are important. Demand-approach tends to focus only on customers and favors an overlapping of the concept of destination strategy with the concept of marketing (Kotler, 1982, 1984). Strategy must include the needs and the wants of clients and then it must design a coherent economic system. This line of thought favors a concept of strategy that reduces the relevance of a destination's resources (Porter, 1985; Grant, 1991, 1994).

A second critique is related to the equivocal meaning of the concept of "usual environment" introduced by the WTO definition in the field of domestic tourism.

- ✓ All travel and tourism is temporary movement;
- ✓ All visitors go somewhere to do something.

[64] "In its 1974-75 domestic tourism program of work, the International Union of Official Travel Organizations (later named the WTO) (1974) devoted considerable attention to the definition of domestic tourism. After analyzing a list of the definitions used by 22 countries, the WTO concluded that three elements were common to all definitions: i) residence of tourist; ii) geographical setting of travel, and iii) duration of travel. Most of the definitions contained elements dealing with distance of travel and travel motivations. As a result of the analysis, WOT recommended a definition for a domestic tourist which included residence and time limitations (24 hours or overnight away form place of residence)" (Hunt and Layne, 1991, p. 8).

[65] "One can use a distance threshold: any trip beyond a specified distance is considered to be tourism. While the specification of a distance threshold is ultimately arbitrary, the use of distance provides some important advantages. The choice of an appropriate threshold can approximate what many people would consider to be a reasonable approximation of their usual environment. Distance thresholds provide an objective and consistent definition for tourism that ensures comparability of tourism statistics across populations and jurisdictions, and over time as long as the same threshold is employed. Distance thresholds also avoid the need to define the nature and scale of destinations. As a result of these advantages, most statistical agencies use a distance criterion in compiling tourism statistics" (Smith, 1999, p. 139).

"Despite the importance of this concept the WTO does not specify how it should be operationalized. Instead, statistical agencies are free to decide how this concept should be defined within their own social, political, or economic context"[66] (Smith, 1999, pp. 138-139).

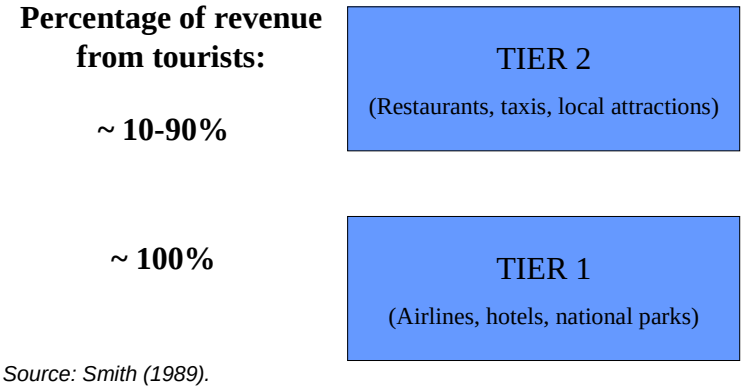
2.3 Supply-side definition of the tourism industry

Cooper observed that tourism definitions are unusual in that they are driven more by demand-side than by supply-side considerations. A major problem concerning supply-side definitions is the fact that spectrums of tourism businesses exist, from those which are wholly serving tourists to those which are also serving local residents and other markets.

Leiper suggested one supply-side definition: "The tourism industry consists of all those firms, organizations and facilities which are intended to serve the specific needs and wants of tourists" (Leiper, 1979, p. 400).

The supply-side prophet, Smith, gave the following generic definition: "Tourism is the aggregate of all businesses that directly provide goods or services to facilitate business, pleasure, and leisure activities away from the home environment" (Smith, 1988, p. 183).

Figure 9. Supply-side definition of the tourism industry



Source: Smith (1989).

Following this definition, the author identified six categories of goods and services that produce commodities for travelers: accommodation, transportation, travel services, foodservices, recreation/culture/entertainment, and retail goods. Some of these are very closely related to the demands of travelers. Airlines, hotels and travel agents are examples of businesses whose commodities are virtually synonymous with the concept of travel. Other businesses, however, are important to both travelers and non-travelers.

This distinction can be formalized by considering travelers' commodities as belonging to two separate groups or "tiers". Tier 1 commodities, such as airlines, would cease to exist if there were no travel. Tier 2 commodities, on the other hand, are "mixed" commodities. These are provided by businesses such as restaurants that serve both travelers and residents. Tier 2 businesses would continue to exist if there were now travel but they would exist at a substantially reduced level. Figure 9 summarizes this distinction and shows that the percentage of revenue generated by tourists for tier 2 depends on the specific situation and presents a very wide range (from 10% to 90%).

[66] The author (1999) in analyzing current examples of distance thresholds identifies large sets of solutions that make it difficult to make comparisons between different jurisdictions (see table 1, p. 138).

To distinguish between tier 1 and tier 2 Smith introduced the concept of "home environment." "The definitions of a «home environment» may be handled with an arbitrary technical definition such as a distance or duration of stay" (Smith, 1988, p. 183).

2.3.1 Pros and cons of supply-side definition of the tourism industry

The supply-side definition considers that tourism is basically a retail service industry[67]. Another important feature of the supply-side definition is the inclusion of business, pleasure, and leisure activities. The intent here is to make it explicit that the motivations of a traveler are unimportant to the definition, although they are extremely important to the marketing sector of the industry. What is critical is the nature of the goods and services a traveler (someone temporarily away from his home environment) requires to make the trip more successful, easier, or enjoyable. Furthermore, this approach is consistent with other industrial sectors, and allows the size of the tourism industry to be gauged using standard industrial classifications.

The weakness is surely represented by the concept of "home environment" that explicitly introduces temporal and space criteria to define, substantially, who the tourist is.

3. THE DEFINITION OF TOURISM DESTINATION USED IN THIS WORK

The literature in the field of sustainable development and of management and marketing shows a growing interest in the concept of destination. In his pioneering holistic model, Leiper (1979) introduced "tourist destination" as one of the three geographical areas. The concept of tourist industry can also be put into operation on a local scale.

Gunn (1993), in developing the concept of attraction, contributed significantly in clarifying what destination is. Within the destination region, a number of nodes or points exist. These have been called destinations or community attraction complexes and contain attractions (also called "nuclei") and services. In order to get away from confusing and ambiguous situations where there are destinations within destination regions, or attractions within attraction complexes, here the term "nodes" is used to refer to clusters of attractions and services that together form a local sub-destination. Gunn observes that these nodes comprise attraction, services and facilities and are

[67] In the tourism literature there is a considerable discussion about the character of industry. Some authors such as Smith consider tourism an industry: "Since one purpose of a supply-side definition is to permit statements to be made about the scope and magnitude of tourism so that it can be compared meaningfully with other industries, the identification of tourism commodities should be made with a system that is consistent with that used by other industries and by government. […] The two-tier model, when combined with census information and the tourism rations permits measurement of the magnitude of the industry" (1988, pp. 184-188). On the other side, other researchers such as Leiper suggest that tourism is not an industry and note that there is only a partial industrialization of tourism systems. "There has been a long running dispute about the existence and scale of a tourism industry. The tourism boosters believe it exists and is very large. A few others are skeptical about its existence, claiming instead that there are diverse industries serving the needs and wants of tourists, but that a distinctive industry has never materialized […]. In the 1979 article I suggested, in effect, there is a resolution of the debate. Both sides are mistaken. The truth lies in some intermediate position, explained by the partial-industrialization theory. The boosters extend the scope of the tourism industry too far. The skeptics, to use an apt metaphor, throw out the baby and the bath water (Leiper, 1990, p. 603).

organized into clusters that are surrounded by non-attraction hinterland. This is the fabric of the destination community.

Lue, Crompton and Fesenmaier (1993) classified destinations considering the purpose of the trip and the benefits sought. They noted, "the single destination assumption has been widely retained because it simplifies the modeling task, but its adoption is likely to substantially reduce the accuracy and efficiency of forecasting models" (1993, p. 290). They proposed a famous classification of destinations that range from a single destination pattern to a trip chaining pattern.

Middleton suggests "that the most practical «framework» for future research developments lies in tourism destinations at a sub-national rather than national level, especially for larger countries comprising many different types of destinations. It is important to consider the influences and techniques used to manage tourism at destinations and the research information base required to operate such techniques more effectively" (1994, p. 115). The same author said, in analyzing "the future for the commercialization of brands and services to improve market results," assuming (local) destination as a research objective: "While a destination may be conceptualized as a country or region, it makes most sense reviewed as a particular location or resort comprising a mix of infrastructure, superstructure and a range of private sector businesses supplying services for visitor purposes" (1998, p. 153). The author believes that there are several internationally relevant factors influencing tourism in the next decade that will increase the importance of visitor marketing and management at local destinations. These include (Middleton, 1994):

- ✓ A growing awareness of the environmental impact of tourism and the consequential concern for the capacity of resources and the need to achieve environmentally sustainable growth;
- ✓ A growing need to conserve the special intrinsic character of "place" at destinations, for its own sake and as a core element in its attractiveness for visitors;
- ✓ A growing level of competition between destinations to achieve shares of mature markets in Europe and North America;
- ✓ Increasing concern for ensuring consistently high standards of product delivery at destinations for more sophisticated and demanding customers;
- ✓ The need for tourism destination management to be more responsive to residents' interests.

Recently, Dredge (1999) combined different literature streams, especially the contributions of Gunn (1972, 1988, 1993), Leiper (1995), Lue, Crompton and Fesenmaier (1993), to define a model to identify destination region. Noting that "one of the most important challenges arising from the goal of sustainable tourism development is destination planning. […] Researchers of the impacts of tourism are increasingly noting that the traditional market-driven approach does not always provide the most appropriate or sustainable tourism" (Dedge, 1999, pp. 772-77) distinguishing among single node destination region[68], multiple node destination region, and chained destination region.

[68] "The single node destination region describes the situation where tourists go from their places of origin to a single node within the destination region. This node contains either a single nucleus or one attraction complex comprising multiple clustered nuclei. […] The multiple node destination region describes the situation where a destination comprises more than one node (attraction complex and service

It is not surprising how important local and regional destination is in the field of specific tourism branches (such as sustainable development) or how it functions (e.g. management or marketing). At this level of analysis the following things happen:

- ✓ The synthesis among client's wants, needs and the tourism experience;
- ✓ The planning, production, delivery and development of destination supply.

3.1 Distinctive elements of tourism destination

The concept of tourism destination is changing due in part to the research disciplines used and the research goals pursued[69]. Before identifying a complete definition adopted for this work, we want to collect the main characteristics of destination, considering its organizational and productive environment, the relationship between destination supply and clients' wants and needs, its managerial processes, the nature of its product and the destination compared to other complex systems (especially industrial district). Figure 10 shows the main distinctive elements identified.

3.1.1 Destination as a tourism system

The Leiper's model introduced some distinctive elements of tourism that can be extended to destination, especially:

- ✓ *Complexity*: destination is an integrated, limited geographic area organized to produce and coordinate products and services capable of satisfying the wants and the needs of customers (travelers and tourists);
- ✓ *Transverse*: the destination's product is a bundle of heterogeneous services that came from different sectors such as accommodation, distribution, retailing, entertainment, public service, transportation, and so on[70];
- ✓ *Multiple subjects*: many different economic subjects realize the production.

These elements show that destination is a system (point 1 of figure 10). Mill and Morrison reflect this view suggesting that not only is destination a fundamental part of the total tourism system, but that destination itself is a system which consists of a mix of attractions and services where "each part is dependent upon other parts for success in attracting, servicing, and satisfying the tourist" (1985, p. xix). This idea that destination is a system or entity is clearly expressed in Middleton's definition of destination management. The author wrote: "The management of tourism destinations is less clear

components). […] The chained destination region is constructed by connecting either single node and/or multiple node destinations" (Dredge, 1999, pp. 787-788).

[69] For a review see the following contributions: Lue, Crompton and Fesenmaier (1993); Gunn (1972, 1988, 1993); Middleton, 1988; Bieger (1997); Dredge (1999).

[70] "By analyzing the process of tourism, the sequence of experiences of a hypothetical tourist, the nature of the resources involved can be identified. Several steps can be isolated, occurring across the three geographical elements: i) in the generating region, pre-trip, there is stimulation and recognition of motivation, planning and organization; ii) in the transit route there is travel and sometimes, interaction with attractions and use of services and facilities; iii) in the destination region there is interaction with primary attractions, incidental attractions, use of services and facilities; iv) post-trip, back in the generating region, there are recollections, and re-adjustment to normal lifestyle. Diverse resources contribute to that process. They can be viewed as the input or supply side of the basic demand/supply equation of tourism economics. For the purpose of this analysis, they can be grouped into five categories: i) leisure; ii) tourists' organization, social, cultural and material resources; iii) free inherent and natural resources; iv) incidental industries; and v) a tourist industry" (Leiper, 1979, p. 398).

cut but can be defined as: «Strategies and action programs, using and coordinating available techniques to control and influence tourism supply and visitor demand, to achieve defined policy goals for the destination conceived as an entity» (1994, p. 118).

Figure 10. Main distinctive elements of tourism destination.

1. Destination as a tourism system	✓ Complexity ✓ Multiple sectors ✓ Multiple subjects
2. Destination as a specialized supply	✓ Tourism product tends to coincide with destination ✓ Destinations present a basic specialization
3. Destination as a competitive subject	✓ Destination is a distinctive competitive subject ✓ As a competitive subject, destination must be managed
4. Destination as a producer of services	✓ Intangibility ✓ Client is "prosumer" ✓ Company-client interfacing ✓ Personality intensity
5. Destination as a district	✓ Limited geographic area ✓ Similar culture ("industrial atmosphere") ✓ Relevance of SME ✓ Relevance of institutional subjects

Source: own analysis.

3.1.2 Destination as a specialized tourism product

Gee, Makens, and Choy stressed the specialization of a tourism area: "Destinations are specific places chosen by travelers for temporary stays. They are not simply transit or stopover points that travelers must pass through to reach their ultimate destination. People will select a given destination to visit, based on their preferences and purpose for travel, whether it be to vacation, do business, visit friends, or sightsee" (1997, p. 132).

The authors highlighted another important characteristic of destination: the client does not purchase single services or products; rather he or she buys the destination product. Bieger (1997) suggested that destination is the "real product." Each destination is a specialized area. For example, the location (e.g., alpine region) is able to satisfy some needs while not others.

3.1.3 Destination as a service firm

Cooper *et al.* defined destination as: "the focus of facilities and services designed to meet the needs of the tourists" (1993, p. 4). Most destinations comprise a core of the following components, which can be characterized as the four As: Attractions; Access (local transport, transport terminals); Amenities (accommodation, food and beverage outlets, entertainment, retailing and other services) and Ancillary services, in the form of local organizations.

The author identified common features of different destinations: a) destinations are cultural appraisals; b) they are inseparable: that is, tourism is produced where it is consumed; c) they are used not just by tourists but also by many other groups; d) the various elements of the destination have to be complementary.

Cooper extended the characteristics of service firms to destinations. They can be summarized as following:

- ✓ *Intangibility*: a physical product can be clearly and unequivocally described in terms of its attributes (if not its functions): size, parts, materials, and so on. A

service cannot be as easily specified nor can it really be demonstrated before purchase. The intangibility of tourism has some important implications. An intangible experience is being sold, not a physical good that can be inspected prior to purchase. Because it is a service, production and consumption take place at the same time. In manufacturing, goods are produced, stored, and sold. The inventory process serves as a way of linking these stages of production and consumption. Tourism supply cannot be stored for the following motives;

- ✓ *Client is prosumer*: in the service system the client appears twice: as a consumer in the market segment and as part of the service delivery system. The two aspects of the relationship with the client are interconnected, since it is of course the totality that the client himself will evaluate. Part of what the client sees as the output of the service company consists of how much and in what way he or she has to participate in the provision of the service, and what problems and satisfactions are involved in this process. The concept of client participation, although an old one, has perhaps been most vividly described by Toffler, who uses the telling expression "prosumer" to designate the increasing integration between the functions of production and consumption (Toffler, 1980; Eglier, Langeard, 1987);
- ✓ *Company-client interfacing*: given that the client is both a consumer and a producer, the management of the company-client interface becomes an extremely important and delicate task for any tourism organization (Grönroos, 1995);
- ✓ *Personality intensity*: most tourism services are personality-intensive in the sense that the quality supplied to the customer is essentially a result of the way people perform in the specific situation. Negative or positive performance by individuals may have a tremendous and immediate impact on how individual customers perceive the quality of what they have been given (Normann, 1984; Bieger, 1998b).

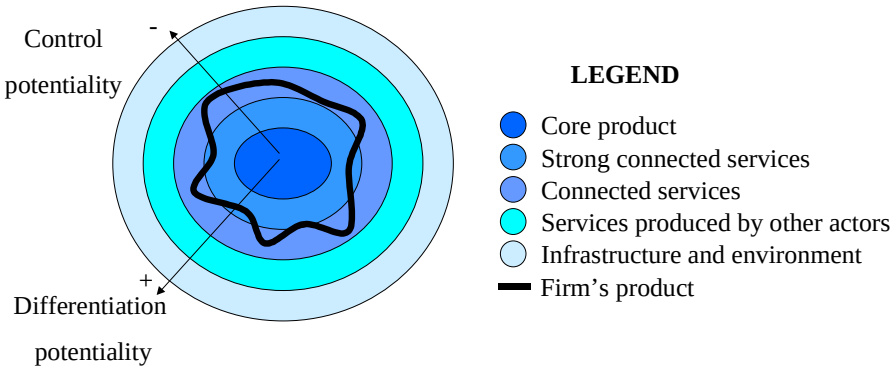
3.1.4 Destination as a competitive subject

Bieger suggested that destination is: "A geographic area that is chosen like the aim of a trip of a specific tourist (or segment). It includes all necessary things for lodging, entertainment and recreation. Despite this, destination is the real product and the competitive subject that must be managed" (1997, p. 74).

The idea that destination is a new subject is well reflected in the work of Casarin (1996). The author looks at the destination through the eyes of single destination firms. This perspective shows the limited competitive and strategic autonomy of the destination's firms in satisfying the customer's needs, and it introduces the necessity to coordinate the whole "system" (see figure 11).

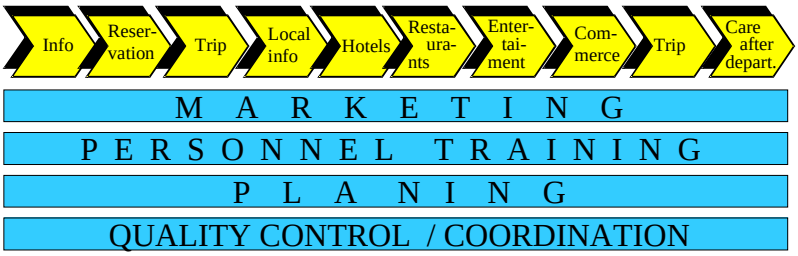
The "complexity" of the product requires integration of many different types of services, perceived as one by the client. Bieger wrote: "Customers ask for integrated service chains able to fulfill problem solving functions or to offer new forms of holiday experiences" (Bieger, 1998a, p. 4). The author proposes a service chain that is a framework to identify the main activities that embody the "destination product" (see figure 12). The model suggests the relevance of some activities that are transversal to the single firms and that represent the unitary nature of the destination.

Figure 11. The overlapping model.



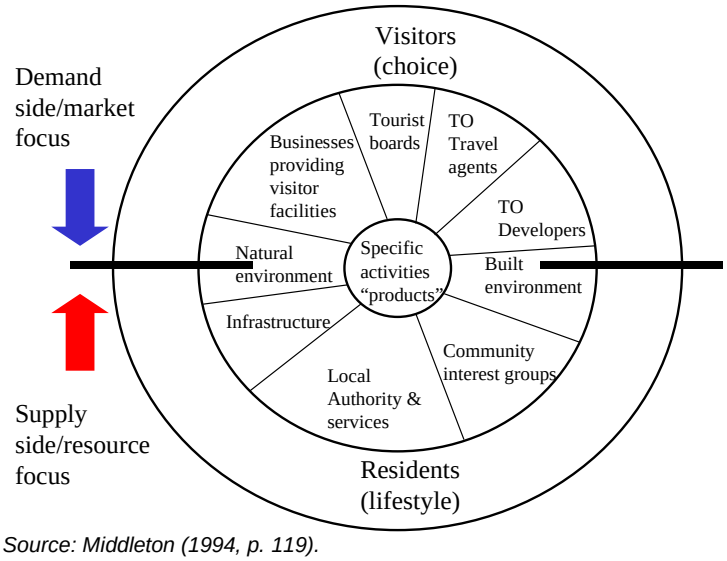
Source: Adapted from Casarin (1996, p. 55).

Figure 12. The service-chain of generic destination.



Source: Adapted from Bieger (1997, p. 77).

Figure 13. Visitor management at destinations.



Source: Middleton (1994, p. 119).

The same complexity is described in Middleton's model (figure 13) that shows "the multiple players involved in the marketing and management of sub-national tourism destinations. Each of the players has individual needs for research input as well as a common interest in the management of the destination as an entity" (1994, p. 118).

3.1.5 Destination as a district

The industrial district (Visconti, 1996; Lorenzoni, 1992; Becattini, 1991; Porter, 1998, pp. 154 ff.; Bellandi, 1991) is a systemic area characterized by the following elements:

- ✓ *Limited geographic area*: the production activity is concentrated in a specific area (the Prato district or a "packaging" Valley of Bologna[71]);
- ✓ *Similar culture*: within the district, the economic operators present a relatively common culture, which means they share some important values such as the concept of work, the significance of profit, the idea of success. Furthermore, they usually share some technical or commercial core competencies;
- ✓ *Relevance of medium and small firms*: the district is composed of a more or less large population of small and medium companies, while those relationships range from collaboration to hyper competition. Usually, many firms are specialized in specific processes or products and the relationships with sub-contractors are important. Within the district there are many entrepreneurial firms;
- ✓ *Relevance of institutional subjects*: the functioning district is often regulated by institutional subjects that conduct different meta-management activities such as coordination, district promotion, planning and training.

These characteristics can be extended to tourism destination as well. (Sainaghi, 2000b). This analogy is important because we can use some of the tools developed in this field for our own pursuits. The term tourism district can create confusion on two levels of analysis[72]. We can call tourism district a single destination (e.g., Bormio) or a homogeneous tourism area composed of many destinations (e.g. the "Alta Valtellina", that includes Bormio, Livigno, St. Caterina, Valdisotto and so on). In this work the expression "tourism district" is referred to as the destination's level. The Alta Valtellina is more a collection of different districts, partially autonomous. It represents a "meta-district."

[71] See Lorenzoni and Lipparini (1999).

[72] Dredge distinguishes among "nodes" (or sub-destination), regional destination and district.

She notes that "In order to get away from confusing and ambiguous situations where there are destinations within destination regions, or attractions within attraction complexes, here the term «*nodes*» is used to refer to clusters of attractions and services which together form a local sub-destination" (1999, p. 779).

In defining *destination region* the author observes that: "In essence, a destination region is a location that a person chooses to visit for at least one night in order to experience some feature or characteristic perceived as satisfying a leisure time experience (p. 781). […] Planners must be aware that these regions exist at different scales in one location and that the use of administrative boundaries commonly adopted in land-use planning may limit proper conceptualization and planning of the destination region" (p. 786).

"The concept of districts recognizes that within any single destination region there are precincts or nodes characterized by different tourism emphasis, such as areas in which one particular style or focus of tourism dominates. The atmosphere of a destination is derived in part from the cohesiveness of and consistency within these districts. The Niagara Region (of the United States and Canada together) is an example where within a short distance of each other, theme amusement areas, shopping precincts, scenic parklands, and the historic-cultural precinct of Niagara-on-the-Lake exist. Moreover, districts can encompass one or many nodes that possess similar styles of tourism. The existence of such districts supports the notion that any one destination region is likely to be able to fulfill a variety of tourist needs and expectations. Furthermore, if well planned, these areas can co-exist and even create a synergy where the attraction of the region is more than the sum of its constituent areas" (p. 786).

The analogy with the industrial district stresses the relevance of meta-management leadership. Visconti wrote: "Without considering the complex system of relationships it is difficult to understand behaviors and choices made by single firms" (1996, p. 46).

However, the tourism district presents some important original elements: it is a "structural district"; single firms usually have limited strategic autonomy (especially in the alpine tradition, based on small companies); the spaces for meta-management perspective play an important role for the success of the whole district.

Tourism districts are "structural districts". This is a consequence of the complexity of the tourism product, that is a sum of services and goods produced by many firms. In the industrial district the sub-contractor relationships are only a possible organizational solution (there are often vertically or horizontally integrated firms). In the tourism district it is very difficult to create integrated companies, capable of assuring the main tourist services (especially in the alpine and more generally European tourism tradition[73]).

From this perspective, the single firms have a reduced strategic autonomy. Figure 11 demonstrates that a single destination cannot control some important services, critical for client satisfaction. This point is crucial if the final client is to have a unitary perception of the destination product. Comparing tourism district with industrial district, it is as if the first is based only (or more prevailing) on sub-contractor relationships.

The need to integrate single services and goods and to assure homogeneous qualitative standards has improved the development and the need for meta-management leadership. This reality has emerged within the boundaries of complex firms and has been developed in the district field. Concerning the basic meta-management activities, Bieger identified: planning, marketing, quality control/coordination and personnel training (compare the service-chain, figure 12).

3.1.6 Destination size

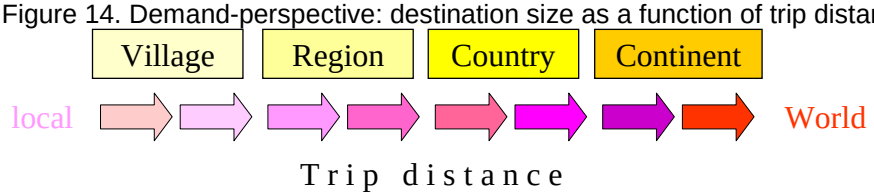
To clarify the concept of destination, it is important to spend some time on the size of the destination. Empirical studies (Bieger, 1997, p. 75; Bieger, 1999; Chi-Chuan Lue, Crompton, Fesenmaier, 1993, p. 294) identify a correlation among the geographical size of the visited area, the distance, the purpose and the length of time of the trip. Concerning time, it is clear that if the vacation is brief the visit must be concentrated in a specific area. A similar thought could be extended to the purpose of the trip, while the destination's size is essentially a function of the client's needs. The relationship between the trip's distance and destination's size is depicted in figure 14.

Bieger wrote: "What a destination for a specific client is depends on her/his needs and choice. For a golfer, the destination is probably a golf center; for an American lake tourist that makes a weekly tour in Europe, the destination is probably the whole continent" (Bieger, 1997, p. 74).

[73] In describing the characteristics of tourism companies working in traditional resort destinations, Middleton notes: "Reflecting the traditional economic characteristics of tourism, ownership and control of the supply side is fragmented and usually divided into many different businesses comprising hotels, guest houses, apartments, shops, catering, leisure and recreation facilities. Virtually all these businesses (99%) are SME's under EC definitions (less than 250 employees each) and over 95% of them are micro operators with less than 10 employees. Such businesses do not generally observe any overall strategy for development or marketing and the smaller ones may in practice evade much of the relevant legal and regulatory processes, existing effectively outside the officially recognized economy" (1998, p. 156).

Using a supply-side perspective, it is important to remark on the autonomy of single destinations, which means that each destination has its own specific attractions, its competitive position and culture. Based on these differences, it is important to build an integrated form.

Figure 14. Demand-perspective: destination size as a function of trip distance.



Source: Adapted from Bieger (1997, p. 76).

3.2 Taxonomy of tourism destination

Researchers have developed many taxonomies of tourism destination; the main ones are:

- ✓ The distinction between destination and resort destination;
- ✓ The distinction between single and multiple destination;
- ✓ The distinction between single node, multiple node or chained destination regions.

Gee, Makens and Choy classified destination into two types. One is the self-contained resort destination that has been developed with tourism as its specific economic focus, providing all of the accommodations, services and amenities required by vacationing visitors within the resort community[74]. The other type is a destination which also draws visitors, but where tourism is only a part of its total economy[75].

This work focuses mainly on resort-destinations, because they represent a "pure" tourism model, where the problems of the tourism sector are reflected throughout the whole local economy. The relevance of tourism makes distinctive elements, management needs and paradigms more simple to identify.

Lue, Crompton and Fesenmaier classified the typology of a pleasure travel pattern. They considered the number of destinations visited and the purpose or benefits sought (figure 15) to obtain four kinds of pleasure destinations:

- ✓ Cell 1 is termed specialization and describes those trips that are limited to a single destination where an individual goes for a single purpose, for example, to play golf;

[74] "Disney World is an example of a self-contained resort, complete with recreational activities, entertainment, attractions, hotels, restaurants, and shopping amenities. Many people consider Disney World itself as the destination, not the city of Orlando, where it is located, or even the state of Florida" (Gee, Makens, Choy, 1997, p.132). "Destination amenities serve residents and workers throughout the year, but at some, or all, times of the year, there are temporary users of these amenities (day visitors or tourists) who are away from their normal place of residence and work. The multiple use of destinations means that it is possible to classify enterprises according to whether they depend upon tourism only, residents only or a mix of the two. In fact, only the purpose-built destination (such as theme parks) are in existence purely to serve the tourist. Most destinations share tourism with other uses; indeed, tourists are often the most recent and least respected users" (Cooper et al., 1998, p. 104).

[75] The relevance of this distinction is important: within resort-destination "Tier 1" (compare figure 9) is a core sector. "Tier 2" is strongly related to tourism business and its relevance is quantifiable by a high figure within the Smith's range (10-90%).

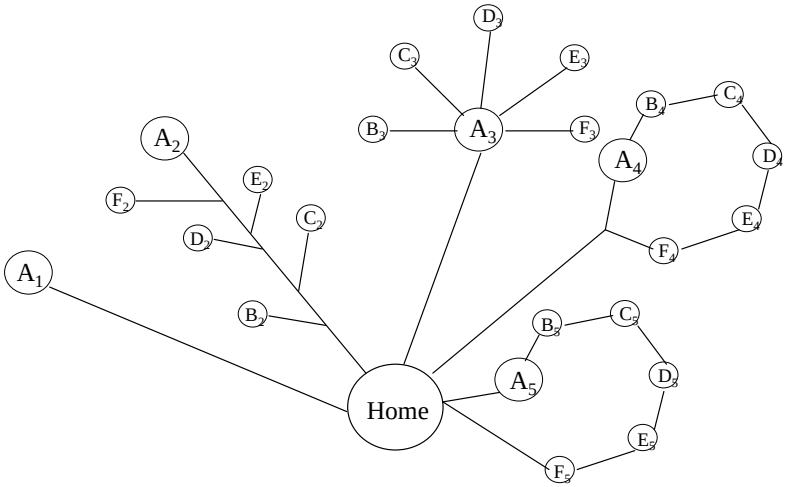
- ✓ Cell 2 is termed benefit diversification and describes those trips with multiple benefits that are sought from a single destination;
- ✓ Cell 3 is termed destination diversification and describes tourists that visit multiple destinations in pursuit of a single purpose;
- ✓ Cell 4 describes those trips in which different destinations are visited for different purposes.

Figure 15. Typology of pleasure travel patterns.

Number of destinations visited	Purpose or benefits sought: Single	Purpose or benefits sought: Multiple
Single	A single benefit from a single destination [***Specialization***] I	Multiple benefits from a single destination [***Benefit diversification***] II
Multiple	A single benefit from multiple destinations [***Destination diversification***] III	Multiple benefits from multiple destinations [***Mixed strategies***] IV

Source: From Lue, Crompton and Fesenmaier (1993, p. 293).

Figure 16. Alternative spatial patterns of pleasure vacation trips.



Source: From Lue, Crompton and Fesenmaier (1993, p. 294).

The author, based on this classification, identified five distinctive spatial patterns[76] that may be adopted by pleasure travelers (figure 16). This work is mainly based on

[76] "The most simple spatial pattern reflects a trip to a single destination. The other four patterns describe alternative routes for visiting multiple destinations. […] Alternative two is the «en route» pattern, whereby a single destination provides the focus for the trip. […] Alternative three is the «base camp» or radius pattern. Tourists adapting this travel route stay at the primary destination throughout their vacation, and use it as a «base camp» from which to visit places within the area. […] A fourth pattern, described by Getz (1991) in the context of festivals and events, is the «regional tour» pattern. In

specialization destination and the alternative spatial patterns ranging between single destination pattern (A_1) and base camp pattern (A_3).

Dredge identifies three types of destinations or nodes: i) single node destination region[77]; ii) multiple node destination region[78] and iii) chained destination region[79] (figures 17, 18 and 19). This taxonomy is based on many variables such as types of nodes, districts, circulation routes, gateways and traveling patterns. The model synthesizes some previous works in the field of travel patterns (Campbell 1967, Lue, Crompton and Fesenmaier, 1993), attraction systems (Leiper, 1990), and nodal structure (Gunn, 1993; Leiper, 1990; Miossec, 1976).

This work is focused on primary node in Dredge's language, which usually operates in multiple node destination regions (e.g. Livigno within the Alta Valtellina district, Corvara within the Alta Badia district, or St. Moritz within the Engadina).

3.3 Definition used in this work

For the purpose of this work, destination is an integrated limited place, capable, through a heterogeneous bundle of organized resources, of satisfying the wants and needs of temporary stays of travelers that have chosen it as the purpose of the trip. Destination is the real product and it is a competitive subject that must be managed.

This definition presents many advantages relating to the research focus:

- ✓ It concentrates only on "pure" destination, which means "resort destination" in Gee, Makens, and Choy's language;
- ✓ It is supply-side oriented, which means that it is focused on the resources and competences, the basis of dynamic competitive advantage;

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this case, tourist travel to a region and consequently visiting a series of destinations in the area before returning to their origin. […] The final route is the «trip-chaining» pattern. This represents a touring vacation that includes a number of foci. Tourists' itineraries involve visiting multiple destinations and going from one to another, rather than having a single focal destination area" (Lue, Crompton, and Fesenmaier, 1993, pp. 295-296).

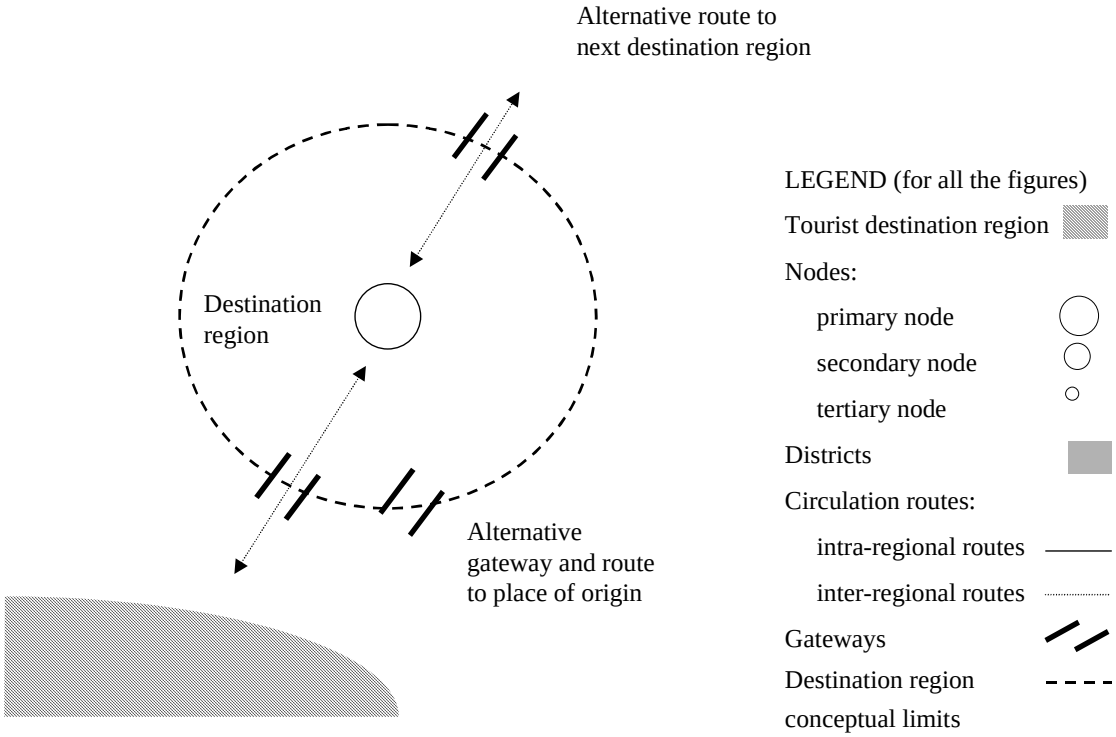
[77] "The single node destination region describes the situation where tourists go from their places of origin to a single node within the destination region. This node contains either a single nucleus or one attraction complex comprising multiple clustered nuclei. In this situation tourists arrive at the destination and stay in a location that is spatially confined in comparison to more complex destination regions. There all the necessary support services and facilities required during the visit are provided, and no use is made of intra-regional circulation routes. Generating markers in tourist markets provide the stimulus for the trip; and on arrival to the destination tourists may find contiguous markers. A stay at an integrated resort development such as Club Med, where all services required and desired within the one complex are supplied and thus tourists may choose not to venture outside, is an example of this type of destination" (1999, p. 787).

[78] "The multiple node destination region describes the situation where a destination comprises more than one node (attraction complex and service components). It incorporates many of the ideas generated by Lue et al in their base-camp pattern. In this model three levels of nodes are identified: primary, secondary, and tertiary. […] The synergy created between secondary nodes may in itself be sufficient to draw people to the region" (p. 787).

[79] "The chained destination region is constructed by connecting either single node and/or multiple node destinations. For example, if a tourist was involved in either en route or regional tour travel patterns described by Lue et al, the models could be considered part of a larger system of linked destinations" (p. 788).

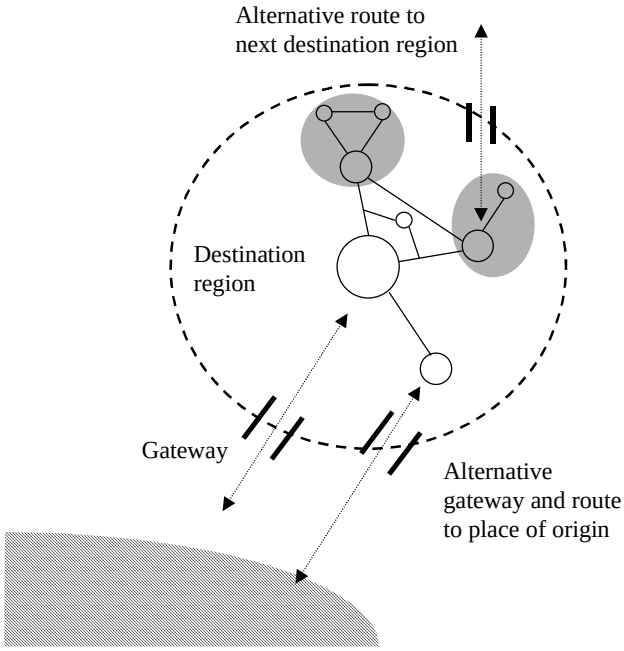
- ✓ It defines a new subject (entity in Middleton's language) to compare to the single destination's companies;
- ✓ It defines the level at which competition occurs and strategy is defined;
- ✓ It defines the main level for strategy formulation.

Figure 17. Single node destination region.



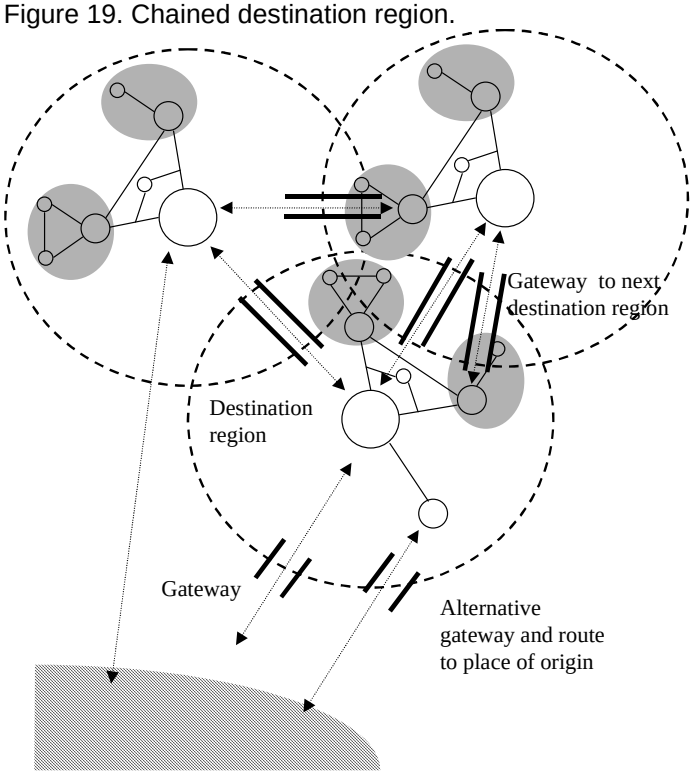
Source: Dredge (1999, p. 783).

Figure 18. Multiple node destination region.



Source: Dredge (1999, p. 784).

Figure 19. Chained destination region.



Source: Dredge (1999, p. 785).

4. DESTINATION ACTIVITIES

We want to identify the main activities that embody the concept of destination supply. The literature shows many criteria and taxonomies (Bieger, 1997, pp. 73 ff.; WTO, 1997, second section, pp. 45-133; Cooper et al., 1998, chapter 5, pp. 101-123; Goeldner, Ritchie, McIntosh, 2000, chapters 6, 7 and 8; Molteni, Sainaghi, 1997, pp. 95; Gee, Makens, Choy, 1997, part 5 and 6; Leiper, 1979; Smith, 1984, p. 587; Middleton, 1998, chapter 7; Feyer, 1995, pp. 177 ff.).

Figure 20 depicts a classification based on the following two criteria:

- ✓ Nature of activities, distinguishing, within a continuum, between public and private goods (Brosio, 1991);
- ✓ Financial resources required by the different destination activities, distinguishing, within a continuum, between high and low level (Grant, 1994).

4.1 Private and public goods

The distinction between public and private goods is based mostly on two criteria: the rivalry of the consumption and the excludability (Brosio, 1991, pp. 54 ff.).

4.1.1 The rivalry of the consumption

Public goods are characterized by the fact that the consumption of a specific person is compatible, more or less, with the consumption of another. In economic language, we can affirm that the public nature of specific goods or services is reflected in this relationship so the addition of one or more consumers does not imply marginal production or distribution costs.

If X is the total quantity of a specific product and X_1, X_2, X_3 … X_n are the consumed quantities by n consumers, this product could be defined "public" if:

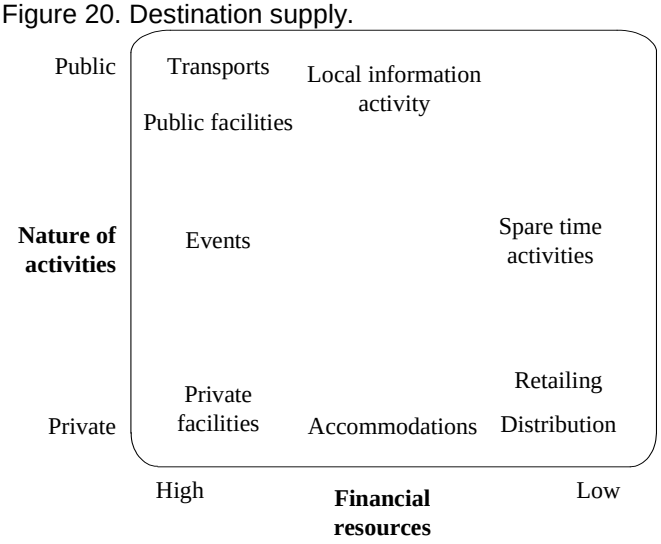
$X = X_1, = X_2 = X_3 \ldots = X_n$

Conversely, private services and goods are characterized by the fact that their consumption by one consumer competes with the consumption by other consumers. In other words, we can affirm that consumption is divisible by many consumers. Following the previous thought, we can affirm that the private character of private goods or services consists of the addition of one or more consumers resulting in an increase of the total quantity of production

$X = X_1, + X_2 + X_3 \ldots + X_n$

Here are some examples: Given the specific capacity of a mountain path, the addition of one or more tourists does not produce marginal costs. Diversely, a hotel room is a private service; its consumption by one tourist is competing with the consumption of others.

Figure 20. Destination supply.



Source: own analysis.

4.1.2 Excludability

The distinctive character of public goods (or services) is the absence of rivalry in consumption. But this element must be overlapped with the degree of excludability of a specific customer.

The literature (Brown and Jackson, 1978) identified two cases of non-excludability: technical and economic. Either TV or radio represents an example of technical non-excludability. All consumers that have a radio or TV can receive this public service. Another example is represented by the defense service. Residents contrary to a national army receive the same service as residents that support the existence of national defense.

Non-economical excludability is based on the high costs that the exclusion of one customer generates. The exclusion of one tourist by a public service such as cross-country skiing is possible but it too can be expensive.

Figure 21. Financial resources.

	Transportation	Public facilities	Events	Private facilities	Local information activity	Accommodations	Spare time activities	Retailing	Distribution activity
Level of investment	high	high	high	high	low	high	medium	low	low
Cash-flow	negative	negative	balance	positive	balance	positive*	positive	positive	positive**
Operative profit	balance	negative	negative	positive	balance	positive	positive	positive	positive
Variable operative costs	low	low	low	low	low	medium	medium	medium	high
Fixed operative costs	high	high	high	high	high	medium	low	low	low
Financial resources	**high**	**high**	**high**	**high**	**medium**	**medium**	**low**	**low**	**low**

Legend: *direct segment (negative in the case of tourism agency and TO) ** Leisure or business travel with credit card

Source: own analysis.

4.2 Financial resources

The second variable measures the financial resources. They include the level of initial investment, the operative profitability, the structure of cash flows and the composition of operative costs, distinguishing between variable and fixed costs. Figure 21 identifies three different groups of activities:

- ✓ *High level of financial resources*. This first group includes transports, public and private facilities and events. Usually these activities require a high level of initial investment and fixed operative costs. Furthermore, some activities such as transports present negative cash flow;
- ✓ *Medium level of financial resources*. It includes local information activities and accommodation structures. Their financial profile is very different. The first activity usually presents low initial investment, negative cash flow and a high level of fixed operative costs. The second is judged "medium" because these structures require high investment and medium operative fixed costs;
- ✓ *Low level of financial resources*. It includes spare time activities, and retailing and distribution tasks. The financial profile usually presents low initial investment, medium or high variable operative costs and positive cash flow.

4.3 Destination activities

Having clarified both criteria used to identify destination structure, we want to spend some time describing a single activity, using the case of alpine destination. Figure 20 identifies the following activities:

- ✓ *Distribution*, the client can choose the destination directly or by intermediaries such as TO, an agency or a tourism organization. It is important to note that an agency can influence the destination choice and the tourism package;
- ✓ *Transports* include the ways to reach the destination, local viability and local public transports;
- ✓ *Public facilities* include a wide range of activities that present distinctive elements of public goods and services, e.g. walking paths, mountain bike paths, parks, cross-country paths and so on;
- ✓ *Private facilities* include a wide range of activities that can be used by the client only by paying a fee. An important example would be a ski area in an alpine destination, but golf, tennis, a pub, dancing, and so on are also examples;
- ✓ *Events* include spectator affairs, such as national or international sports or non sportive activities which attract the interest of a new segment of clientele and are able to increase the destination brand and image (e.g. the final world FIS ski cup in Bormio);
- ✓ *Spare time activities* include a wide range of structured activities to fill up free time. This is an important tool to introduce the client to new destination attractions. Spare time activities differ from public facilities because they represent a structured activity. Often they use public facilities, e.g. a gastronomic tour that uses walking paths;
- ✓ *Local information activity* is a large mix of promotional tools that inform tourists that are already in the destination about local spare time opportunities and attractions. This service is usually managed by tourism organizations;

- ✓ *Retailing* includes a wide range of commercial services such as financial services (banks) and shops.

4.4 Relevance of public sector

The European Commission wrote: "The success of a destination in terms of satisfaction of the tourist is a function of several interdependent components. This underscores the need for strategic and integrated planning in respect of tourist destinations, together with the selective use of specific tools and techniques to address integrated quality management of the destination" (EC, 1997).

There are considerable variations in the structure of the public administration of tourism, which in turn depends on the size of the destination, and the importance that central and local government attaches to the various reasons for public sector involvement in tourism. A list of some of the most common arguments for public participation is shown in figure 22.

Figure 22. Reasons for public involvement in tourism.

- Foreign exchange earnings and their importance for the balance of payments
- Employment creation and the need to provide education and training
- Large and fragmented industry requiring careful coordination of development and marketing
- Maximize the net benefits to the host community
- Spread the benefits and costs equitably
- Building the image of the region as a tourism destination
- Market regulation to protect consumers and prevent unfair competition
- Provision of public goods and infrastructure as part of the tourism product
- Protect tourism resources and the environment
- Regulate aspects of social behavior
- Monitoring the level of tourism activity through statistical surveys

Source: Adapted from Cooper et al. (1998, p. 231).

We can identify two philosophies of public management: a) direct management; b) indirect management. These two concepts are polar points within a continuum.

Direct management is typical for example of the Italian tradition. Public sector manages some activities directly, such as transports, local information, public facilities, events and so on.

Indirect management, on the contrary, includes a mix of tools that does not require an active role by public administration. Some examples are land-use planning regulations, building regulations, investment incentives, fiscal controls and regulations. Central and local government prefers to provide incentives for private initiative and support it, rather than create public structure.

Chapter 3
Destination strategy process

1. STRATEGY CONTENT AND PROCESS

The strategic management literature makes a distinction between strategy content and strategy process[1]. The strategy content subfield "focuses exclusively on what strategic positions of the firm lead to optimal performance under varying environmental contexts." In contrast, "strategy process research is concerned with how a firm's administrative systems and decision processes influence its strategic position" (Chakravarthy and Doz, 1992, p. 5).

Strategy process research may be distinguished from strategy content, in at least three aspects:

- ✓ Focus;
- ✓ Disciplinary bases;
- ✓ Methodologies.

In describing the *focus* of strategy content, Montgomery, Wernerfelt and Balakrishnan observed that it "addresses the scope of the firm (the combination of markets in which a firm competes) and the ways of competing within individual markets (business-level, competitive strategies)" (1989, p. 159). Strategy content is more concerned with the effective positioning of the firm *vis-à-vis* its environment, but it does not describe *how* firms achieve and maintain such positioning through both deliberate and trial-and-error actions[2].

[1] Pettigrew criticizes this contraposition between strategy process and context. The author wrote: "It has been customary in the field of strategic management to distinguish strategy process research from the better established and more voluminous subfield of strategy content research. For a time this distinction between content and process has been useful. It has allowed a process tradition to develop in the field, and as Chakravarthy and Doz (1992) suggest, with a different focus, disciplinary bases and methodologies. However, it is now clear that as elements of the content tradition are asking more dynamic questions (for example, Nelson 1991, Porter, 1991) and parts of the process tradition are more explicitly linking process themes to the time series analysis of strategy content, so the sharp distinction between process and content appears more of an analytical hindrance than a help. Certainly in the analysis of strategic change there seems to be strong advantages not only from linking process to content but also from exploring simultaneously the links between the contexts, content and process of change together with their interconnections through time. […] For the moment it should be clear that in the conduct of strategy process research, the what and the how, the content and the process, are best regarded as inseparable" (1992, p. 6). The destination literature focuses mainly on strategy content, exploring the links between market position and destination results. For this reason this work focuses only on destination strategy process research and investigating the how question.

[2] A good example of the different focus between strategy process and content is given in the introduction of Barnett and Burgelman's SMJ article: "Most strategy research offers some rationale to account for performance differences among organizations or to account for strategic differences that presumably have performance consequences. For instance, a better-performing organization may be in a market position that is protected from competition (Porter, 1980), may have unique capabilities that enable it to innovate or differentiate (Wernerfelt, 1984; Barney, 1991), may occupy a powerful position in a network of organizations (Pfeffer and Salancik, 1978; Burt, 1992), may have a structure or strategy that fits well with the challenges offered by the market (Scott, 1975; Venkatraman and Prescott, 1990), may be efficiently designed so as to minimize transaction costs (Williamson, 1991), or may have outwitted its rivals in strategic interaction (Dixit and Nalebuff, 1991; Saloner, 1991) – to mention just some of the more popular rationales. A common belief among these various schools of thought is that a theoretical rationale can be expected to correspond to empirical patterns observable at any given time. In this belief, strategy researchers typically look for cross-sectional correlations in data at a single point in time, or sometimes even in a single case at a single time. Such evidence generally is accepted as a test, or at least

Strategy process and content present different *disciplinary bases. A* distinction is made between the assumption about decision-making and the unit of analysis. Strategy content focuses more on rational assumption. Its unit of analysis leads only to the interface between firm and its environment. Strategy process research accepts rational and even extra rational behaviors on the part of organizational actors and deals with the behavioral interactions of the individual, groups, and/or organizational units, within or between firms (Hirsh, 1991, cited in Chakravarthy and Doz, p. 6).

Strategy process research also differs from strategy content research in the *methodologies* that it uses. The proverbial "black box," the firm, has to be opened and studied from within. Therefore, unlike strategy content research, that can be done through secondarily published data on the firm, strategy process research needs a range of more intrusive methods including interviews, filed studies, direct observations, and participant observations[3] (Yin, 1944, p. 80).

Many researchers (e.g. Pettigrew, 1992; Barnett and Burgelman, 1996; Bartlett and Goshal, 1993; Chakravarthy and Doz, 1992) stress the relevance of longitudinal studies for strategy process research and the relevance of cross-sectional analysis for the content strategy research[4].

2. HISTORICAL EVOLUTION OF THE FIELD[5]

In his review of the historical literature in the field, Hart (1992) identified three recurring themes (figure 2):

- ✓ *Rationality*: the extent to which the strategic process can (or should be) comprehensive, exhaustive, and analytical in approach;
- ✓ *Role of top management*: the extent to which leaders can articulate a clear strategic vision and motivate organizational members to adopt it;
- ✓ *Involvement*: the extent to which organizational members are critical in the strategy-making process.

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an illustration, of a theoretical rationale. But through what mechanism do these predicted results come about?" (1996, p. 5).

[3] Pettigrew in his guest editor's introduction of SMJ special issue (1992) identified five "internally consistent assumptions" of the character of strategy process research that are:

1. "Embeddedness, studying processes across a number of levels of analysis;
2. Temporal interconnectedness, studying processes in past, present and future time;
3. A role in explanation for context and action;
4. A search for holistic rather than linear explanations of process; and,
5. A need to link process analysis to the location and explanation of outcomes" (1992, p. 9).

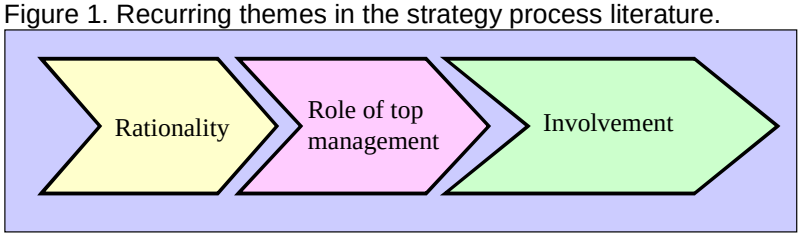
[4] "Moreover, the questions that drive the strategy process subfield are more properly answered through longitudinal studies (cinematography) rather than cross-sectional studies (still frame photography). Cross-sectional studies are only appropriate if the organization studied is assumed to be in a steady state of adaptation with its environment" (Chakravarthy and Doz, 1992, pp. 6-7). "Cross sectional research designs are combined with the static metaphors of contingency thinking to analyze the fit between the positioning and resource base of the firm and its performance in different environments" (Pettigrew, 1992, p. 5). "Those who take an evolutionary perspective on strategy, by contrast, explicitly question how strategic outcomes develop, and in so doing treat the assumption of historical efficiency as part of the research agenda" (Barnett and Burgelman, 1996, pp. 5-6).

[5] This paragraph develops the Hart's historical evolution of the field.

2.1 Rationality

The post-war growth in the United States created an extraordinary new set of opportunities and challenges for the management of companies operating in that era. In turn, as companies developed new strategic approaches, created innovative organizational forms, and redefined management roles in response to the changing environment, they stimulated a wave of research that sought to enrich and even redefine the theory of the firm. It was in this golden era of research in the late 1950s through the 1960s that many of the foundations of current management theory were laid[6].

Figure 1. Recurring themes in the strategy process literature.



Source: Own analysis.

Strategy has a long and venerable intellectual history[7]. The foundation of this literature is the well-known rational model, which calls for comprehensive and exhaustive analysis prior to decision (Fredrickson and Mitchell, 1984). Rationality implies that a decision maker i) considers all available alternatives, ii) identifies and evaluates all of the consequences which would follow from the adoption of each alternative, and iii) selects the alternative that would be preferable in terms of the most

[6] Bartlett and Goshal wrote: "At MIT, business historian Alfred Chandler had become fascinated by the rapid spread of the new strategies and the organizations needed to manage them, and was tracing the trend to its roots in the pre-war period. His carefully documented research provided a richly textured interpretation of the new multidivisional organization that was beginning to dominate corporate structures in the United States and abroad (Chandler, 1962). At Canergie Mellon, another extraordinary research effort was building on the foundations laid by Herbert Simon and James March in modeling human behavior to better understand how decisions were made in the complex new emerging corporations. The resulting behavioral theory of the firm was consolidated and formalized in the work of Cyert and March (1963). Several years later, at Harvard Business School, Joseph Bower's research into business planning and investment decision making multidivisional organizations, thereby creating a bridge between the new corporate structure described by Chandler and the theory of decision-making proposed by Cyert and March" (Bower, 1970).

[7] Many researchers identified in the work of Barnard (1938) and Chandler the seminal premises of strategy process research. "The emergence, evolution, and refinement of the strategy of a firm in positional terms, but through an administrative process, was well recognized by Barnard and Chandler long ago. Barnard (1938, p. 235) captured the links between executive functions: «The executive functions which have been distinguished for the purpose of exposition and which are the basis for much functional specialization in organizations, have no separate concrete existence. They are parts or aspects of a process of organization as a whole. This process in the more complex organizations, and usually even in simple unit organizations, has made the subject of specialized responsibility of executives or leaders. The means utilized are to a considerable extent concrete acts logically determined; but the essential aspect of the process is the sensing of the organization as a whole and the total situation relevant to it». Barnard pointed out the interactions between the formulation of purpose, communication within the organization, and the sum of executive functions. Similarly, Chandler (1962, p. 13) considered strategy as a process: «Strategy can be defined as the determination of the basic long-term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals»" (Bower and Doz, 1972, p. 153). "Strategy process research as applied to corporate settings has a long history dating back at least to Barnard (1938) and Simon (1945)" (Chakravarthy and Doz, 1992, p. 7).

valued results (Meyerson and Banfield, 1955). The rational model of decision making applied to strategy suggests systematic environmental analysis, assessment of internal strengths and weaknesses, explicit goal setting, evaluation of alternative courses of action, and the development of a comprehensive plan to achieve certain goals (e.g., Andrews, 1971; Ansoff, 1965; Hofer and Schendel, 1978). Organizationally, this calls for the use of a formal strategic planning system (Lorange and Cancil, 1977; Wood and LaForge, 1979).

An equally persuasive body of behavioral theory has challenged the assumptions of rationality (Cyert and March, 1963). According to this theory, individuals and organizations can achieve *only* bounded rationality (Simon, 1957). At an individual level, cognitive limits cause decision makers to adopt simplified models of the world, to limit search behavior to different options, and to accept the first satisfactory outcome (Lindblom, 1959; March and Simon, 1958; Simon, 1952). Individuals rely on schema or cognitive maps to organize issues and events into manageable categories (Dutton and Jackson, 1987; Schwenk, 1988).

At the organizational level, strategic assumptions form the basis for organizational frames of reference (Mason and Mitroff, 1981; Schneider and Shrivastava, 1987; Shrivastava and Schneider, 1984), which predispose firms to act in particular ways. Finally, the difficulty of organizational goal setting can lead to politically motivated behavior among actors that results in a disjointed, incrementally organized process often described as muddling through (Hraybrooke and Lindblom, 1963; Cyert and March, 1963; MacMillan and Jones, 1986; Simon, 1964). Independent assumptions about organizational intention can result in a garbage model of strategic choice, and strategy emerges as a result of organized anarchy (Cohen, March, and Olsen, 1972). The behavioral literature thus suggests a more limited and less encompassing role for top managers in the strategy-making process. It challenges both the cognitive and motivational assumptions inherent in the rational model and suggests that organizational members play a significant role in the process (Mintzberg, 1978).

2.2 Role of top management

Recognizing these limitations, Quinn (1978) proposed logical “incrementalism” as the normative ideal for strategy making. In this model executives may be able to predict the broad direction, but not the precise nature, of the ultimate strategy that will result. Accordingly, top manager’s focus on establishing a broadly defined direction for the organization, allowing the details to emerge over time. Following this line of thinking, an increasing number of writers have advocated the importance of top management vision and the nurturing of strong corporate values in the strategy process (Conger and Kanungo, 1988; Kotter, 1988; Pascale, 1987; Weick, 1987). Thus, rather than seeking to be comprehensive – the ideal of rationality –, top managers work to create a general sense of purpose and direction that will guide the actions taken by organizational members to go beyond the status quo, yet will provide order by offering a long-term direction as a beacon that will, in turn, guide individual, short-term action (Nonaka, 1988). As part of the vision, top managers must capture the imagination of organizational members (Burns, 1978; Stata, 1988).

2.3 Involvement

Thus, commitment through involvement has emerged as another important ingredient in the strategy-making literature of the past decade. Usually, in rational models, strategy making is envisioned as the province of top managers only (e.g., Andrews, 1971; Ansoff, 1965). However, scholars also have noted the increasing trend toward wider involvement of organizational members in strategic concerns (Guth and Macmillan, 1986; Hickson, et al., 1986; Imai, 1986; Mintzberg, 1990; Rhyne, 1986; Wooldridge and Floyd, 1990). Difficulties with strategy implementation (Galbraith and Kazanjian, 1986) and an increasing speed of environmental change (Ansoff, 1979) are often cited as the reasons for such involvement. Others have noted the growing importance of intrapreneurship to innovation and corporate success (Burgelman, 1984; Kuratko, Montagnor, and Hornsby, 1990; Quinn, 1985). Burgelman (1983) captured this theme well by identifying induced and autonomous strategic behavior on the part of organizational members. *Induced behavior* implies rationality – the deliberate use, by top management, of structure and formal control systems to motivate employees to behave in desired ways, presumably to implement a formulated strategy. Autonomous behavior, however, calls for encouragement (or at least acceptance) of individual initiative at the operating level, in the interest of productivity improvement and innovation (Imai, 1986).

3. THE SCHOOLS OF STRATEGY

Considering the three criteria developed in §2 (rationality, role of top management and involvement) Mintzberg (1990) identifies three streams of literature and ten schools (figure 2).

The ten schools summarized in figure 2 fall into three groupings.

Figure 2. Schools of thought in strategy-making.

1.	2.	3.
Prescriptive orientation	**Descriptive orientation**	**Descriptive and integrative orientation**
1. Design school	1. Entrepreneurial school	1.Configuration school
2. Planning school	2.Cognitive school	
3. Positioning school	3.Learning school	
	4.Power school	
	5.Cultural school	
	6.Environmental school	

Source: Own analysis based on Mintzberg (1990).

The **first three schools** (the design, planning and positioning schools) "are *prescriptive* in nature – more concerned with how strategies *should* be formulated than with how they necessarily *are* formulated" (Mintzberg, Ahlstrand, Lampel, 1998, p. 5, italics in original).

In the 1960s, the design school presented the basic framework on which the other two were built, focusing on strategy formation as a process of informal *design*, essentially one conception.

The planning school, which developed simultaneously in the 1960s and peaked in a flurry of publications and practice in the 1970s, formalized the idea that strategy making was a more detached and systematic process of formal *planning*.

That school was somewhat displaced in the 1980s by the third prescriptive school, which is less concerned with the process of strategy formation than with the actual content of strategies. It is referred to as the *positioning* school because it focuses on the selection of strategic positions in the economic marketplace.

The **six schools** that follow (entrepreneurial, cognitive, learning, power, cultural and environmental) consider specific aspects of the process of strategy formation, and have been concerned less with prescribing ideal strategic behavior than with *describing* how strategies are developed.

Some prominent writers have long associated strategy with *entrepreneurship*, and have described the process in terms of the creation of vision by the great leader.

But if strategy can be a personalized vision, then strategy formation has also to be understood as the process of concept attainment in a person's head. Accordingly, a small but important *cognitive* school has also developed that seeks to use the messages of cognitive psychology to enter into the strategist's mind.

Each of the four schools that follow has tried to open up the process of strategy formation beyond the individual to other forces and other actors. For the *learning* school, the world is too complex to allow strategies to be developed all at once as clear plans or visions. Hence strategies must emerge in small steps, as an organization adapts, or "learns".

Similar to this, but with a different twist, is the *power* school, which treats strategy formation as a process of negotiation. This can mean conflicting groups exist within an organization or are the organizations themselves

In contrast to this is another school of thought that considers strategy formation to be rooted in the *culture* of the organization. Hence the process is viewed as fundamentally collective and cooperative.

And then there are the proponents of the *environmental* school. Organizational theorists who believe strategy formation is a reactive process in which the initiative lies not inside the organization, but with its external context. Accordingly, they seek to understand the pressures imposed on organizations.

The **final group** contains but one school, although it could be argued that this school actually combines the others. It is the *configuration* school. People in this school, in seeking to be integrative, cluster the various elements of the strategy-making process into distinct states of episodes, for example, of entrepreneurial growth or stable maturity, sometimes sequenced over time to describe the life cycles of organizations.

Strongly related to the different schools is the concept of strategy. Mintzberg (1987) identifies five "Ps" for strategy:

Strategy is a *plan* or something equivalent – a direction, a guide or course of action into the future, a path to get from here to there. Strategy is a *pattern*, that is, consistency in behavior over time. The difference between these two definitions is that strategy as a plan looks ahead while strategy as pattern looks at past behavior.

Alongside plan and pattern, we can add two more "p" words. Strategy is a *position*, namely the location of particular products in particular markets. In Porter's words, "Strategy is the creation of a unique and valuable position, involving a different set of activities" (1996, p. 68). Strategy is a *perspective*, namely an organization's

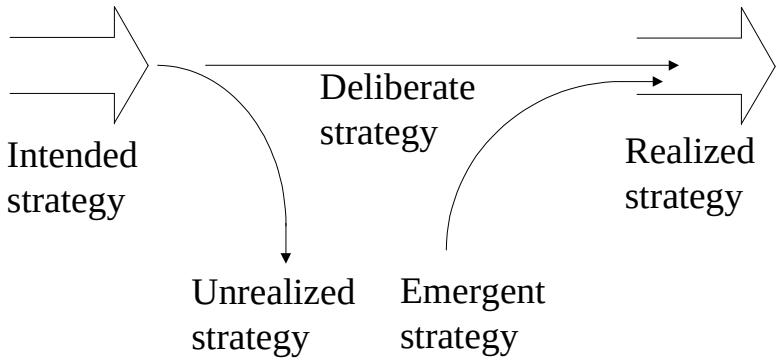
fundamental way of doing something. Finally, strategy is a *ploy*, that is, a specific "maneuver" intended to outwit an opponent or competitor.

The important distinction between intended and emergent strategy leads us to the need to develop a paragraph about the contribution of Mintzberg and Waters (1985).

3.1 Mintzberg and Waters (1985)

The SMJ's article develops the pioneering theory of Mintzberg 's(1978) concept of strategy. The author noted that "most of the literature [in the field of strategy formation] remains theoretical without being empirical, and the contradictions among these three modes [planning mode, adaptive mode and entrepreneurial mode] remain to be investigated" (Mintzberg, 1978, p. 934). Mintzberg proposed a new definition of strategy capable of going beyond the common theme that strategy is a "conscious set of guidelines that determines decisions in the future. […] All these definitions treat strategy as i) explicit, ii) developed consciously and purposefully, and iii) made in advance of the specific decisions to which it applies. In common terminology, a strategy is a «plan»" (1978, p. 935). The new paradigm[8], which is empirically based, considers "both sides of strategy formation: strategies that are intended, a priori as guidelines as well as strategies that are evolved, a posteriori consistencies in decisional behavior. In other words, the strategy-maker may *formulate* a strategy through a conscious process before he makes specific decisions, or a strategy may *form* gradually, perhaps unintentionally, as he makes his decisions one by one. This definition operationalizes the concept of strategy for the researcher" (1978, p. 935).

Figure 3. Types of strategy.



Source: Mintzberg (1978, p. 945).

The resulting model (figure 3) distinguished three basic concepts:
Intended strategies that are realized; these may be called *deliberate* strategies;

- ✓ Intended strategies that do not get realized, perhaps because of unrealistic expectations, misjudgments about the environment, or changes during implementation; these may be called unrealized strategies;
- ✓ Realized strategies that were never intended, perhaps because no strategy was implemented at the outset or perhaps because those that were got displaced along the way; these may be called emergent strategies.

The Mintzberg's model (1978) considered the interplay of three basic forces:

[8] "Strategy in general, and *realized* strategy in particular, will be defined as *a pattern in a stream of decisions*" (Mintzberg, 1978, p. 935).

- ✓ "an *environment* that changes continuously but irregularly, with frequent discontinuities and wide swings in its rate of change;
- ✓ an organizational operating system, or *bureaucracy*, that above all seeks to stabilize its actions, despite the characteristics of the environment it serves;
- ✓ a *leadership* whose role is to mediate between these two forces, to maintain the stability of the organization's operating system while at the same time insuring its adaptation to environmental change" (1978, p. 941).

3.1.1 Research design

The work of Mintzberg and Water (1985) investigates the relationships between the deliberate and the emergent strategy, and the intended and realized strategy[9]. The work is empirically based using 11 intensive studies "as well as a larger number of smaller ones" (1985, p. 257). The research assumes the three basic forces identified in Mintzberg (1978): i) leadership, ii) bureaucracy (central control over organizational actions), and iii) the environment[10].

The article clarifies the concepts of purely deliberate and purely emergent strategies. Purely deliberate strategies require simultaneously three conditions. "First, there must have existed precise intentions in the organization, articulated rather concretely, so that there can be no doubt about what was desired before any actions were taken. Secondly, because organization means collective action, to dispel any possible doubt about whether or not the intentions were organizational, they must have been common to virtually all the actors: either shared as their own or else accepted from leaders, probably in response to some sort of controls. Thirdly, these collective intentions must have been realized exactly as intended, which means that no external force (market, technological, political, etc.) could have interfered with them. The environment, in other words, must have been either perfectly predictable, totally benign, or else under the full control of the organization" (p. 258).

Purely emergent strategies "must be ordered in the absence of intention about them. (No consistency means no strategy or at least unrealized strategy.) It is difficult to imagine action in the *total* absence of intention" (p. 258).

The authors would expect that both kinds of pure strategies are rarely in the empirical field[11].

The research identified eight types of strategies that, within a continuum, are focused on a deliberate pole or on an emergent strategy (see figure 4 and 5).

[9] "This paper has been written to open up thinking about strategy formation, to broaden perspectives that may remain framed in the image of it as an *a priori*, analytic process or even as a sharp dichotomy between strategies as either deliberate or emergent" (Mintzberg and Waters, 1985, p. 269).

[10] "Leadership intentions would be more or less precise, concrete and explicit, and more or less shared, as would intentions existing elsewhere in the organization; central control over organizational actions would be more or less firm and more or less pervasive; and the environment would be more or less benign, more or less controllable and more or less predictable" (p. 259).

[11] "We would expect to find tendencies in the directions of deliberate and emergent strategies rather than perfect forms of either" (p. 258).

Figure 4. Summary description of strategies.

Strategy	Major forces
Planned	Strategies originate in formal plans: precise intentions exist, formulated and articulated by central leadership, backed up by formal controls to ensure surprise-free implementation in benign, controllable or predictable environment; strategies most deliberate
Entrepreneurial	Strategies originate in central vision: intentions exist as personal, unarticulated vision of single leader, and so adaptable to new opportunities; organization under personal control of leader and located in protected niche in an environment; strategies relatively deliberate but can emerge
Ideological	Strategies originate in shared beliefs: intentions exist as collective vision of all actors, in inspirational form and relatively immutable, controlled normatively through indoctrination and/or socialization; organization often proactive *vis-à-vis* environment; strategies rather deliberate
Umbrella	Strategies originate in constraints: leadership, in partial control of organizational actions, defines strategic boundaries or targets within which other actors respond to own forces or to complex, perhaps also unpredictable environment; strategies partly deliberate, partly emergent and deliberately emergent
Process	Strategies originate in process: leadership controls process aspects of strategy (hiring, structure, etc.), leaving content aspects to other actors; strategies partly deliberate, partly emergent (and, again, deliberately emergent)
Unconnected	Strategies originate in enclaves: actor(s) loosely coupled to rest of organization produce(s) patterns in own actions in absence of, or in direct contradiction to, central or common intentions; strategies organizationally emerge whether or not deliberate for actor(s)
Consensus	Strategies originate in consensus: through mutual adjustment, actors converge on patterns that become pervasive in absence of central or common intentions; strategies rather emergent
Imposed	Strategies originate in environment: environment dictates patterns in actions either through direct imposition or through implicitly pre-empting or bounding organizational choice; strategies most emergent, although may be internalized by organization and made deliberate

Source: Mintzberg and Waters (1985, p. 270).

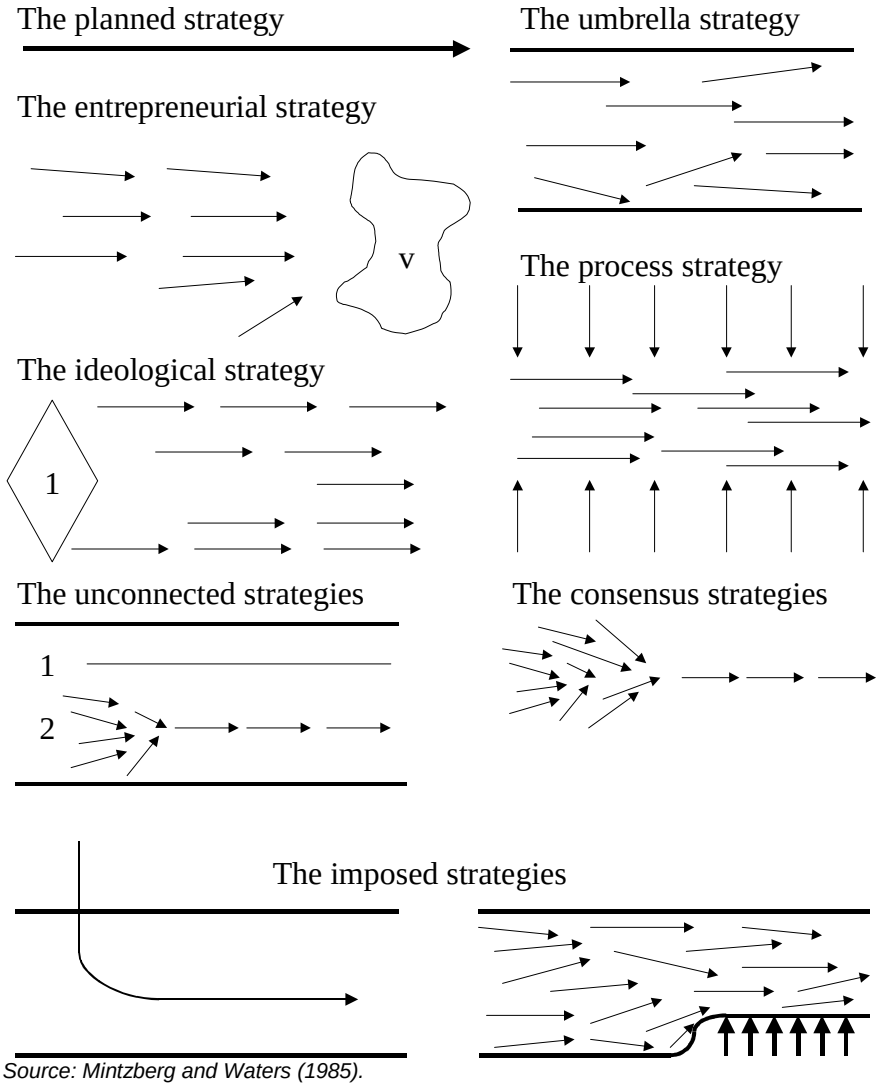
3.2 Hart (1992)

The work of Hart focuses on developing theoretical integration of prior models[12]. Thus, the contribution is only theoretical, not empirically based. The integrative model is constructed around the *complementary* roles that top managers and organizational members play in the making of strategy[13].

[12] "As the literature review indicates, there has been extensive conceptual development in the area of strategy-making process. Multiple streams of literature exist. These streams tap several themes that have produced competing or overlapping typologies. None of the individual typologies, however, captures the range of themes and dimensions associated with the strategy-making process. Instead, each emphasizes only a portion of the content. Given the fragmented and overlapping nature of the literature, the field of management would benefit greatly from theoretical integration" (Hart, 1992, p. 333).

[13] "Where roles have been defined, the focus is either on top managers or organizational members, not on how the roles interrelate" (p. 333).

Figure 5. Types of strategies.



Source: Mintzberg and Waters (1985).

Based on prior works, the author has identified five roles that either top managers or organizational members can assume. The role played by top managers can range all the way from that of a *commander*, where strategy is consciously formulated at the top and issued to the rest of the organization, to what might be called the *sponsor*, where strategy emerges from below and is merely recognized and supported by the top. Similarly, the role played by organizational members can range all the way from that of a *good soldier*, in which members execute the plans formulated by top managers, to that of an *entrepreneur*, in which members are expected to behave autonomously in the pursuit of new initiatives. Figure 8 summarizes the five complementary yet different roles.

Hart described the priorities of top management by identifying the main organizational levers in terms of i) mission, ii) vision, iii) goals, iv) strategy, v) structure, vi) systems, vii) processes, and viii) people[14]. Figure 7 combines organizational levers and styles.

[14] "Top managers, in particular, focus on different priorities for each of the five modes – they pull different organizational «levers». For example, in the symbolic mode, top managers focus fundamentally

Figure 6. An integrative framework for strategy-making processes.

Descriptors	Command	Symbolic	Rational	Transactive	Generative
Style	*Imperial* Strategy driven by leader or small top team	*Cultural* Strategy driven by mission and a vision of the future	*Analytical* Strategy driven by formal structure and planning systems	*Procedural* Strategy driven by internal process and mutual adjustment	*Organic* Strategy driven by organizational actors' initiative
Role of top management	*Commander* Provide direction	*Coach* Motivate and inspire	*Boss* Evaluate and control	*Facilitator* Empower and enable	*Sponsor* Endorse and support
Role of organizational members	*Soldier* Obey orders	*Player* Respond to challenge	*Subordinate* Follow the system	*Participant* Learn and improve	*Entrepreneur* Experiment and take risks

Source: Hart (1992, p. 334).

Figure 7. An integrative framework for strategy-making processes.

Levers	Command	Symbolic	Rational	Transactive	Generative
Mission	*	*			
Vision	*	*			
Goals	*	*	**		
Strategy	*	**	*	**	
Structure	*	**	*	*	
Systems	*		*	*	**
Processes	*		**	*	*
People	*			**	*

* Primary focus
** Secondary focus

Source: Hart (1992, p. 334).

Next we will briefly describe the five roles of top managers.

3.2.1 Command mode

In this mode total control of the firm is exercised by a few top managers or by a strong individual leader. The top manager is the *commander* while the organizational members are *soldiers*, who execute the strategy, as articulated by the top. Strategy

upon the firm's goals and competitive strategy and the formal structure and systems necessary for their implementation. With the transactive mode, top management emphasis is placed on the design and facilitation of effective organizational systems and processes. The organizational levers available to top management can thus be conceptualized as ranging from the articulation of corporate mission and vision, on the one extreme, to concern for informal processes and people on the other, with a range of levers falling in between" (p. 335).

making is a conscious and controlled process[15]. This process is similar in the Mintzberg and Waters' language to entrepreneurial strategy.

3.2.2 Symbolic mode

Strategy making depends on a compelling and clear corporate vision created by top management. The vision gives meaning to the company's activities and provides a sense of identity for employees; it defines the basic philosophy and values of the firm[16]. The corporate vision and mission tends to create an implicit control system, which is based on shared values. Top management is defined as a *coach,* while organizational members are *players*. This strategy making presents some analogies with ideological and umbrella strategies in Mintzberg and Waters' model.

3.2.3 Rational mode

This strategy making process presents the traditional distinction between formulation and implementation of strategy and in this sense it could be defined also as "comprehensive." The process usually involves formal strategic planning and operating plans. Top management is the boss and in ensuring effective implementation, formal control plays a strategic role[17]. Organizational members are described as *subordinate*. This model is similar to Mintzberg and Waters' planned strategy.

3.2.4 Transactive mode

"The essence of the transactive mode is strategy making based on interaction and learning rather than the execution of a predetermined plan. Both cognitive limits and environmental uncertainty serve to limit top management's ability to separate the formulation of strategy from its implementation" (Hart, 1992, p. 338). While cross-functional communication among organizational members is central, top management is defined as *facilitator,* and organizational members as *participants*. This mode presents similarities to process and consensus strategies defined by Mintzberg and Waters.

3.2.5 Generative mode

This late strategy-making mode emphasizes the role of organizational members described as entrepreneur, while top management is a *sponsor*. The generative mode presupposes a complex and dynamic environment that assures high autonomy to organizational members. Top managers are primarily involved in selecting and

[15] "The strategic situation is analyzed, alternatives are considered, and the appropriate course of strategic action is decided upon. In such a mode, strategies are deliberate, fully formed, and ready to be implemented" (Hart, 1992, p. 336).

[16] In clarifying this point, the author uses the concept of "strategic intent" defined by Prahalad and Hamel in the following way: "Strategic intent is our term for such an animating dream. Strategic intent is strategic architecture's capstone. A strategic architecture may point the way to the future, but it's an ambitious and compelling strategic intent that provides the emotional and intellectual energy for the journey. Strategic architecture is the brain; strategic intent is the heart. Strategic intent implies a significant stretch for the organization. Current capabilities and resources are manifestly insufficient to the task" (1994, p. 141).

[17] "To ensure effective implementation, top management carefully monitors and controls the activities of subordinates who are held accountable for performance benchmarked against the plan. Through structural and formal systems, organizational members are induced to behave in desired ways. In short, the rational mode is rooted in top management's drive to consider as much data as possible in the formulation of an explicit business strategy" (Hart, 1992, p. 338).

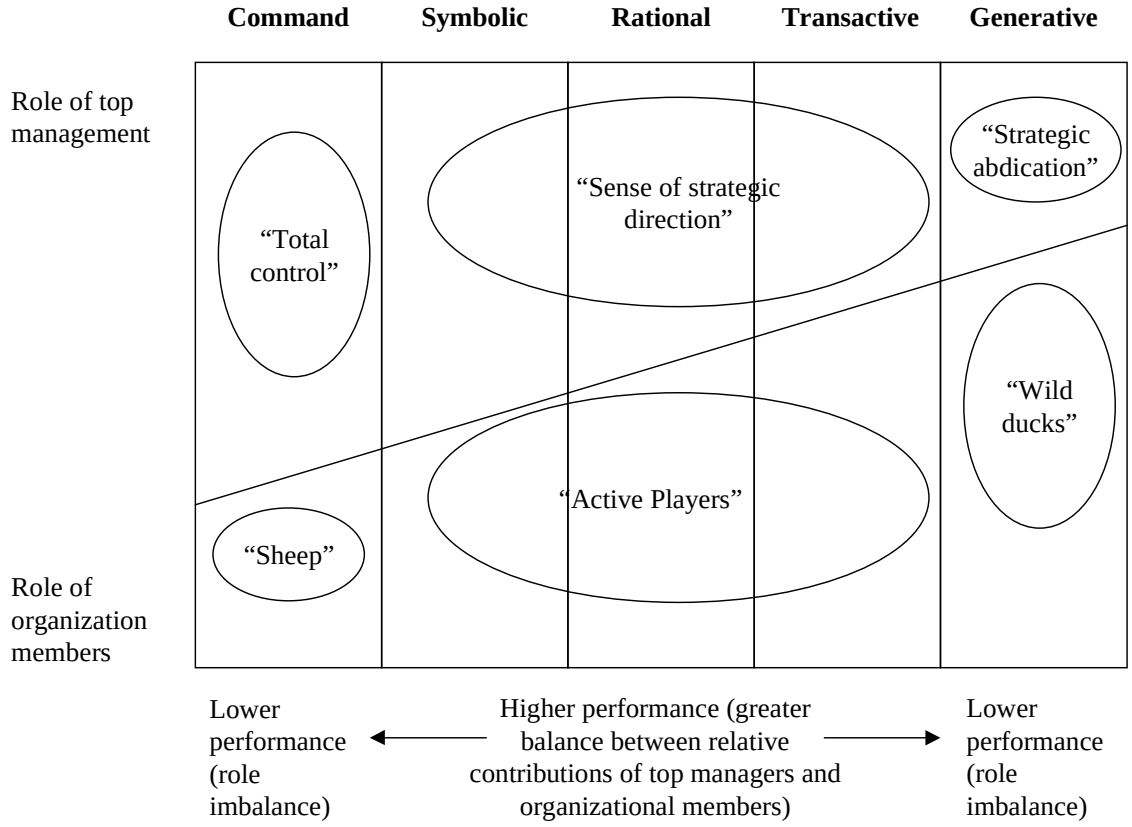
nurturing high-potential proposals that emerge from below[18]. This mode presents similarities to imperative and unconnected strategies defined by Mintzberg and Waters.

3.3 Toward a holistic model

Hart completed his theoretical model considering the following:

- ✓ The link between strategy-making mode and firm performance;
- ✓ The effect of key structural contingency factors, and
- ✓ Effective combinations or configurations of strategy-making modes.

Figure 8. Strategy making mode and firm performance.



Source: Hart (1992, p. 340).

3.3.1 Strategy-making mode and firm performance

In examining the correlation between strategy-making and firm performance, the author suggested that middle modes (symbolic, rational and transactive) make better use of organizational skills and resources (and would be associated with higher levels of overall performance) than either the command or the generative modes[19]. This proposition is depicted in figure 8.

[18] "Universities, hospitals, and professional organizations are well known for their generative properties. […] The role of top management in this mode is to encourage experimentation and risk taking on the part of people in the organization and to nurture the development of the highest potential ideas. This sponsor role is accomplished through a variety of processes such as skunk-works, innovation time, and the staffing of critical innovation roles designed to encourage individual and team-based innovation" (Hart, 1992, p. 339).

[19] "With both the command and generative modes, particular organizational skills and capabilities go underutilized. Between these two extremes are strategy-making modes that combine elements of top-

Based on the work of Venkatraman and Ramanujam (1986), Hart categorized five kinds of firm performance indicators: i) current profitability, ii) growth/share, iii) future positioning, iv) quality and v) social responsibility[20].

3.3.2 Key contingency factors

The framework considers the effect generated by key contingency factors:

- ✓ Environment
- ✓ Structure, that includes two sub-variables – firm size and firm development and
- ✓ Strategy (strategic orientation).

Hart suggested a mix of possible relationships between contingency factors and strategy-making modes (figure 9).

Figure 9. Strategy-making modes and contingency factors.

Contingency factors	Command	Symbolic	Rational	Transactive	Generative
Environment	Simple; low-level complexity	Dynamic; high velocity or radical change	Stable; low degree of change	Complex; many stakeholders	Turbulent; dynamic and complex
Firm size	Small	Medium-large	Medium-large	Large	No relation
Stage of firm development	No relation	Rapid growth; reorientation	Steady growth	Mature	No relation
Strategic orientation	No relation	Proactive change	Solidify position	Continuous improvement	Innovation

Source: Hart (1992, p. 340).

3.3.3 Combinations and configurations

According to Mintzberg and Waters' conclusion, Hart suggested that firms usually possess combinations of styles and processes. Considering this, each of the five strategy-making modes represents pure process types that can be blended into different combinations in organizations. The ability to mix different styles might render better performance than single-mode or less process-capable organizations[21].

management intention and organizational-member initiative. In these cases, top managers provide some sense of strategic direction through either symbolic, technical, or process means, and organizational members are active participant in the strategic process" (p. 340).

[20] The work of Hart and Banbury (1994) develop an empirical analysis using the whole model, also considering the relationship between strategy making and firm's performance.

[21] Hart formulated the following propositions: "The more the firms are able to develop capability in multiple strategy-making modes (high process capacity), the better their performance on all dimensions. […] Higher performing firms will combine distal modes of strategy making. […] Lower performing firms will combine proximal modes of strategy making" (Hart, 1992, pp. 345-346).

4. THEORETICAL UMBRELLA IN GUIDING THE EMPIRICAL RESEARCH

Theoreticians in the field of methodology are divided as to the theoretical knowledge that researchers must have *before* they conduct their empirical analysis. Glaser and Strauss suggested a *tabula rasa* approach[22]. Recently, many theoreticians suggest more moderate positions[23]. This work will formulate a theoretical umbrella able to guide the empirical research. This framework is only a "strategic direction" and not a priori categories.

The strategy-making umbrella is composed of three kinds of variables: the role of meta-managers, types of processes, and destination outcomes. The link among these variables is evident, and the literature to demonstrate it is readily available. The literature also suggests the crucial role of top management, supervisors and workers (please refer to §2.2 of this chapter). In addition, it is important to identify who will manage the destination and with what potency.

Regarding the processes, the literature examines what the main processes are that give contents to the formation and implementation of corporate strategy (see figure 9). This question is dealt with in the context of tourism destination.

Recent literature points out the importance of connecting management processes to the firm's results (Hart, 1992). This step is particularly critical, and the analysis in the field of tourism destination is certainly complicated by the existence of multiple levels of management and by the natural complexity of the tourism product. In the following paragraphs we will discuss the details of these three macro variables.

4.1 Role of meta-managers

This first section of variables identifies: i) the subjects that play strategic roles in defining destination strategy, ii) the degree of involvement, iii) the structure of central control and iv)contingency factors.

The literature stresses the importance of identifying the roles that the different levels of management play. In addition, it distinguishes between meta-management spheres (management of the locality) and entrepreneurial spheres (management of a single hotel).

Actors include basically two kinds of leadership: meta-managers and single destination managers. Between these two polar points, there is a continuum of other players. The objective here is to understand who the subjects are that interpret the strategy-making processes. Obviously both the subjects take on strategic decision-making roles, but the empirical analysis could show relationships between specific kinds of processes (e.g. destination marketing or human resource management) and specific subjects.

[22] "An effective strategy is, at first, literally to ignore the literature of theory and fact on the area under study, in order to assure that the emergence of categories will not be contaminated by concepts more suited to different areas. Similarities and convergences with the literature can be established after the analytic core of categories has emerged (Glaser and Strauss, 1967, p. 37).

[23] See chapter 1 paragraph 4.1. Mintzberg noted: "No matter how small our sample or what our interest, we have always tried to go into organizations with a well-defined focus – to collect specific kinds of data systematically" (1979, p. 585). Similar Eisenhardt suggested: "Investigators should formulate a research problem and possibly specify some potentially important variables, with some reference to extant literature" (1989, p. 536). Recently Langley argues that "Also, although offering greater potential for new discovery, the open-ended inductive approach that most researchers use in process research tends to lead to postponement of the moment of decision between what is relevant and what is not, sometimes aggravating these difficulties" (1999, p. 694).

A second variable pertains to the degree of participation of the different levels of management and to their interdependent relationship. Such a variable appears explosive within the context where many different operators act and (often legally, economically and strategically independent) are responsible for the formation of the destination product.

Tourism destinations present the typical characteristics of industrial districts such as the relevance of common culture. The variable of *degree of involvement* will identify the role that this common culture plays in the destination strategy-making processes. In some cases this cultural background could favor collaborative strategies, facilitating the role of meta-managers and reducing transaction costs. In other cases, it could stimulate internal rivalry, creating hyper competition, and reducing the efficiency and efficacy of meta-management functions.

The third level pertains to the effective power that top management has and which, in the context of destination, has been framed in the typology of running mechanisms of centralized control. The literature in the field of strategy process suggests the relevance *of central control*. The umbrella introduces this two polar situation: one in which central control is high, which means that meta-managers can use formal control in monitoring the "implementation" of "central strategy" by "single destination companies," and one in which central control is low, which means that the meta-manager does not use explicit, formal and central control. The empirical research must identify what the instruments of control (e.g. land use, licenses, definition of price and so on). Here, it is important to analyze the financial structure of meta-managers as well as to understand what kind of relationship ties the meta-structure to the single destination firms. Using polar forms, we can identify one situation in which the financial resources are given by single destination firms and on the other hand, financial resources are allocated by public entities (such as a regional or central government). In this situation, the autonomy of destination meta-managers is increased.

Furthermore, in trying to identify possible correlations between processes and results, the literature underlines the key role that contingency factors play related to the external environment as well as to the firm's dimension and to the state of its development. These three variables have been usefully transferred to the analysis.

Contingency factors are vital in doing realistic analysis. Previous research (Sainaghi, 1999), does not help us to understand for example why the number of foreigners increased dramatically in Italian destinations since September 1992 when contingency factors such as the lira depreciation existed. According to Hart, we can examine three kinds of contingency factors:

- ✓ *Environment*, considering it in terms of being: a) benign, controllable and predictable, or b) dynamic, uncontrollable, unpredictable, not benign and complex;
- ✓ *Destination size*, categorizing it in terms of high, medium and small destination, using variables such as overnight stays and number of beds;
- ✓ *Stage of development*, which briefly considers the life cycle (Butler, 1980; Beritelli, 1997) of a destination, in other words its introduction, growth, maturity, decline, and re-launch.

Figure 10. Variables relative to the subjects and significant to the literature .

Literature	Variables	Theoretical umbrella - Actors
Quinn (1978), Mintzberg and Waters (1985), Hart (1992)	Role of top management and organizational members	I Actors (meta-managers and single destination firms)
Mintzberg and Waters (1985), Hart (1992)	Involvement	II Involvement (high-low)
Mintzberg and Waters (1985), Hart (1992)	Power of top management	III Power of central control (high-low)
Hart (1992)	Contingency factors (environment, firm size, stage of firm development)	IV Contingency factors (environment, destination size, stage of destination development)

Source: Hart (1992, p. 340).

Table 10 shows the main correlations between identified variables regarding the cases and the examined literature.

4.2 Types of processes

This is the black box of our own analysis. The complexity of destination forces us to analyze different and simultaneous kinds of processes (such as coordination, R&D, HRM, marketing and so on). Furthermore, we expect the different processes to be correlated (the creation of a new destination service such as centralized commercialization that needs an intranet system can probably improve the destination brand or the destination marketing, similar to the creation of a new package).

The characteristics of meta-management structure and function influence the kinds of processes that are to be analyzed. Here the number of processes managed by a destination center depends on the financial resources or the size of the destination firm, for example.

The work conducted by Hart (1992), summarized in figure 7, suggests the importance of processes such as: vision, mission, goals, strategy, structure, systems and people. Given the homogeneous nature of the objects of analysis of current research, it would be beneficial to discuss the real meta-management processes that give consistency to the government of the locality, and that allow us to understand the concrete functioning of the destination. Refer to chapter 1, the second research question ("How do the distinctive characteristics of tourism destination influence the destination strategy processes? What are the main processes that embody the strategy-making of the destination?"). We believe it is not useful to define ex ante the processes which will inevitably reduce the breath of the field analysis.

4.3 Destination outcomes

Many researchers suggest that strategy processes must have a correlation with the firm's outcome. As Venkatraman and Ramanujam (1986) have pointed out, firm performance is a multidimensional construct. They proposed three general levels of firm evaluation: i) financial performance, ii) business performance and iii) organizational effectiveness.

Hart, in putting these factors into practice, divided them into five categories: i) current profitability, ii) growth/share, iii) future positioning, iv) quality and v) social responsibility. Unfortunately this structure is not applicable *tout court* in the field of tourism destination for the following reasons:

- ✓ *Financial performance*: The presence of many SME does not make it possible to define financial performance using traditional accounting measures such as ROA or ROE. In fact, many firms do not have a public income statement, so it is impossible to calculate a financial result. In addition, the level of tax evasion is often high which renders any financial results irrelevant. It is important however to consider that in a tourism destination there are many firms (in the chosen cases usually more than 100) and so it is necessary to create industry balance;
- ✓ *Business performance*: market share compares the volume of a specific firm or its product and/or service to the size of the whole industry (or industry segment). This process is difficult to extend to the field of tourism destination because the existence of industry measures articulated per kinds of tourism (e.g. alpine or seaside) does not exist;
- ✓ *Organizational effectiveness*: Venkatraman and Ramanujam suggested to consider stakeholder-based measures such as employee satisfaction, quality, and social responsibility. The already cited complexity of tourism destination makes it difficult to use these measures if there is not previous research such as customer satisfaction, carrying capacity, environmental impacts and so on. Each one of these indicators can require many months of work.

Figure 11. Variables related to performance indicators and cited by the literature.

Literature	**Variables**	**Theoretical umbrella – Destination outcomes**
Venkatraman and Ramanujam (1986)	i) financial performance, ii) business performance and iii) organizational effectiveness	i) statistical indicators, ii) customer satisfaction, iv) acceptance of meta-management structures and v) social responsibility
Hart (1992)	i) current profitability, ii) growth/share, iii) future positioning, iv) quality and v) social responsibility	i) statistical indicators, ii) customer satisfaction, iii) future positioning, iv) acceptance of meta-management structures and v) social responsibility

Source: Hart (1992, p. 340).

Considering the limitations mentioned above, we could still define a possible set of indicators based on information commonly collected in tourism destinations. These indicators are:

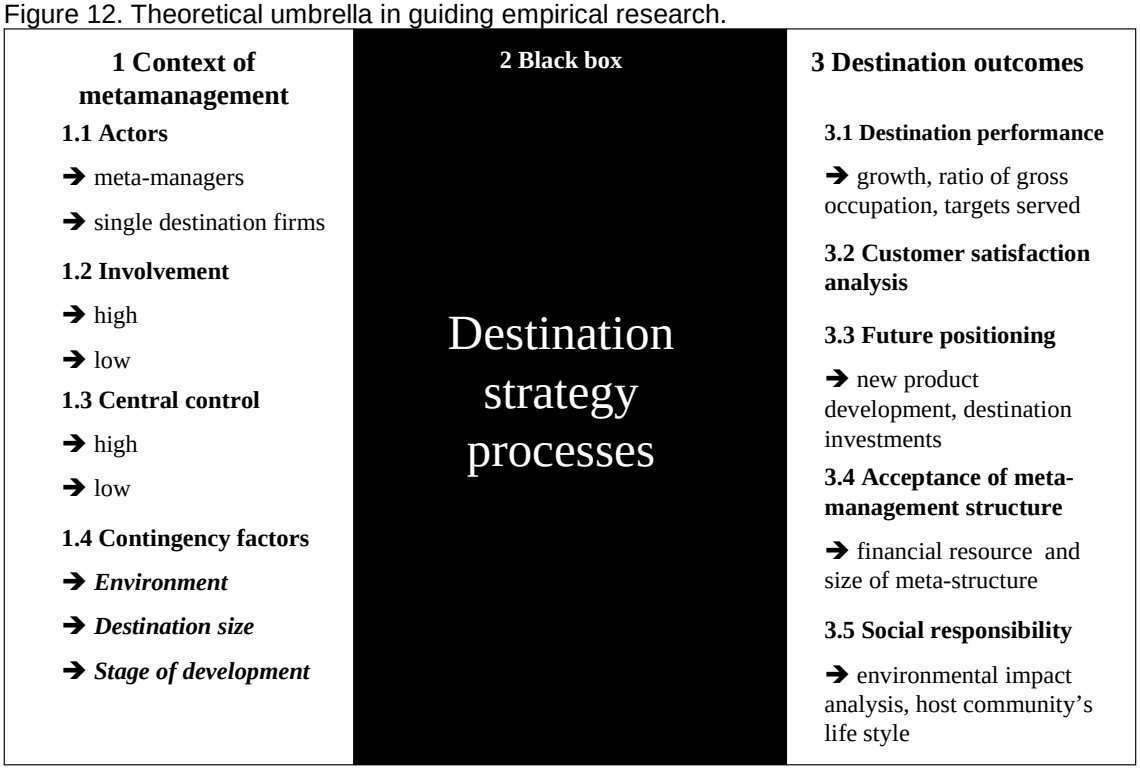
- ✓ *Destination performance*: growth, ratio of gross occupation, targets served;
- ✓ *Customer satisfaction*: customer satisfaction analysis of destination attractions and services
- ✓ *Future positioning*: new product development, destination investment (both realized by public and private actors);
- ✓ *Acceptance of meta-management structure*: evolution of financial resources, availability of meta-managers, size of meta-management structures;

- ✓ *Social responsibility*: environmental impact analysis, host community's quality of life.

As seen in figure 11, the indicators shown are strongly connected to the work of Hart (1992) and are based on the data gathered from the tourism destination. For a complete review of the theoretical umbrella, see figure 12.

It is important to state at the onset that the concrete results of the different variables are strictly connected to the field data and to the possibility of defining homogeneous indicators for the different destinations, thus facilitating the work of cross-case analysis and theoretical formulation.

Figure 12. Theoretical umbrella in guiding empirical research.



Source: Own analysis.

5. CASE STUDY RESEARCH

We would like to present a brief outline of the cases. This paragraph has been drafted at the end of the empirical work therefore enabling the reader to be introduced to the structure of the cases.

This work focuses on the 1990s, although to put into context the process of strategic management, one paragraph is dedicated to the emerging challenges of destinations in the 1980s. This analysis is based primarily on three informative sources: the results of the interviews, written appraisals (press releases and internal documents) and the evolution of the tourist indicators. This last source is very important because, through its quantitative character, we are able to evaluate the validity of the judgments expressed by the other two sources. By the end of the first paragraph, the reader has a clear picture of the destination and of its main challenges.

The underlying logic is analytical (referring to the existing quali-quantitative data) and diagnostic (referring to the concrete identification of the difficulties that the destination must face).

The second paragraph outlines the principle objectives of the destination in the 1990s. The identification of such an aim represents a process rather complicated, considering all of the subjects involved and taking into account the evolution of the schemes, the presence of dominant strategies and the sudden changes in the actors of meta-management.

The third paragraph presents the real actors in the meta-management of the destination with a strategic vision of the locality that transcends the single firm's borders. For each player, the competence, organizational structure and functioning and the financial resources (quantitative evolution, composition, collection mechanisms) are evaluated. The underlying logic of this analysis from this paragraph on is descriptive-analysis.

Having clarified the strategic context, the main objectives and the subjects responsible for the destination management, we now move on to the case study, which examines the single management processes. In particular, the fourth paragraph outlines the main processes relative to public activity: the roads and their conditions that lead to the destination, and the condition of the activity (sport, etc.) complexes [24].

The fifth paragraph deals with the main management processes of private activities which are usually run by firms that are under the rules of a competitive market. They tend to offer the following tourism services: hosting capacity, commercial activities, ski lifts (for alpine regions), beach facilities (for beach regions) and banquet facilities (with particular reference to the Rimini case, where this form of tourism is relevant and significant to the understanding of the operations of traditional beach tourism).

The sixth paragraph analyzes the processes at the base of the development of new tourism products, in the form of events or packages. These two things have been identified in the empirical investigations[25]. As previously mentioned, the underlying logic is descriptive analysis: new products developed by the destination have been identified and for each one we have detailed the process in terms of the origin of the idea, the actors involved, the organizational structure, the financial resources and the measures of performance (where existing).

The seventh paragraph deals with promotional processes, distinguishing between strategic and operative marketing. In terms of analysis, strategic marketing includes the main objectives and the promotional philosophy. The operative marketing processes represent the main instruments used, referring to the different client targets and markets.

The eighth paragraph deals with the processes of communication within the locality, so-called internal marketing. The empirical analysis has been used to evaluate the tools chosen, the target audience, the main vehicles and their perceived value. The importance of internal marketing is linked to the ability to communicate the vision of the strategy of the district that vivifies the different processes and that creates unity between meta-management and operative choices made by each locality.

[24].For this group of processes the public character is evident on the base of criteria and of characteristics in §4 of chapter 2.

[25] In reality, in reference to the cases of Rimini and Portorose, one can identify a third process of development of new products, linked to the creation of a new form of tourism, represented by congressional and fair tourism. This process is present, with different accents, also in the other destinations examined, but more subtly.

The ninth paragraph describes the main processes of training activity, addressed to the tour operators and the employees.

The tenth paragraph details the processes related to the development of study and research activities. This is a rather large area that includes the production and distribution of tourism statistics, ad hoc analysis to support specific investments and systems of measurement of the outputs of specific processes. This paragraph concludes the descriptive-analysis of the main processes of meta-management.

This detailed analysis of the tools, the players and the implementation problems with some possible solutions, helps one to choose between different operational choices in destinations[26]. Academically, this section is relevant to understanding the real strategic process that inspires the operations of a destination.

In the eleventh paragraph the expositive logic has a diagnostic character, *synthesizing in a unitary vision the whole strategic process*, picking up again the variables of the theoretical model introduced in the present chapter. Following this scheme, the first paragraph synthesizes the main mechanisms of control, a second paragraph evaluates the organizational model characterizing the meta-managers and a third paragraph explains the primary and secondary role of the strategy of the districts analyzing the main processes run by the locality. Furthermore, we have examined the main competitive results obtained by the diverse destinations[27] (development of the most important tourism indicators and, where adopted, of customer satisfaction).

Having clarified the structure of each case, we would like to underline two methodology biases. One pertains to the parceling of the strategic process, per se unitary in sub processes (paragraphs 4-10), which tries to explain the contribution of the different players (as identified in the 2nd paragraph). Even if this fragmentation has an explanatory objective value when we conduct the cross-case analysis, it coexists with the full efforts of the strategic process, as described for each case in the 11th paragraph.

The reader has to put forth a particular effort, on the one hand, to understand how a real process is run, through the detailed explanation of the targets, actors and tools, and on the other hand, to compose in a unitary way the complex functioning of the locality.

The mosaic represents the closest analogy to this explanatory methodology. The first paragraphs analyze in detail each card, which should be put together in the end to explain the complex strategic process interwoven among the meta-management actors.

The second specification pertains to the adaptability of informative sources to the specific context under examination. It has been suggested by some methodologists (as referenced § 4.5 in the 1st chapter) to customize the informative sources to the specific analysis field (see Eisenhard as an influential example, 1989, p. 538), giving flexibility to the data collection process.

With reference to the quantitative sources, sometimes it has been possible either to create additional databases[28] or to analyze in full detail the statistics referred to in the receptive area[29]. These choices are reflected in the structure of the attachments.

[26] Anticipating some observations in the following paragraph, one is reminded that each case, once the first draft was completed, was revised by one or more significant persons to the destination. This has peaked the interest of the other destinations to analyze their choices included in the analysis.

[27] It is preferred instead to evaluate the achievement of the other classes of purpose (future competitive positioning, level of legitimization of the structure of the district commander, social results) in the conclusion, also for the importance to proceed in the face of the other cases.

[28] In general this is information related to parking systems and payment, to the ski lifts for the alpine destinations or particular forms of transport or road conditions.

5.1 Informative Sources

The informative sources used for the writing of the cases are as follows:

- ✓ *Interviews*: between 11 (Corvara) and 14 (Livigno and Portorose) took place; all interviews were recorded and reviewed by the interviewees for accuracy[30];
- ✓ *Documentation*: written sources from inside and outside were analyzed; for the inside sources particular importance was given to the statutes, organizational charts, job descriptions, marketing plan, programmed documents and analysis of customer satisfaction. Access to such sources was not particularly difficult to get, but required collaboration. For the outside sources, publications in the sector, monographic research and press surveys were analyzed.
- ✓ *Archival records*: for the quantitative sources, official statistics play an important role; for each case a monthly database of twenty years was constructed, whenever possible the analysis was reported in the 12th chapter. For the alpine cases the economic structure of the main meta-management subjects were analyzed; for the seaside destinations the sudden changes in the financial assets registered in all three cases prevented the existence of a significant historical series;
- ✓ *Direct observation*: is a particularly important source because it creates the impressions and emotions that often play a fundamental role in understanding the functioning of the whole strategic process and the single processes involved and to direct the activity of the empirical job[31].
- ✓ *Participant observation*: this type of source was used only in the case of Livigno, where the author coordinated the technical and economical feasibility of the rail link Livigno-Engadina. Obviously, the participation in team work, the access to whatever kind of internal information, and the possibility to conduct other interviews (not recorded in the file of the case) contributed to the additional development and deeper understanding of the case.
- ✓ In any case, this privileged source of analysis confirmed the accuracy and precision of the gathered data that represented the main sources of information for the analysis of the six case studies.

[29] In particular the richness of the official statistics in the case of Taormina allowed us to give details for the classes of stars, while for the destination of Portorose it was possible to construct a historical series of five years monthly relative to the first four groups of local habitation.

[30] It was not possible to attach the minutes for reasons of space.

[31] Some impressions gathered favored amplification of the interview or permitted the identification of particular internal documents, actively contributing to the development of the case.

Chapter 4
The Case of Livigno

1. THE CHALLENGE OF THE 1990S

Livigno is a resort town in the "Alta Valtellina", province of Sondrio. Livigno is strategically located in the heart of the Alps at an altitude of 1,800 meters (above sea level). The valley lies between two mountain chains that slope gradually from 3,000 meters to the village in the "Alta Valtellina".

Livigno is an 18 km long valley in the Stelvio National Park and the park of Engadina, the largest in Europe. The valley leaves Italian territory at the stream that crosses it – the Spöl that joins the Inn and then the Danube. Livigno guarantees natural snow from the end of November till the beginning of May. It lies amidst the big central European urban regions of Milan (235 km – three hours by car), Zurich (230 km – three hours by car), and Munich (280 km - four hours by car).

Livigno represented in the past an obligatory passage for commercial traffic between Valtellina and Switzerland, and therefore, close connections were formed between the rural areas of Bormio and the region of Grigioni (Graubünden) in Switzerland. It has a turbulent past with a series of attempts made by the inhabitants to achieve full independence from the surrounding governing regions. Economical and religious freedom was finally obtained in 1660 when the Grigioni, masters of the valley, established the complete independence of Livigno in both economical and legal terms. This freedom became increasingly evident in 1805 when Napoleon – ruler of the kingdom of Italy – recognized in Livigno certain "customs benefits". These were confirmed in 1818 by Austria-Hungary and again in 1910. More recently in 1960 the European Community acknowledged the particularity of Livigno's situation in a regulation.

A series of factors - the geographical and orographical peculiarity of Livigno, its distance of more than 30 km away from both the Engadina and the Bormio valleys, the almost inexistent approach routes, and as a consequence, the impossibility, in the past, to reach the village during the winter - brought about the gradual development of an autochthonous economy characterized by agricultural activity and summer grazing.

Since the 60s, the increase of the Italian incomes and the need to break the stress of the urban work gave increase to the number of people going to the mountains for the weekend. Until the 60s Livigno had been only a summer destination. In the winter of 1952, in spite of great odds, a carriageway was built towards the Valtellina. The resort beginning was difficult, due to the limited technological means available at the time, but these obstacles did not deter private contractors from building the first ski lifts in 1958.

Winter tourism had begun, but the final confirmation in establishing Livigno as a tourist resort came with the opening of the tunnel "Munt La Schera[1]" in 1964, linking the valley to Switzerland. The number of hotels as well as the overnight stays increased dramatically. During the 60s, to develop the local economy the town encouraged the purchase of public domain to build second houses. The land's price was an incredible bargain. Fortunately, this strategy was a failure due to the lack of development of the access ways that increased the journey time. This "disadvantage" has prevented the housing speculation.

1.1 Livigno on the threshold of the 90s.

[1] This Tunnel is called "Drossa" or "gallery of Zernez".

There will be a brief description of the tourist situation at the beginning of the 1990s and then a detailed analysis of the strategic process. The description is two-fold: one level concerns the infrastructures devoted to tourism in Livigno and the other is an analysis of the principal competitive indicators, including research done on customer satisfaction from 1989/90 (Ariter report, 1989, 1990).

1.2 The tourist system

The tourist system in an alpine location was defined in Chapter 3 as a group of activities of a mostly heterogeneous nature, capable of satisfying the needs of a generic tourist. These activities are often produced and distributed by various operators. Even though all the activities are important in the eyes of the client, it is none-the-less possible to establish a hierarchy, identifying the "core service"[22] as defined by Normann (1991, p. 49 and following pages).

A detailed analysis of the four groups of activities is given: the accommodation structures, the ski area, the public facilities and the communication ways.

1.3 Accommodation structures

Livigno is a tourist resort created recently. As documented by numerous macro economic indicators, in a few years' time the region has undergone profound changes, going from a predominantly agricultural economy to one of commerce and tourism.

The analysis of the major accommodation indicators (see annex I) documents this lively and, in some ways, tumultuous process. The number of accommodation structures has risen from eight hotels in 1959 to 83 in 1989. There were 248 bed places in the first group of eight hotels and 4,173 bed places by the late 1980s.

The qualitative composition favors two- and three-star structures. Precise quantitative data is lacking as such criteria were introduced only in 1990. The hotel community is made up almost exclusively of small family-run structures. The often "improvised" entrepreneurs have no precise professional or cultural training for tourism.

As was said earlier, Livigno, primarily because of the precarious road connections, was only marginally touched by the speculative phenomena of the second house[3]. The time needed to reach the Spöl valley (about 5 hours) was considered excessive for tourists coming from Milan and the hinterland.

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[2] "In such cases we can distinguish between a *core service* and other ancillary or *peripheral services*, which are all part of the package. […] However, the distinction between core and peripheral services is not always clear-cut. Especially, where there is little difference between the core services of competing companies, the client's choice may be determined by what we could tend to regard as peripherals" (Normann, 1991, pp. 49-50, italics in the original).

[3] "In 1951, the Mayor of Livigno sold the State property for 100 lire per square meter, a slashed price, on one condition: that within a year a house had to be constructed. L'ANAS (The National Company for Autonomous Streets) saved Livigno by buying and building (5 hours were needed to go from Milano to Livigno)" (Mario Coltelli); "But the real difference, full of consequence, is the difference between the accommodation structures of Bormio and Livigno. Bormio has a patrimony of second houses, i.e., structures that present a limited use and that don't contribute to the amortization of the investments in accommodations. We are fortunate because we are farther away from Milano. Coltelli is right when he says with irony that we should build a monument to ANAS who left us isolated." (Lino Castellani).

The accommodation facilities make use of a consistent number of non-hotel structures, primarily houses and apartments owned by the local residents. Their use for tourism is due to the entrepreneurial skills of the first operators of the ski area. Since a significant number of bed places were needed, and there was little hotel development, the operators suggested to the residents to put vacant structures to good use by renting them to tourists. Unfortunately, the official count of non-hotel bed places was begun only in 1990. It amounted to about 3,000 beds in 1991.

1.4 Ski area

Until the end of the 1950s, the development of tourism in Livigno was organized for the summer season. It was tourism of reduced dimensions, mostly long stays and prevalently in the month of August. A steady and increasing influx of tourists started when the ski lifts were built. Many of the tourists were foreigners -Germans in particular.

The development of the ski area is achieved by a few external operators: i) the Quadrio family (from Tirano) built the first ski lifts on Mottolino, ii) the entrepreneur Clausin (German) built the first ski lifts in Carosello, iii) Engineer Capelli built the first ski lifts in the area now run by the Sitas.

Some smaller, usually single, ski lifts were built and run by local operators. Development is mostly done from the outside as the residents have few economic resources and must limit themselves to small investments.

This model of development will be important: external capital runs the lifts using a prevalently speculative logic, seeking to maximize profits in the shortest period of time.

This orientation is reflected in the state of the facilities at the end of the 1980s. The needs of the clientele had increased, but the lifts were obsolete, the hourly volume insufficient, the trails repetitive, and the slopes often packed.

1.5 Public facilities

Until the end of the 1980s tourism developed in Livigno primarily in response to the demand. The accommodation and lift operators as a rule waited for the tourists to come to them without making any particular promotional investments. Limited attention was given to exploitation of the natural attractions by building public facilities. Foot and cycle paths, routes for mountain bikes, and skating rinks are lacking and the existing structures are often inefficient (there are neither signs nor maps available and no areas for picnics, etc.)

1.6 Communication ways

As was said above, Livigno had a surge of commercial and tourist development after the opening of the Drossa Tunnel in 1964. It is an alternating one-way tunnel built by the Swiss company La Schera[4]. In spite of its limitations, including an obligatory toll and use only from 8:00 a.m to 8:00 p.m., the tunnel gave Livigno the possibility to participate in the market to the north, especially in Germany.

Annex III permits us to see the number of tourists who reach the Spöl Valley through the Zernez tunnel, especially in the winter months.

[4] The construction of the tunnel is the counterpart to the construction of the Gallo dam constructed on Livigno town property. The Administration was able to assure free access for all residents.

Communication with the south is effected through the Foscagno Pass and National route 36 which connect Livigno to Bormio and thus to Milano. It is a non-highway artery with chaotic traffic during the high season. Until October 25, 1999 the road went through the city of Lecco, causing long lines of traffic. In the summer Livigno can be reached by the Forcola pass which connects to the Bern pass: an efficient connection for those coming from both Italy[5] and the north[6].

1.7 Competitive results

Let us now look at the competitive position of Livigno. The analysis of tourist flow at the end of the 1980s shows both a significant quantitative growth and signs of great change. A brief analysis of annual and seasonal tourist flow shows the contribution of many nationalities (the values are listed in annex I).

1.7.1 Annual competitive results

Annual results show a good increase, about 57% in overnight stays[7]. Such growth rests on the extraordinary increase of Italian overnight stays (+167%), a number capable of compensating for the reduced presence of foreigners (-21%). Breaking down OS in the first two determinants, i.e., arrivals and mean length of stay, one clearly sees the abbreviation of the period of a mean-length holiday (-31%), which is more than compensated by the increase in arrivals (+157%). Breaking down the annual data per nationality, one sees the increase in national arrivals (+254%), next to a decrease in the length of stay (-25%). Foreigners come in greater numbers (+15%) and stay significantly less time, mean length of stay (-31%).

Re-reading the information from the viewpoint of employment rates[8], the picture is positive. The overall growth of the saturation level of the productive capacity is over 10 percentage points. This performance is based prevalently on the contribution of the Italian clientele.

1.7.2 Winter competitive results

Livigno is primarily a winter vacation resort, with winter sports accounting for 70% of its tourist activity. Most people go for a "ski week": an average duration of 9 days in 1980 and 6 days in 1989. On the whole, overnight stays grow at a rate of 38%, less than the annual rate (+57%). Analyses of arrivals and average length of stay show a 93% increase in numbers of visitors and a 29% decrease in the length of stay. There was great increase (143%) in Italian tourists, which offset the decrease (-16%) in foreign

[5] In this case it is not necessary to go all the way to Bormio. One can take the Bern pass at Tirana, saving an hour's time for those traveling from Milan and the middle and lower parts of the Valtellina.

[6] Tourists can reach Livigno via roads from St. Moritz, Pontresina, and the Bern and Forcola passes, instead of going all the way to the Drossa Tunnel in Zernez

[7] The hotel structures are the only ones considered in the analyses of tourist flow. This was done to keep the annexes simple and because there was no significant historical data before 1990 for non-hotel structures. The trends of the two types of offer are for the most part similar.

[8] The analysis is based on the gross occupation rate, which considers the summer to last 4 months and the winter, 5 months. This hypothesis was supported by the person responsible for statistics of the APTM of Livigno. The gross rate was chosen in order to measure the effects of possible early or late closing (for example, resulting from insufficient snowfall), which the net rates do not show.

visitors. Visitors from foreign countries represented 65% of the volume of tourists in 1980 and only 40% in 1989.

Employment rates showed a positive trend within two "waves". The first wave peaked in 1983 (55%) and reached a low of 45% in 1985. The second wave, starting in 1985 peaked in 1988 (56%). The tourist flows were greatest in the middle months of the season and lowest at the beginning and end of the season.

1.7.3 Summer competitive results

The summer season accounts for one fourth of the tourism for 1980. The great increase in overnight stays (119%) in relation to a mean annual rate of 57% is at the base of the seasonal mix of productivity: at the end of the 1980s the summer season represented 33% of Livigno's tourism.

The positive dynamics of the Italian clientele (+207%) outweighs the decline in foreign tourists (-49%). The same number of foreigners continued to come but made changes in their length of stay. Livigno was a place where foreigners came for an average visit of 7 days in the beginning of the 1980s. By the end of the decade the foreigners used Livigno as a stopping point on a longer trip to a lake or the sea. This change is reflected in the average length of stay, a bit more than 2 days, which represents an overall 67% decrease.

The employment rate rose significantly in the summer season, starting from a low of 18%. In a decade, despite the recessive dynamics of certain years, the saturation of the productive capacity shows a progressive rise up to 33% in 1989, stimulated almost exclusively by the Italian clientele. Dividing the data by month we can see the following:

- ✓ The summer season offers three clear-cut periods: low season (June and September), middle season (July) and high season (August).
- ✓ The low season starts with employment levels unable to ensure an adequate remuneration by the productive factors, with a monthly gross occupational rate of 8% in June and 15% in September.
- ✓ The middle season, July, produces interesting occupation rates – about 30-35%.
- ✓ The high season, August, shows high employment rates (in some periods > 80%), and is the real draw for the season.

1.8 Customer satisfaction analysis

A detailed analysis of customer satisfaction divided by seasons was done in 1989 after the formation of the Municipal Agency for the Promotion of Tourism (see §2). The principal conclusions of the report are presented as follows, with a distinction made between the winter and summer season.

1.8.1 Winter season

From the analysis of the data in annex V (§12.8.2) we can draw the following conclusions:

- ✓ *Preferences of the clients*: the winter tourists show a preference for more periods of yearly vacation (with a shorter average stay). There is no great loyalty to Livigno: 40% of the clients are visiting for the first time. A high number (60%) of tourists organize their own vacation and a significant number (40%) use an agency.

- ✓ *Quality of life in the town*: Only 22% of those interviewed found that walking in Livigno was pleasant whereas 78% were unsatisfied. The responses regarding parking facilities were similar.
- ✓ *Accommodation facilities*: 84% were satisfied with the qualitative level of the accommodation facilities, 16% were unsatisfied.
- ✓ *Shopping*: The tax-free shops were seen favorably by 71%.
- ✓ *Sports structures*: 55% of the people interviewed were not aware of them.
- ✓ *Ski area*: 38% were dissatisfied with the lifts and 25% with the runs. This information is very important as 40% of the clientele chooses Livigno for skiing.
- ✓ *Information services*: 46% satisfied. 37% do not know of the services.

The joint analysis of the information shows that large groups of tourists are dissatisfied with the inadequate services offered. The response to the final question – Do you intend to come back to Livigno? – confirms the data. Only 45% said they would return.

1.8.1 Summer season

The analysis of annex V (§12.8.2) permits us to draw the following conclusions:

- ✓ *Preferences of the clientele*: We see a multiplication of visits and little loyalty to Livigno also in the summer season. The number of tourists organizing their own vacations rose (75%) confirming that agencies and tour operators do not consider Livigno an interesting destination for the summer season.
- ✓ *Reasons for the choice*: Summer clientele is looking above all for a mountainous setting and relaxation. Footpaths and excursions are important ways to enjoy the mountains and to relax. 19% of those interviewed confirmed that shopping is an important attraction.
- ✓ *Quality of life in the town*: the complaints of the winter clientele are echoed and intensified by the summer visitors. There is heavy and noisy commercial traffic. The atmosphere becomes unbearable and does not offer the rest and tranquility sought by the clientele. Statements made by those interviewed can be seen in annex V, table 65.
- ✓ *Accommodation facilities*: 95% satisfied
- ✓ *Shopping*: tax fee shops rated positively by 73%
- ✓ *Sports structures*: 41% of those interviewed do not know about them.
- ✓ *Information services*: 55% satisfied. 23% do not know the services.

In summer there is again the gap between client expectation and services delivered by the resort. The clients need rest, relaxation, contact with the mountains and the natural environment, but find a resort filled with chaos, traffic and noise. Only 49% say they would like to return.

1.9 Conclusion

The analysis of tourist information and competitive trends permit us to draw the following conclusions (table 1):

- ✓ *Quantitative development*: The development model for Livigno is primarily quantitative, characterized by a strong orientation to the market[9]. National tourism was allowed to grow following the decrease in foreign visitors, but no consideration was given to the complicated problems behind such a change. The growth in overall overnight stays (+57%) and occupation rates are considered a major objective.
- ✓ *Decrease in length of an average stay*: The change in what clientele wanted from a vacation caused a large decrease in the length of an average stay both for Italians and foreigners in both the winter and summer seasons. This new scenario calls for a great increase in arrivals in order to maintain or increase overnight stays and consolidates volume-oriented strategies.
- ✓ *Loss of winter competitiveness*: Winter tourism, the hinge for the development of Livigno, showed a decrease in competitiveness associated with a progressive obsolescence of its attraction, especially that of the ski lifts. This dynamic was amplified by the augment of the lira, which made the price/quality rapport of other resorts better, especially those in Austria[10].
- ✓ *Elevated turnover*: The encouraging results regarding the increase in overnight stays actually rest upon the huge turnover of clientele, assured by the fame of Livigno and by a large potential market, but which yields negative word-of-mouth circuits.
- ✓ *Spontaneity of summer tourism*: Summer tourism is based on the beauty of the Spöl valley and the attraction of a duty free shopping area. These factors appear insufficient for developing and consolidating foreign presence, which dropped significantly[11], or for developing significant tourist flows in June, early July and September.
- ✓ *Loss of International Competitiveness*: The evolution of foreign overnight stays shows a remarkable decrease both for winter (-16%) and summer (-49%), significantly modifying the productive mix divided by nationality.

[9] "Regarding strategies […] it is very important to know how the market proceeds, what the market wants and the problems emerging along the way" (Albino Galli).

[10] "At the end of the 1980's the policy of the strong lira kept foreigners from Livigno. Even Hotel Bivio experienced a decrease in numbers, which was in part checked by the good relationship consolidated with the clientele. 'Many Germans -said Enrico Galli- came even though the prices in DM had increased greatly. The clients said that for the same price they could choose good vacations in Austria, but preferred to come back because of the long history that united us" (Sanaighi, 1998, p. 271).

[11] Such a contraction is the result of the unfavorable exchange rate, the changed tastes of the clientele -mostly interested in sea and lake tourism- and in Livigno's loss of competitiveness.

Figure 1. Livigno's competitive results.

Winter season	Summer season
Weekly tourism (LS 1989: 6,3 days)	Almost weekly tourism (LS 1989: 4,9 days)
% weight of winter season: 76% (80), 67% (89)	% weight of summer season: 24% (80), 33% (89)
OS: +38% (mean annual increase: 57%)	OS: +119% (mean annual increase: 57%)
A: +93%	A: +212%
LS: -29%	LS: -28%
Foreigners	**Foreigners**
% weight of foreigners: 66% (80), 40% (89)	% weight of foreigners: 34% (80), 8% (89)
OS: -16% (mean winter increase: 38%)	OS: -49% (mean summer increase: 119%)
A: +6%	A: +53%
LS: -21% (OS 1989: 7,7 days)	LS: -67% (OS 1989: 2,2 days)
Italians	**Italians**
% weight of Italians: 34% (80), 60% (89)	% weight of Italians: 66% (80), 92% (89)
OS: +143% (mean winter increase: 38%)	OS: +207% (mean summer increase: 119%)
A: +223%	A: +304%
LS: -25% (OS 1989: 5,6 days)	LS: -24% (OS 1989: 5,5 days)
Legend: OS (Overnight Stays), A (arrivals), LS (Length of Stays)	

Source: Own analysis on APTM 's data.

2. THE LINES OF ACTION

It is difficult to give a precise definition of the tourist objectives pursued by Livigno in the 1990s. Many people are involved; the time sequences are broad, and the change in leadership that is mostly felt in the APT-Municipality binomial.

It was necessary to analyze a considerable bulk of information (interviews, local literature, observation) in order to achieve this aim. In global terms the aim was to go beyond the model of tourism used in the 1980s, a model that concentrated on an increase in volume of tourism, and replace it with a qualitative development of the resort. This macro-objective can be translated into four goals (see figure 2) that summarized as follows: i) adopt an ecologically sustainable model for development, ii) complete Livigno's supply, iii) develop a marketing strategy, iii) develop a tourist culture, v) integrate tourism and commerce.

These objectives, which will be examined closely in the following paragraphs, can be seen in the formulation of projects and plans and are recognizable from the historical analysis of the strategic process. It is a complicated interweaving of both emerging and deliberate strategies.

Figure 2. APTM goals.

Source: Own analysis.

2.1 Towards quality

This objective indicates a clear direction: all change must come from a reorganization of the facilities according to tourist supply and demand. There must be a wider concept of supply, one which takes into consideration not only tourist services, but above all, the needs of the residents[12]. The word quality is often translated as "quality of life". Such an objective is expressed in a multiplicity of activities that can be summarized in the five items of figure 2.

2.2 Towards sustainable tourism

The sudden development of the local economy created many unexpected environmental problems for the Spöl Valley. The worst are traffic, the partial paving of the quarter called "Centro" and noise pollution. The clientele, on the contrary, demonstrate an increased sensitivity to ecological problems. The main attraction of a winter or summer package is relaxation, rest, a break from the chaos and noise of the city. During the 1990s progress was made in setting the priorities of the local administration to create a model for development that included preservation of the valley's natural and cultural environment[13].

2.1 Completion of Livigno's supply

This goal can be divided into the following intermediate objectives:

- ✓ Containment of the supply of accommodation and ski facilities: From the beginning of the 1980s, a new terminology is introduced to speak of the tourist supply, e.g., rationalization, completion, incremental development, restructuring.

[12] "As Administration, we have always sought to plan structures able to serve both the tourist and the resident, thus improving the quality of life of our town. Think of the bicycle tracks, footpaths, the "Acqua Granda" and the "Polifunzionale" (Lino Castellani).

[13] "It is the natural environment of Livigno and its extraordinary qualities that bring back tourists and more than any other factor, contribute to maintaining the continuity, frequency and affection of the tourist." (Fausto Silveri).

The expansive model used for Livigno from the very beginning, based on the development of bed places and ski lifts, was abandoned[14].

- ✓ *Qualitative increase in tourist supply*: All the principal elements in the line are reconsidered, bringing about a significant requalification.
- ✓ *Attention to the residents*: The necessity becomes evident of improving the quality of life of the residents and thus of tourists.

2.2 Development of the Marketing Strategy

The development process of Livigno was led by the demand and the activity of many commercial intermediaries. District promotion evolved from the end of the 1980s. It can be analyzed as follows:

- ✓ *In-the-field promotion*: All our main sources agreed that the best model for promotion is word-of-mouth recommendation and client loyalty. Making clients welcome, better tourist offers and improved communication with visitors is fundamental.
- ✓ *Transparent promotion*: To offer clients only what is really available.
- ✓ *No grand projects*: Since the available financial resources are limited, it is important not to waste them on massive publicity campaigns.

2.3 The Development of Tourist culture

In the beginning of the 1990s, Livigno had little more than 20 years of resort experience. The importance of supporting the professional growth of the local tour operators was confirmed: the APTM, trade associations, private entrepreneurs, and employees of private tourist companies.

2.5 Integration of Tourism and Retail

Livigno's economy is based primarily on retail. The legal and commercial uncertainties of the tax-free system (see §4.5) dictate objectives regarding its long- term sustainability. It was decided to foster a progressive integration of the two activities for some time in order to be able to rely more on tourism in the long run.

3 THE STRUCTURES OF DISTRICT MANAGEMENT

The main groups responsible for district management are: the Azienda di Promozione Turistica Municipalizzata (the Municipal Organization for the Promotion of Tourism)[15] (APTM hereafter) and the Municipality of Livigno.

[14] "Livigno has approximately 9,000 – 9,500 bed places and hosts about 12,000 tourists. The residents are 4,000. It follows that the relation between bed places and residents is 3. This value is the highest index of any resort whose main activity is based on tourism. For Livigno one must add the retailing element and the 1,300 jobs held by non-residents. The index of 3 is already very high and should not be exceeded." (Development Plan, 1990, p. 13).

[15] Over time the APTM has changed, becoming first a special company (July 1999) and then a Co, Ltd. (January 2001). For simplicity it will always be referred to as APTM.

3.1 The sphere of competence of Livigno's APTM

The APTM is the operative branch[16] for tourism in the Municipality of Livigno. A regional law of May 4, 1987 provides that the municipalities of Livigno and Campione d'Italia must provide for "the organization, publicity, information and welcome of tourists […] through an ad hoc public board that must have the characteristics set forth in the law regarding the direct provision of public services by Municipalities and Provinces."

Looking at the specific duties of the APTM, it is "delegated to advertise the local tourist resources, provide information and welcome the clientele, as well as to manage the tourist services requested by the Municipal Council. APTM is also in charge of studying and drafting strategic projects applicable to tourist programs for Livigno's territory."

APTM also provides for:

- ✓ The construction, maintenance and management of infrastructures and tourist facilities for sports (cross country ski tracks, tennis courts, hockey, golf, simple urban fittings, etc.) that the Municipality entrusts to the company.
- ✓ The construction, maintenance and management of paths, walkways, sports tracks, rest areas for pedestrians, and alpine refuge huts.

3.2 The organizational structure of the APTM

The organizational structure of the tourist agency pivots around the Administrative Commission, the internal commissions and the director.

Regarding the first body, article 10 of the statute provides that APTM is " directed by an administrative commission composed of a President and 7 members… all the members of the commission are nominated by the Municipal Council and must be either residents or have their work in Livigno." The members remain on the commission for 5 years and can be re-elected. "They forfeit their mandate if during the 5 year mandate a new Municipal Council is elected." The nomination of members of the administrative commission is confirmed by an absolute majority of votes.

The Administrative Commission deliberates on an estimated budget and the final account, and on the organization of the company. It approves regulations and deliberates on all matters relative to the ordering and functioning of the company. Within the limits of its functions, the Commission can give specific tasks to its members or the director. If the Administrative Commission finds itself unable to deliberate, the Municipal Commission substitutes for it.

Article 21 of the regulation for the APTM details the tasks entrusted to the President of the Administrative Commission: i) (s)he represents the Commission in relations with local companies and the state authorities, ii) calls the Administrative Commission either of his/her own initiative or by request either of two members or of the director of the APTM; iii) (s)he is invested with general power to control "the proceedings of the

[16] This formulation can be verified in the numerous interviews: "APTM is the operative branch of the Municipality, but between the two organizations there is actually a rapport of both great autonomy and close contact. In fact, between the Municipal Councillor, the President and the Commissioners of the APTM, there is a continual exchange of information, opinions and visions" (Lino Castellani). "From here came the idea to create a group of professionals, of people who know the tourist spirit of Livigno well and could represent the operative branch of the Municipality, that is, the APTM" (Gianluigi Galli). "APTM is the operative branch of the Municipality and the Municipality is the one who puts the money on the table." (Mario Coltelli).

Board and the actions of the director" and "the execution of the decisions taken by the Commission."

In case of necessity and urgency, (s)he may "under his/her responsibility, take action for the Commission, a provision that will be ratified by the same Commission in the next assembly." (art. 21) The president executes the tasks given to him/her by the Commission, signs the orders for payment, the correspondence and the acts of the Commission.

3.3 The Internal Commissions

The Administrative Commission and its president are given numerous responsibilities, which represent the major management of the APTM. It would be difficult, if not impossible to deliberate on complicated matters such as the estimated balance or tourist strategy, or to approve internal regulations, without already having formulated concrete proposals and had them carefully scrutinized by the Commission. For this reason the organizational structure of the tourist board provides for the creation of a number of Internal Commissions, each with specific spheres of competence.

There are seven internal commissions, six of which have particular roles: i) the commission public events, ii) the commission for promotion and marketing, iii) the commission for delegated services[17], iv) the commission for the personnel[18], v) the Trepalle commission[19], vi) the commission for information sciences, vii) the commission for general affairs[20].

Each commission is composed of: i) the President of the commission, ii) four members chosen from the Administrative Board, iii) the President of the APTM. The seventh internal commission, called "General Affairs", is composed of the President of APTM and the five Presidents of the Administrative Board. Some councilors participate in more than one internal commission.

The commissions do not have power of decision and serve as advisors. Their purpose is to analyze problems of tourism and to propose possible solutions structured as projects of intervention. The Administrative Commission then deliberates and accepts, modifies or rejects the proposed solutions. The composition of the internal commissions – made up of only members chosen by the Administrative Commission – ensures a close working connection between these two bodies.

[17] Handles technical problems as it is appointed to make proposals for the installation of benches, the management of the territory, gardening. The Commission generally works out projects that require the competence of an architect and a surveyor.

[18] Since the powers given the APTM are numerous and complex, and since many workers are needed to carry out the work, the Commission is indispensable for coordinating and organizing the different tasks. The wasting of energies or the duplication of activities -problems always present in structures whose task is to supply services to the public- are thus avoided.

[19] It is trusted with favoring tourist development in the municipality located at the highest altitude in Europe and attached to the Spöl Valley. The function of this Commission is to foster the integration of the tourist policies of Livigno. The concrete working of this Commission is resticted by two factors: first, the Municipality of Trepalle has no representative in the Administrative Commission, the deciding body, (whereas the Internal Commissions have the role of proposing), and, second, the Municipality of Trepalle tends to define its own tourist and social policies. (Albino Galli).

[20] It is composed of the Presidents of the five internal commissions and the President of the APTM. Its function is that of giving a unitary direction to diverse projects and to encourage productive interaction.

3.4 The Director of the APTM

The director has a three-year term and provides a hinge between decision-making and operational activities. He is charged primarily to carry out the resolutions adopted by the Administrative Commission and to draw up the budget. The director assures the continuity of the actions of the company and for these reasons tends to be reconfirmed for more than one term[21].

In the case of temporary vacancy of the director's position or a prolonged absence, the Commission must temporarily entrust the work to another director of the company, or, if this is not possible, "an external person who has the necessary professional credentials." (Article 28).

3.5 Control

The actuating regulation of the APTM foresees two forms of control, in particular, i) an ordinary control exercised by the College of Auditors and, ii) an exceptional control exercised by the Municipality.

The members of the College of Auditors are nominated by the Municipal Council to guarantee transparency and effective control. Article 38 foresees numerous causes of ineligibility, which, if violated, indicate the automatic termination of the position.

The College of Auditors must meet "at least every trimester" and is charged to carry out the following activities: i) to perform an economic-financial control; ii) to draw up the report of the accounts; iii) to verify the financial soundness; iv) to effect assessments, v) to ask for additional information.

3.6 The financial structure

The analysis of APTM budget permits us to give in detail the structure of the earnings. As can be deduced from the accounting (see annex IV), APTM's resources are about 3,5 billion lire, 90% of which is the contribution from the Municipality. In time the item "gains from public events" has increased and now accounts for 5% of the total production.

This data confirm the close ties between the APTM and the Municipality and show, also, the choice of a financial system that actually frees the private sector from having to contribute to covering the costs of the tourist board.

The analysis of the quantitative evolution of the earnings show a certain stability (the prospective earnings for 2000 are greater by only 6% than the final accounts of 1989) in absolute terms and thus a drop in real terms, considering the effect of inflation. As a point of fact, this conclusion is correct from an accounting point of view, but does not consider that, in the first accounting years, the APTM budget:

- ✓ Contained a higher level of financial support in order to sustain start-up expenses.

[21] The importance of this figure is justified in the content of art. 27 which forsees that if "three months before the end of the three-year term, the Administrative Commission has not decided on the cessation or confirmation of the job of the Director, they intend to give tacit confirmation for another three years."

- ✓ Contained a higher level of financial support in order to build the first portions of the foot and bicycle paths. In time, these interventions were made directly by the Municipality[22].

One sees a strong growth of the financial flow when considering these two aspects in conjunction.

3.7 The Municipality of Livigno

The Municipality's role in the management of the resort regards three large areas of intervention: i) the building and management of public infrastructures (described in §4), ii) definition of guidelines for the management of tourism, iii) financial support to the tourist sector. In this section there will be a clarification of this last point, by analyzing the economic gains guaranteed by the tax-free status.

The current laws provide that a series of goods, mainly fuels, liquor, tobacco, perfume and photographic materials be subject to an excise duty technically defined as special right. This duty is the responsibility of the commercial operators (importers and shops), and is applied when the merchandise arrives in Livigno. Commercial development has favored an increase in special rights, currently amounting to about 14 billion, which are mostly derived from two kinds of tax-free goods: fuels (in particular, gasoline) and tobacco (table 7). The Municipality reckons that the special rights can be appreciably increased, especially by raising the excise on diesel fuel, which is currently equal to only one lira[23].

Figure 3. Evolution of Livigno's special rights

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Special rights (md)	7,6	10,3	11,3	11,5	12,2	13,0	13,0	14,3	14,7	14,3
Gasoline										
Liters (mio)	19	20	20	23	26	29	29	27	26	24
% special rights	62%	61%	61%	66%	68%	70%	69%	68%	67%	65%
Diesel Fuel										
Liters	20	23	27	30	33	32	36	39	41	39
% special rights	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Tobacco										
Tons	169	169	171	171	171	171	171	175	175	176
% special rights	19%	20%	22%	21%	21%	21%	23%	25%	25%	27%
Other	18%	19%	16%	13%	11%	10%	8%	7%	7%	8%

Source: Municipality of Livigno.

[22] "In the first financial years, I believe until 1993, even the funds for infrastructural investments were transferred to the APTM. Later on, the Municipality acted directly, creating walkways, etc. This decision was based most of all on APTM's greater flexilbility and rapid descision making capacity. Then, following some legislative changes, mainly law 142/90, it was decided that the Administration would make such investments." (Lino Castellani).

[23] "Historically there has always been a symbolic excise on diesel fuel to render our hotels more competitive by reducing their heating costs. This policy, however, is causing serious problems: there is a growing number of trucks with 1,200 liter tanks that come to Livigno for fuel, and the proportion of gasoline to diesel among residents' cars is increasingly higher for diesel, and above all, the revenue guaranteed to the managers of fuel pumps is growing, creating serious problems of equilibrium within the area." (Claoti).

4 THE DESTINATION FACILITIES: PUBLIC INFRASTRUCTURES

Having clarified the competitive context of Livigno in the beginning of the 1990s, outlined the organizational and financial structure of the APTM, and identified its principal objectives, we will now analyze its principal decisions and actions. This section will analyze in depth the management processes relative to the infrastructures and public services, in particular: i) practicability of local roads and transportation, ii) urban facilities, iii) sports facilities.

4.1 Practicability of local roads and transportation.

The Administration has launched two projects in response to the many problems of internal road practicability: a) the banning of cars from the historic center, b) the urban traffic plan (hereafter UTP).

The problems of road practicability[24] are in part caused by the following factors: the large flow of tourist and commercial traffic, the lack of adequate solutions, the lack of a ski link between the various slopes. The members of the APTM made the closing of the historic center their first goal. They declared their intention many times in 1990. The following operators soon organized opposition to the plan:

- ✓ *The shopkeepers of the historic center*: oppose the creation of pedestrian areas, fearing that the clients who were used to driving to the shops would either limit or cease their shopping.
- ✓ *Hotel Owners*: While sensitive to limiting traffic in the historic center, they fear that closing the center would create a series of problems for arriving and departing clients. The owners of hotels located in the eastern part of the center are the most favorable, as by using a series of small roads, access to back of the structures can be guaranteed. Owners in the western portion of the center find themselves in difficulty as their structures are by the mountain and ski slopes.
- ✓ *Owners of Gas Stations*: all of the main stations are located in the center of the town. The highly competitive price of fuel attracts many vehicles, creating huge traffic difficulties. The closing of the historic center would require moving the gas stations to new areas and gas station owners protest strongly against such action.

To put an end to the opposition of gas station owners, the Municipality obtained authorization from the Region of Lombardy to revoke the spaces that had been leased. The gas station owners were given the freedom to choose new spaces in an allocated area outside of the historic center. The Mayor's ordinance gave a brief period, three months, to set up the new stations. After this time, the Municipality was authorized to expropriate the land and choose, at its discretion, new areas. This strong message was followed by the closing of the historic center in 1994. The most extraordinary effect of this decision is that very soon the opposition appreciated the project and asked the Municipal Administration to progressively extend the ban on cars to the whole town[25].

[24] "Livigno was in desperate conditions. A one-way street went through the historic center, and from 8 a.m. til 8 p.m. there were traffic jams. We have a bar on that street and I remember that we had Cinzano napkins on the tables. In the morning the napkins were white and by the evening they were black. It was worse than being in a metropolis." (Giacomelli).

[25] "This vision supported the closing of the historic center which has been discussed since 1988/89 when there was the problem of moving just 4 gas stations. Lynching was risked, and it was not just a

New investments are made for road practicability: a by-pass and new parking lots are created. These reduce, but do not resolve, the traffic problems.

As for the second project, TUP contemplates the transformation of the whole historic center into a pedestrian zone. All "tire" traffic is to be transferred to the by-pass road and underground parking garages are to be built every 300/400 meters. The objective is to "hide" about 4,000 cars in public and private parking facilities. The work was to be contracted out in 20001.

There are several proposals that are being considered in order to further rationalize Livigno's road practicability. A railroad tunnel to the Engadine would permit trains to reach the nearby airport of Samaden and also Zurich[26]. The project is widely approved by the townspeople. The Town Council intends to have a study of the technical and economic feasibility of the project conducted at the Bocconi University in Milan, with a subsequent evaluation of two possible solutions[27]. The project would permit people and supplies to travel by train, connecting Livigno with Rh.B, synonymous with punctuality and beautiful scenery.[28]

Regarding public transport, the "ski bus" service is used a lot in the winter period. The absence of skiing passages between the two slopes and the Teola area[29] creates a greater demand for shuttle buses. The Municipality has created such a service, which is very much appreciated by the clientele. The cost is billed to the Skipass Association. This action is possible because of the strong power the Municipality has over the Association, whose statute contemplates that the Town Council must approve its tariffs.

4.2 Urban facilities

We can identify the following areas of intervention: i) management of architectural styles, ii) the "tee" project, iii) the construction of the Multifunctional and Tourist Buildings, iv) urban decoration as envisioned in the traffic plan, v) district heating.

The development of tourism in Livigno was particularly tumultuous and sudden. The town was able to maintain, with few exceptions, the homogeneity of architectural styles. Credit must be given more to the entrepreneurs than to the Municipal board, which in the past tended to favor the construction of second houses. In 1993 a general town-planning scheme was finally approved that permitted restrictions on both civil and tourist building activity. Many operators shared this conviction: Livigno had gone beyond the development stage and it was better to render the existing supply functional, rather than trying to increase it, with the potential negative consequences on prices and qualitative levels.

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verbal threat! Today it is those who propose to re-open the historic center that risk being lynched" (Lino Castellani).

[26] Tourists flying to Livigno presently land at Milano's Malpensa airport, Orio Airport in Serio (province of Bergamo) or the airport of Bolzano. From all three airports one has to then take a bus for another five, four and a half, and three hours, respectively.

[27] One possibility would be a tunnel under Mt. Minor that connects Livigno with the Swiss area of Bernina Suot. The second alternative would be to connect Livigno with S-chanf.

[28] "The railroad, besides offering a significant step towards ecologically sustainable tourism would increase Livigno's appeal. Comparing ourselves with our neighbors in the Engadin we realized that he who uses the train already begins his vacation at the station, whereas he who uses the car begins his at the chosen destination." (Lino Castellani).

[29] The area of Teola is a portion of the Town of Livigno, located in the east near the road that goes to the Foscagno Pass. The largest hotels are in this area, accounting for about 2,000 bed places. Because there is no ski connection to the base, bus transport is necessary.

A second important project is that of giving value to "tees", the Alpine huts constructed by horizontally superimposing large wood boards. The eastern portion of the town is particularly rich in houses of this type. They can be used well for tourism. The Administration has trusted an architect with making the inventory of all the existing tees, compiling a detailed technical chart for each building. This work will permit the definition of precise conditions and standards for the restructuring process (under discussion), and will record the present volume of these huts, thus avoiding their eventual enlargement.

The Municipal Administration is also completing two important infrastructures: a multifunctional building and a tourist building. The first structure, being completed at present, will give the town a congress center, and attract an interesting client segment. The closeness to Milan and Lombardy in general, the tax-free status, the notoriety of Livigno, and its natural beauty, are all Livigno's assets. There are no specific ideas as to how this infrastructure will be managed, but experts have identified some critical aspects such as: i) the little propensity of the local operators to program the commercial flow with an eye to the long term, ii) the importance that have small accommodation facilities.

The construction of the tourist building meets a double need: on the one hand, that of giving a new seat to the APTM which, because of both its operative growth and the growth of services it manages, needs more space, and on the other hand, that of creating a meeting place for tourists. The building will have a particular aesthetic character, in keeping with the architectural style of Livigno and, at the same time, it will be modern, functional, original and easily recognizable. A new cross country Olympic ski track approved for international races and equipped with artificial snow machines, (see following section) will start outside the tourist building. The track design is finished and construction will begin under the next Municipal Administration to be elected in the spring of 2001.

Regarding the TUP's activities, once the town is completely closed to traffic, a first step to ameliorate the aesthetics and the quality of life in the town is the pilot project for the San Rocco area. A particularly designed pavement will be built followed by a series of decorations in the same style on the civil and tourist buildings, to create a unified style with a strong visual impact. Before the work of paving, a technical underground passage is to be built which will be a channel to accommodate electric and telephone cables, white and black waters, TV cables, telecommunication connections, district heating, and other conduits, avoiding future work that would demolish the pavement. The whole cost of the work is taken up by the Municipal Administration that has already allocated twelve billion liras for the project. The project includes aesthetic interventions such as the creation of small squares, fountains and the planting of trees. This investment is a pilot project: the Administration would like to create similar interventions throughout the town, spending about 25/30 billion lire

The project for district heating, part of the plan for urban fittings, is ready for construction. To reduce the energy costs and above all, the emissions of polluting gas, the Municipality has designed a central methane gas plant that can provide hot water for the whole town. The present heating plants use prevalently diesel fuel for cost economy.

4.3 Sports facilities

Sports fittings encompass a series of interventions realized by the tourist board, the Municipality and the private sector. We will analyze first the investments from the public operator and then look at the ski area.

In chronological order, the first important investment is for the construction of paths, to create new attractions for the summer clientele. The decision met strong opposition, mostly because of the existing rapport between invested resources and possible returns. There is, furthermore, the necessity to use private property. In a small valley, it is always difficult to convince a property owner to give up his land.

It is interesting to re-read the strategy through the actual words used by the person directly involved, Gianluigi Galli: "The "footpaths" project needed and investment of 5 billion lire and the expropriation of 800.00 square meters of land belonging to the townspeople. The project could be easily exploited. We approved it, giving it concreteness in very little time. When the first part was finished -which required a billion in costs- the people of Livigno understood. With one billion, only one billion, we could attract many tourists. This was the winning card, giving us credibility and permitting us to continue."

The success obtained with the footpaths paved the way for other important projects: the creation of a cross country ski track 50 kilometers long, the construction of cycle paths in the town and the construction of more than 80 kilometers of mountain bike paths.

These investments were technically realized with money from the Municipal budget, and later they were managed by the APTM, in charge of both regular and special maintenance through recourse to specialized labor. This way, efficient traffic signs were put up and the tourists informed about the circuits through brochures and maps.

The Municipal Administration has committed itself recently to a project requested by the operators for more than 20 years: the construction of a swimming pool. The project, now approved by the Administration, contemplates the construction of an Olympic swimming pool, water game parks and a fitness center. This decision was finally made after a series of visits to several Alpine resorts abroad[30].

5 PRIVATE INFRASTRUCTURES

This subject comprises three main categories: i) ski areas, ii) accommodation structures, and iii) retailing.

5.1 Ski area

The huge investments[31] in the ski area were made in the 90s by private subjects exclusively. The following investment areas may be identified: i) purchase of the ski facilities mostly by local entrepreneurs, ii) artificial snow equipment (systems), iii) ski runs, iv) links between facilities, v) rationalization of the ski area.

[30] "Acqua Granda, which includes many ideas, was programmed after visits to many tourist resorts in Austria and Germany. It was decided not to build a classic swimming pool, but rather water games, with different areas that meet the needs of different targets (adults and children). An indoor-outdoor swimming pool, traditional in Austria and Nordic countries is also planned. Aqua Granda will also offer many services for the body and fitness" (Lino Castellani).

[31] Mottolino alone invested 70 to 80 billion liras during the 90's.

It should be kept in mind that the ski lift facilities are historically the result of the initiative of external operators. By the end of the 80s these facilities are weak both technically and commercially, partly as a consequence of the investors' speculative attitude: eager to maximize the profits from the invested capital in the shortest time possible, they do not care about competitiveness, which can guarantee operating results in the medium-long term. As for Mottolino (east side), the board of directors changes when the facilities are bought by a wide group of local entrepreneurs: hoteliers, retailers and professionals. The direct link with the tourist and commercial activities allows the new establishment to have good financial resources and start an on-going intense investment program of over 70 billion lira. As for Sitas, Eng. Capelli from Milan decides to sell the facilities both because of his age and the fact that his children have followed other career paths. A group composed of local and external operators purchases the business in the early 90s. As for Carosello (west side), the German entrepreneur that had built the facilities decided to retire from business in view of his age on the one hand, and commercial farsightedness on the other: he had intuited that the ski market would have contracted in the future. The new managerial structure of Mottolino tries to strike an agreement with the representatives of Sitas upon the most reasonable purchase price with the idea of setting the grounds for the integration of the two basins[32], but the agreement is not initialed. In turn, Sitas -now part of a new consortium- manages to buy Carosello out. A strong rivalry was born then between both companies. The ensuing competitivenees is highly appreciated by the actors themselves[33].

After all these changes, significant resources are invested in artificial snow systems. Initially this choice encounters the strong aversion of the entrepreneurial and political spheres. Livigno had always been advertised domestically and internationally as a resort with natural snow from mid November to April. The issue raises also ecological concern associated with the use of water in great quantities and the noise of the pumping equipment. Not before long, however, the scarce snowfall renders it clear that artificial snow is necessary.

The third investment area is the building of new ski runs. During the 90s new tracks are made on both mountainsides, especially more technical, difficult ones in recent times. Notwithstanding Livigno's potentialities[34], the development is incremental, not radical.

The fourth investment area involves the links between facilities. On the west side Sitas and Carosello have built new facilities and new runs that allow skiers to pass from one skiing ground to the other. But, as already discussed, the strong rivalry between basins has rendered their linking difficult. In past years a project funded by the Municipality proposed the building of a cableway. On the whole it was a rather costly

[32] "On that occasion it would have been possible to join forces and make a joint offer, while keeping the price low. The German would have sold because he was farsighted enough to understand that he would not be able to maintain the turn out volume of the past" (Valentino Galli).

[33] "This rivalry was highly constructive, a creative rivalry, that was useful for the resort. If the investments in skiing facilities are not continual, the accommodation facilities suffer. That is why I believe that this drive to take the lead, to make the nicest-looking works, has been for the benefit of the village. And so when those of Carosello restructured the refuge, we did as well. The result is that now we have two wonderful refuges that constitute a great attraction for the resort" (Marco Rocca).

[34] It is the opinion of those we interviewed that the present skiing basin represents just a third of the area potentially available for skiing.

solution that was supported by neither the concerns running the skiing facilities nor the other tourist operators.

A fifth element is constituted by a project draft intending the rationalization of the skiing basin (Razionalizzazione ski area, 2000). The premise of the document is the awareness that although several investments were made by different companies (80% increase in the hourly volume, improvement of facilities and runs), users are still required to move by car/bus.

5.2 Accommodation structures

The accommodation facilities of Livigno are of two types: hotel accommodation and apartments that are the property of residents who rent them at a high turn over. When analyzing the management of the accommodation facilities during the 90's three main factors should be accounted for:

- ✓ *Approval of the general town-planning scheme* (TPS hereafter): we have already mentioned that in 1993 the Municipal Administration approves the TPS and votes against a further growth of hotel accommodation capacity. [35]
- ✓ *Renovation of the existing structures*: the growing international competition and customers' ever-changing tastes call for the progressive requalification of the existing structures. As from '93-94 some entrepreneurs start radical restructuring works, by which rooms and halls are enlarged and hotels equipped with swimming pools and fitness centers. The restructuring works usually resulted in a reduction of the number of rooms and most entrepreneurs complained about volume restrictions and the ensuing contraction. At any rate, the encouraging results obtained, the competition among operators, the desire to excel, a new law that rendered restructuring expenses tax deductible, spurred several operators to emulate their peers. Today almost all hotels have been radically restructured making use of local materials and traditional architectural styles, which has greatly improved the image of the village.
- ✓ *Locals buy in the structures built by external entrepreneurs.* During the 90s all the large structures built in the past by external entrepreneurs were bought back. There were several reasons for this choice. The approval of the TPS actually checked the building of new structures and, therefore, those who wanted to increase their accommodation capacity had to buy the existing facilities. As several of these structures had been built for speculation purposes, the foreign capital was willing to sell and make a good profit. Other structures had gone through complex managerial problems and the owners were eager to get rid of them[36]. The buy-in process and the subsequent restructuring required huge investments[37]. The families and economic groups that made such a choice were

[35] "After we had approved the TPS, we felt it might excessively constrain Livigno's future development of accommodation structures; looking back, we regret not having been even more severe. […] We must see to it that the limitations imposed by the TPS are strictly observed, if we want to avoid land abuse" (Mr. Flavio Claoti).

[36] "Then there were some specific situations. For instance, Intermonti had to face so many management problems that, at a given point, the majority of the partners confessed they were willing to go because they were tired of earning nothing and having to compensate for the losses." (Mr. Valentino Galli).

[37] "When we bought Intermonti in 1991we paid 11 billion lira. Since then we have invested another 21 billion in this hotel and we are not finished yet" (Mr. Romano Galli).

usually both tourist and commercial operators[38] who resorted to the gains from their duty-free shops and to major bank loans[39].

5.3 Retailing

In the past Livigno was mainly a commercial attraction thanks to its tax-free prices[40]. As from the 90s there has been a profound change due to the progressive integration between tourism and commerce. Commercial activities become ever less competitive as for some of the most traditional items (perfumes, photographic material, hi-fi equipment, mobile phones), because of the aggressive commercial policy adopted by several specialized chains of shops. The crisis in this sector favors a process of requalification with the creation of market niches on the one hand, and a better integration with tourism[41] on the other.

6 NEW PRODUCT DEVELOPMENT

The development of new products is associated with APTM activities and is mainly due to:

- ✓ Creation of all-inclusive tourist packages: namely, Natura Card and Ski Camp.
- ✓ *Organization of sports events*: two international marathons, namely Pedaleda (cross-country skiing) and Sgambeda (mountain bike riding).

6.1 All-inclusive packages

Both packages offer the customer who stays al least six days in a hotel or other accommodation facility in Livigno and a series of other services, either for free or at a reduced price.

[38] "I must say that Livigno's twofold soul, commercial and touristic, is certainly advantageous when it comes to investments. Look at us, for instance. As a family, we run three thriving concerns, one of them since 1941, "Giuseppina's", a quality clothes shop. The fact that we are part of a wider context has allowed us to make certain choices that a single operator would not be able to make. I'm thinking, in particular, of the purchase and restructuring of Lac Salin, a 180-bed hotel." (Mr. Fabio Giacomelli)

[39] Livigno's twofold soul, touristic and commercial, along with an extremely flexible, family-centered management pattern, have favored the remarkable growth of local operators' borrowing capacity. Mr. Mario Cotelli, responsible for Credito Valtellinese, makes an enlightening comment in this respect: "Balance sheets usually feature few entries, for much goes underground. In such cases our assessment is based on the number of family members that work in the business. If a whole family is working we relax, for they will work 15 hours straight a day if need be to pay off the debt. Actually the bank has never lost a cent."

[40] Livigno's free port regime, which in the past was instituted to compensate for isolation and height, is now a consolidated right. The economic take-off –commercial first, touristic later on- gave rise to criticism of the present tax policy. The debate was recently reopened, but the rights of the valley were confirmed. Consider the comments made by Mr. Romano Galli (President of Livigno's Consumption Cooperative): "We feel at ease because we are still considered like a third state. Even the Ministry of Finance –who has recently been in Livigno to discuss some questions related to the customs- has confirmed once again that Livigno is a sort of third state, that is, an autonomous state within Italy."

[41] "Livigno's commercial operators do not fear the removal of fiscal privileges. It is the market itself to render ever less attractive the price reduction resulting from these rights. Some operators have counteracted this trend by requalifying their offer, trying to occupy quality niches and integrate better with tourism." (Mr. F. Claoti).

6.1.1 Natura Card

An evolution of Summer Card, Natura Card is a summer program that guarantees a wide mix of activities to fill free time, whose price is included in hotel costs. According to an expression used by the organizers, it is like a "pre-paid" card. The services comprised in this initiative lead the customer to discover the natural environment and the history of Livigno and to have a good time in the open at a bargain.

Families, the habitual clients of Spöl valley in summer, are the reference target. Hence the organization of a "cub scouts miniclub", i.e., a Kinderheim where parents can leave their children who will spend morning and/or afternoon in the company of educators. There are also mountain excursions with alpine guides to enjoy the landscape, the flora and the fauna of Livigno.

Then there are the appointments with Valtelline cuisine and wines. The weekly program includes sports such as gym itineraries, bike riding and trekking. With Nature Card, hotel accommodation is free for children under 6 and half price for children between 6 and 12. Customers over 65 get a 10% reduction. All cardholders are entitled to a discount on the taxi bus service.

The main objectives of the packages are: to extend the seasonal cycles of customer presence by creating significant tourist fows in the low season as well (first two weeks in July and September); to promote the attraction of the valley; offer a dynamic sojourn; attract new customer segments; encourage resort loyalty among tourists who, in turn, will hopefully generate positive word-of-mouth circuits.

6.1.2 Ski Camp

The Ski Camp offers a series of services, either free or at a reduced price, to the customers that choose Livigno in certain periods of the year, especially in December and April, when –according to the analysis of tourist flows- the resort exhibits the lowest occupational rates.

With interesting reductions for children, this package is also intended for family groups. The services the program includes are mostly associated with skiing: discount on the 6-day skipass, ski tutoring (two hours a day per 6 days), testing of new equipment, out-track excursions with alpine guides, etc.

The aims are similar to those pursued by Natura Card: extend seasonal cycles, encourage customer loyalty, attract new customer segments, and create word-of-mouth circuits.

Both initiatives are systematically renewed to meet client expectations.

6.2 The realization process

After having defined the content and the scope of these new products we will deal with the realization process, focusing on Natural Card, which has undergone an interesting evolution during the latest season. Both initiatives start out in the early 90s. From the very beginning the organizers realize that the greatest difficulty is convincing accommodation operators to get involved in the program. As a point of fact, they are the only ones capable of approaching, informing and convincing the prospective users. But many of them are afraid of losing their customers, afraid of the judgment of colleagues,

and prefer to keep the client within the walls of the hotel[42]. The tourist board intensifies the contact with the operators so that they will hopefully inform their clients, but to no avail[43].

During the 2000 summer season, important changes are introduced in the organization process: external professionals are involved and the mix of services offered is widened. Accommodation managers are requested to give an economic contribution in exchange for services such as to be included on the price list (see next section), to be on Livigno's official Internet site and to be part of the booking fax service and Natura Card (Tourist services management, 2000). It is up to the operators whether to accept or refuse the whole package. The offer is plain black mail[44], for the price list, the Internet and the booking fax service are the sole promotional means for most accommodation structures. The requested contribution is reasonable and proportional to the number of bed places. The APTM doubled the amount of money thus obtained, to stimulate the operators' future participation. Over 80% of the structures accepted the offer and the efficacy of the program was favored by the fact that the ski lift facilities opened earlier that summer[45].

6.3 Sgambeda e Pedaleda

Sgambeda is an international cross-country skiing competition that was instituted at the beginning of the 90s with the following aims: i) to give continuity to the winter

[42] Mr. Gianluigi Galli wrote: "Several indicators induce us to believe that there are some operators who are rowing coordinately towards a common objective, while others, though sitting on the same boat, are acting as ballast, when they do not even row in the opposite direction. The APTM markets the Summer Card packet (Natura Card's former name) to promote tourist demand at the beginning and the end of the summer season and only 30% of Livigno's tourist operators join in. Following the same strategy, the Winter Card (Ski Camp's former name) is launched with the aim of anticipating and lengthening the winter season. The Skipass commits itself to open the facilities as from November 27th […] and hardly a month before the beginning of the season we come to know that 60% of Livigno's bed places will be available only as from Decembrer 3rd. (Livigno News, 1993 (7), p. 1).

One year later, the new President, Lino Castellani, insisted: "Only 60 operators have become involved in the Summer Card promotion program. Too few to adequately promote the beginning and the end of the summer season." (Livigno News, 1994 (5), p. 3).

The comments at the end of the season were no less discouraging: "The APTM has been investing in the Summer Card program with the aim of anticipating and lengthening the season. Well, the result of a survey conducted from 11 to 16 July among the clients of some concerns that have joined the program revealed that 33.6% of customers knew nothing about the free services offered with the package". (Livigno News, 1994 (7), p. 1).

[43] During the latest season the program included a dinner party in the Tent Theatre for all participants. Hoteliers were asked to take their customers along. The dinner was meant as an occasion to strengthen the rapport with their clients.

[44] This is the term almost all interviewees used: "We had to blackmail the operators. In the literal sense of the word." (Romano Galli); "We imposed Natura Card through plain blackmail" (Erio Galli); "We had to blackmail them […] being a well-devised blackmail they accepted immediately" (Mario Cotelli); "We collected the money by blackmailing the hotel operators" (Albino Galli).

[45] In this sense the declarations made by Marco Rocca, an important member of the skiing facility Mottolino, are quite interesting: "We were asked by the APTM to open the facilities as from June 24th. The summer season starts much later, so from an economic point of view it would be convenient to open from later July to the end of August. We are now at the end of July and the turnout so far has been quite low, but this is long-term thinking and we wholly agree with APTM choices. The facilities and thus the excursions are the most important factors for client satisfaction during the low season. That's why we decided to open. When APTM proposal was discussed all the partners agree to it."

season. After the short holiday around Sant'Ambrogio's commemoration (7-8 December) the tourist flow registers a remarkable drop until Christmas time. The race usually takes place on the second weekend in December; ii) to have skiers appreciate the great amount of snow that covers the village at this time of the year; iii) to promote cross-country skiing tracks, develop and consolidate this segment of skiers.

Pedaleda, the international mountain bike race that takes place on the first week in July, shares the same objectives: the intention to anticipate the beginning of the summer season, promote the natural resources of the valley, develop and consolidate the bikers segment.

The organization process is closely related to APTM action, especially through the Commission for sports events. Chronologically the first event is Sgambeda.

The promoters of the event start a close collaboration with Val di Fiemme where the Marcialonga takes place. They soon decide to organize two races: one competitive, the other non-competitive. The idea is to give participants a warm welcome and get the whole village involved in the event[46]. From a financial viewpoint, a modest registration fee and the involvement of important local sponsors render it possible to reach a balanced budget and make some profit. The track exploits the cross-country ring that the Municipality built and gave to APTM for management in the early 90s.

To improve the organization of the event, after the first few years, participants were asked to fill in a questionnaire. The suggestions were used to improve both the course (the skating ring was furnished with rails for the classical technique) and the peripheral activities (increased number of drink delivery stalls, definition of a list of hotels that agree on charging fixed prices, the historical center of the village is covered with snow to ensure that people can move without taking their skis off).

The number of participants in the latest races was around 1,500-2,000. The success of the event has given rise to a weekly package centered on cross-country skiing and training. The event attracts a good number of foreign customers.

The intervening factors we have identified for the realization process of Sgambeda can be extended to Pedaleda. This initiative, however, has had a lesser degree of success both in terms of participants and tourist volume. Most participants are same-day tourists for they come from the neighboring province of Sondrio.

7 PROMOTION STRATEGY

The promotional activity can be usefully analyzed by distinguishing two levels: strategic marketing and operative marketing.

7.1 Strategic marketing

The marketing policy that APTM has followed since its creation is based on three principles: i) promotion over the territory; ii) building up the private clientele; iii) fostering the foreign turnout.

[46] "To promote the involvement of the village in the Sgambeda Fest, APTM in collaboration with the local chamber of trade will award a prize to the nicest shop window decorated around Sgambeda" (Livigno News, 1992 (5), p. 3).

7.1.1 Promotion over the territory

The tourist board has always tried to market Livigno's product system by fulfilling the needs of the clients that were already present in the valley[47]. This strategy aims to create two positive circuits: client loyalty and word-of-mouth circuits.

This trend stems from the awareness that a great promotion campaign targeting different markets would require resources that the tourist board does not have right now, not to mention that its efficacy could be strongly impaired by the current product system. In fact, the operators deem it necessary to complete the on-going investments first (road practicability, transportation, public works, private investments) so as to be able to present an efficient and competitive product on the market.

Hence the predilection for direct marketing tools (typically mailing) towards the existing clientele. This trend has been confirmed by specific research activities.

7.1.2 Building up the private clientele

Summer clients organize their own holidays without resorting to commercial intermediaries, who find Spöl valley less attractive that the more profitable sea and lake markets[48]. Conversely, during the winter season, a good measure of tourists, about 40%, come in through commercial intermediaries.

The tourist board has always held the private clients in high esteem, for they yield the highest economic margins[49], it is easier to gain their loyalty, and they generate word-of-mouth circuits.

Commercial intermediaries have a strong influence on their clients' choice, which they usually direct towards the products that yield the highest margins. Although there is a clear interest towards the private clientele, intermediaries have not been shut out. On the contrary, the resort maintains a very good relationship with them. In order to explore new markets and new targets, wider circuits are used; then a direct rapport is established with the customers.

7.1.3 Fostering the foreign turnout

Livigno has always been interested in the international market, especially the European market, and Germany in particular. This trend depends on several factors: geographical location, the connection network and the vital role that the German entrepreneur Clausin has played in the development of the valley (§5.1).

This trend has been shared and internalized by APTM.

[47] "We believe that the client's decision-making process depends on the services offered *in situ* rather than on promotion strategies. Livigno's marketing strategy is founded on the investment in structures and services; promotion comes second to that. In my opinion, APTM spends over 500 million because information is marketing. When the tourist goes to APTM, he is welcome and gets good information: this is marketing" (Mario Cotelli).

[48] "Winter tourism has prospered thanks to travel agencies and tour operators, who have made Livigno known to many tourists, especially foreign tourists. […] In summer, on the contrary, these commercial intermediaries find the sea much more profitable, which devoids Livigno of the commercial pull" (Livigno News, 1994 (5), p. 1).

[49] "We grant intermediaries a mean margin of 25%" (Romano Galli).

7.2 The operative marketing

The tools of the operative market are: i) the price list; ii) the booking fax service; marketing and commercialization; iv) printing and dissemination of information material; participation in trade fairs.

7.2.1 The price list

The price list is the chief promotion tool of the tourist board and one that realistically reflects the basic trends of the marketing strategy. This tool has been drastically revised after the establishment of the tourist board. As a point of fact the APTM introduced the following innovations:

- ✓ *Price distinction:* In the past, the list simply reported rather wide price ranges by which the prospective customer could not tell the exact cost of a bed place. The decision was made to emphasize seasonal differences and allot specific prices to each season. The tourist board is in charge of district statistics, handles an enormous amount of data –even on a weekly basis- by which the seasons can be clearly identified.
- ✓ *Information on hotel accommodation:* In order to help the customer choose an accommodation facility in line with his/her needs, the tourist board has progressively extended the information regarding the services furnished by the various structures.
- ✓ *Classification of flats:* As already stated, there are about 4000 bed places in accommodation facilities other than hotels, i.e. mainly flats. Given the scarce number of beds managed by the single operators, promotional investments were seldom contemplated and this sector of Livigno's accommodation offer lacked a specific promotion tool. This circumstance caused several problems: similar flats were priced differently, the services offered during the negotiation were not always true to reality and several structures could not be rented. To overcome these difficulties APTM, in collaboration with the Municipality and the Hotel Association, decides to classify the apartments with the volunteer help of the owners and in a few seasons' time all rentable flats are finally catalogued.
- ✓ *Integrated price list*. In past years the tourist board used to compile a price list for the winter season and another one for the summer season. As from 1998 both lists are edited together to reduce printing costs and present Livigno as a two-season resort.
- ✓ *Graphic format*: The graphic format of the price list improved remarkably with charming photos of winter and summer landscapes and of each accommodation structure.

After having presented the major innovations, we will analyze some aspects of the process.

As for hotels, the most important innovation regarded price ranges. The scarce tourist culture of the domestic accommodation managers resulted in very little planning. Price discrimination on a seasonal basis compelled single operators to plan price policies and confront local competitors.

To implement this passage it was first necessary to identify season ranges on the basis of statistical information. APTM worked patiently on the weekly distribution of hotel and extra-hotel occupational rates and identified tourist inflow levels. The data

obtained were shared with the Hotel Association. Accommodation operators were requested to send in the price they asked for every season range. The list was compiled 4-5 months in advance so as to be able to print and distribute it in good time.

As expected several operators did not send in the requested information in due time for obvious reasons: the difficulty to associate a price to each influx range, the fear of local competitors, the scarce credibility the tool itself inspired in the operators.

Then the tourist board adopted a prize/punishment strategy that favored the collaborating structures and penalized uncooperative ones. The former were thus given a lot of space in the brochure, while the latter were relegated to the last page and simply listed in a smaller font under the anonymous legend "Other available accommodation".

The price brochure was a great success; it was distributed throughout Europe at a very low cost. It now features over 80% of the structures, which represent over 90% of hotel bed places.

In order to create a transparent and efficient market of accommodation structures other than hotels, flats should be thoroughly catalogued. APTM and the Municipality defined a self-regulation code that was forwarded to all flat owners[50]. As with hotel owners, at the beginning many operators showed a quite uncooperative behavior, but as the advantages became evident the number of participants increased. Today almost all the extra-hotel offer is being promoted.

7.2.2 The booking fax service

As we have already discussed in section 2, APTM may not act commercially. This serious limitation -indirectly imposed by the regulation- creates a paradoxical situation: customers who resort to APTM for information and find a hotel or extra-hotel product of their liking may not buy it directly, but have to contact the concern that provides it. When, for instance, a client asks APTM for information about 3 star hotels, the operator sends the client 20-30 addresses. The separation between promotion and commerce restricts the marketing activity itself, for there is no feedback to tell the efficacy of the action.

To better manage this situation, APTM has thought of a booking fax service. All accommodation operators are to communicate their room availability on a daily basis, and APTM sends the customer the offer available at the moment. When a hotel is wholly booked, it must inform APTM immediately.

This solution still presents several drawbacks:

- ✓ The client does not receive a specific answer, but a set of wide offers to examine and choose from. Then he/she has to contact the structure directly[51].
- ✓ The process is highly time consuming: hotels must send a fax every day and APTM must then order them. To fulfill the requirements of the clients, more faxes are to be sent.
- ✓ The system generates substantial telephone costs and expects the client to have a fax.

[50] "Since there is no law that sets forth the criteria for the classification of the flats to rent, the Municipality and the APTM are working on a self-regulation code that will set quantitative and qualitative standards so that flat owners can classify their own apartments accordingly. If this works, next summer we will have several lists of codified apartments. We will then be able to inform the customers with more transparency, and thus avoid the complaints due to blind flat renting." (Livigno News, 1993 (7), p. 3).

[51] "We regret having to manage the requests by means of faxes and thus lengthen the choice process. Many clients receive as many as 20 offers" (Romano Galli).

- ✓ The ensuing information is never real-time.

Since it was created, APTM has tried to start a marketing service and become a stock company. This solution, however, has been regularly thwarted by the Lombardy Region, which has so far denied authorization. The booking fax service was instituted in an attempt to keep thousands of contacts alive while waiting for a favorable change.

In July 1999, after a change in the legislative scenario, APTM[52] managed to become a "special concern" which granted it the legal capacity to activate the marketing service. However, in view of recent European Community directives, it is still working towards becoming a stock company. In January 2001, the tourist board became a limited liability company; the Municipality has wholly endorsed the capital.

In order to set up an efficient booking service, there is the need for transparency, the wiring of all accommodation structures into a net, the sharing of management costs, the institution of a new, dedicated BU (Business Unit) within the APTM.

7.2.3 Editing and dissemination of information material

The tourist board is quite active regarding the editing and dissemination of information material that includes not only the price list, but also Livigno News, local maps, trails and ski facilities maps. The material is printed in several languages and distributed by the APTM and the various operators.

The very high circulation of brochures has allowed APTM to remarkably reduce the cost per unit, while improving the graphic form. Almost all information material contains advertisements, which help contain operative costs.

The actual editing makes even more use of the technical competence available inside APTM, the expertise of external consultants and of the Commissioners, and the suggestions made by the operators[53].

7.2.4 Participation in fairs

The APTM participates in several national and international tourist fairs in collaboration with the Lombardia Region, responsible for setting up the stands. Livigno's tourist board bears the cost of personnel transfer and promotional material. The Lombardia Region has recently trusted APTM with organizing a series of workshops in collaboration with other organizations in Lombardia.

8 DOMESTIC MARKETING

The managerial process described so far is supported by a series of tools for local marketing summarized as follows: i) Livigno News; ii) Telemonteneve; iii) mailing; iv) informal relations.

[52] The transformation process has also affected the name of the board. It is no more APTM (Azienda di Promozione Turistica Municipalizzata), but simply APT. For the sake of simplicity, APTM is used throughout the case description.

[53] "Every year we try to improve the material intended for dissemination. The members of the board express and collect suggestions and criticisms, which they always translate into constructive criticism" (Albino Galli).

8.1.1 Livigno News

Livigno news is a newsletter with no fix frequency intended to improve the systematic communication between APTM and Livigno's citizens, and help residents become aware of the importance of touristic activities. Its first issue appeared in June 1992. The booklet features informal articles and interviews dealing with 1) news, ii) analysis of tourist results, iii) identification of Livigno's weak and strong points. The Municipal Administration has recently launched a similar initiative: a bulletin called "Dal Comun" (from the Municipality), whose first issue is dated June 2000. This bulletin contains a lot of information about the on-going projects regarding the tourist sector.

8.1.2 Telemonteneve

Telemonteneve is a TV channel that was intended for operators and tourists. It broadcasts detailed weather reports for Livigno's valley. With time this very simple tool became the local TV channel in its own right.

8.1.3 Mailing

A third important communication channel is the mailing. The APTM and the Municipality avail themselves of this tool when a detailed and articulated communication is needed, as it was the case, for instance, when they had to explain Natura Card or bar the access of vehicles to the historical center of the city.

8.1.4 Informal relations

The organizational structures of the APTM and the Municipality are prevalently based on the involvement of Livigno's operators, who devote part of their time to the management of the touristic activity. These officers are not professionals and work on their usual activities with their habitual spectrum of relations through which detailed, specific information is guaranteed.

9 EDUCATION AND TRAINING

APTM intends this kind of activity for two sectors: i) tourist operators and ii) employees.

9.1 Education and training for tourist operators

We have already said that Livigno is a quite young tourist resort and its managers (especially first-generation ones) usually lack specialized professional training. The family groups deal with multiple activities, their youngest members are soon absorbed and there is little time left for studying.

Although one could infer that there should be enough time to devote to intense training, APTM's initiatives in this sense have been scarce. They organized a successful series of meetings with people from well-known tourist resorts, which spurred the APTM's first president to organize educational tours in Alto Adige, Valgardena and

Valbadia[54]. Similar initiatives were then repeated. There are usually several participants who appreciate the style of the meetings, generally articulated as testimonials[55].

In the course of the latest presidency, educational activities had a secondary role, as stated by Romano Galli himself.[56] The town concillor for tourism said that this deficiency is accounted for by two factors: on the one hand, the numerous interventions in the local product system have deprived entrepreneurs and public managers of almost all their available energy, on the other hand, the scarce drive demonstrated by trade associations has precluded groundroots initiatives.

9.2 Education and training for employees

The attitude towards the training of employees strongly reflects the limitation imposed by the managerial model adopted by several local entrepreneurs: a model based on seasonal labor, which generates a high turn over and discourages educational activities[57].

In order to guarantee the achievement and the maintenance of suitable professional standards, tourist operators have relied on two main organizational tools: i) whenever possible they have resorted to the family model, trusting a member of the family with the responsibility for certain activities or certain operative areas, thus internalizing the knowledge; ii) the entrepreneurs themselves have undertaken a multiplicity of operative functions

On the whole, these solutions help operators develop the know-how and learn their job fast in the field, but prevent them from achieving any qualified professionalism.

In order to foster long-term professional bonds with the personnel it is necessary to reduce seasonal cycles and encourage the construction of public housing for workers.

10 RESEARCH ACTIVITY

The research activity behind public and private strategic decisions is prevalently APTM's responsibility. In fact, APTM is in charge of "studying and setting up strategic projects concerning tourist planning". Historically, the tourist board has done the following activities: i) customer satisfaction research, ii) analysis of competitive results, iii) a feasibility study on the railroad connection between Livigno and Engadina.

[54] Livigno News, 1992 (1), p. 8.

[55] "Gianluigi Galli had the brilliant idea of inviting all tourist operators, skilift, hotel and restaurant operators, just everybody, to listen to the experience gained, for instance, by the president of the Dolomites skipass. And we collected very interesting indications" (Giovanni Cusini).

[56] "As a point of fact we've actually done very little in this respect. Those before us, I mean the previous APT administrations, were very active. The operators used to attend the lectures, the meetings, the training courses. I think we should restart from here, for at times it is more difficult to identify a problem than to solve it. There is nothing you can do about a negative, disturbing element before you've pinned it down. I feel that systematic education is fundamental. I think that education can be of help in this sense because, as we're always watching our local competitors, we seldom come up with innovative ideas" (Romano Galli).

[57] "Nobody invests on employees for they are never the same people. They come and go with the seasons" (Mario Cotelli).

10.1.1 Ariter's research

Ariter did the most articulated research so far within the Spöl valley in 1989 and 1990. It was a detailed study on the weak and strong points of the local tourist offer, on the basis of a survey among summer and winter patrons (1989 and 1990 reports, respectively). The ensuing indicators -partly summarized in Annex V of the reports- helped define a wide spectrum of long-term objectives and their priority.

10.1.2 Analysis of the competitive results

APTM has systematically analyzed seasonal competitive results, and conveyed the ensuing conclusions through Livigno News first and Telemonteneve later on. The analysis consists in the detailed study of tourist flows, an interpretation of the causes that led to the results in question (whether positive or negative), and the implications for future strategies.

10.1.3 Livigno-Engadina railroad connection

This is a pre-feasibility study that the Municipality of Livigno has trusted the Milan-based Bocconi University with to evaluate the technical and economic feasibility of a railroad connection with the neighboring village of Engadina, which would incorporate Livigno in the Rh.B-managed network.

11 THE STRATEGIC PROCESS: A SYNTHETIC VIEW

In this conclusive section we will summarize the complex implementation of Livigno's strategic managerial process.

11.1 The control mechanisms

In the case of Livigno, control mechanisms may be classified into two groups: i) control on land use; ii) control on the implementation of distric policies and strategies.

As for the first point, metamanagerial subjects -the Municipality in particular- count upon numerous tools, especially licenses, to regulate the use of the land. On the whole, the municipality has always tried to influence tourist and commercial operators' decisions and actions through the granting of licenses. This has been the case with ski lift facilities, the tendency to renovate the existing areas rather than equipping new ones, the approval of the TPS, the banning of cars from the historical center.

As for the second point, Livigno's metamanagement has implemented several control tools to ensure the widespread diffusion of district choices, actually creating an "authoritative" model. See, for instance, the way in which certain choices (price list, promotion packages, tourist fittings) have been imposed on the operators.

In the case in question we wanted to use the word "authoritative" for it has a negative connotation: the restriction of a subject's freedom. But the reason why this model pervaded most decision-making processes was the local operators' scarce tourist culture and strong individualism.

11.2 Strong and weak points of the metamanagerial model

The analysis of the managerial processes shows the centrality of APTM in the management of the resort. We will hereby identify the main strong and weak points of its organizational structure.

Among the strong points, the organizational structure i) guarantees strong bonds with the operators; ii) favors the fast perception of problems; iii) ensures commissioners' know-how; iv) generates a good visibility of APTM actions.

The involvement of the local operators prevents the creation of a gap between the action of the tourist board and the problems of the resort. The direct activity of the commissioners (mostly hotel operators) allows APTM to quickly collect the information on the actual problems encountered by entrepreneurs. The fact that APTM members are entrepreneurs themselves ensures that they know the local commercial and tourist structure, the weak and strong points of the supply system and the characteristics of the demand they serve, which shortens start-up times (especially when the board of directors is being elected) and gives continuity to entrepreneurial projects. The strong bond with the operators and the involvement of most of them ensure a good visibility of the actions carried out by the APTM, which –through this network of personal relationships- manages to rapidly communicate its decisions.

Among the weak points, the organizational structure i) generates high levels of politicization; ii) favors a vision of short-term development; iii) restricts Commissioners' energy and sphere of competence; iv) favors the focusing on individual interests.

The fact that APTM is the operative arm of Livigno's Municipality and that Commissioners are hence appointed by the Town Council could favor political position rather than tourist competence as a criterion for election[58].

Along with the politicization of choices, there is another problem associated with the temporal distribution of the interventions. The political power, dependent on the periodical consent of electors, tends to favor those projects that will produce results in the shortest time possible, and set aside those projects that take much longer for results to be appreciated. The political continuity of Livigno's Town Council –in power for the last 12 years- has so far precluded such a risk, which is, in any case, intrinsic to this organizational model.

A third factor that must be considered is level of know how that the administrators have individually. The tourist/commercial entrepreneur status of Commissioners certainly ensures their deep knowledge of the territory, the product system and the targets, but does not necessarily guarantee their capacity to articulate a vision of long-term development of the resort. APTM's main decisions and actions are based on the

[58] A concrete example is the recent clash between Damiano Bormolini, president of the Hotel Association and a member of the Administrative Commission, and the Commission itself.

Among the provisions carried out by the latest Presidency, there is the project to have a centralized booking system managed by APTM. Damiano Bormolini objected the project and obstructed it for a long time. The people we interviewed said that his position was the result of an evaluation of a political nature. "The behaviour exhibited by the President of the Hotel Association is the result of either a political stand or lack of information. We have not managed yet to thoroughly inform hotel operators about all the marketing potentialities of the system. Every time we've tried to do so, we've been opposed by the Hotel Association itself, which –in my opinion- is more interested in politics than in defending the interest of their members." The opposition to this kind of marketing is entirely political. It is not constructive criticism to improve an idea; it is just political obstructionism to prevent the majority from carrying out an interesting project which could gain it widespread success" (Mario Cotelli).

difference between the present situation and the Administrators' future image[59], taking into consideration the weak points of the present supply and the choices for Livigno's future positioning. As the Commissioners normally devote most of their efforts to their own activities and to public management commitments, they lack the necessary time to develop and improve the vision of Livigno's future. This is particularly so during the high season[60]. In order to compensate for these limitations, the tourist board is trying to internalize the most critical know-how, availing itself of its own operative personnel and hiring experts to back up the tasks of the different commissions and of the Administrative Commission itself.

A fourth weakness factor is associated with the potential use some people could make of the APTM to pursue personal interests. Quite symptomatic is the opinion of some interviewees about the president in charge and manager of about 20% of the local hotel facilities[61]. The criticism is never directed to his competence, but to the potential conflict of interest.

11.3 How the authoritative model works

Livigno's authoritative model has prevalently developed three kinds of process:

- ✓ The development of public structures, comprehensive of programmed interventions regarding the practicability of internal roads and urban and sports fittings. The Municipality is the main metamanager that has developed a long-term view of the resort and has been able to maintain a certain amount of investments thanks to its administrative and financial characteristics.
- ✓ The development of private structures, comprehensive of the investments in the ski area, the accommodation facilities and the commercial activity. The natural propensity of local entrepreneurs towards investing, along with the good opportunities in the tourist sector and the resources generated by the tax-free zone, have allowed them to make significant investments, as demonstrated by bank balance sheets[62]. Private investments have had precise district orientations that can be summarized as follows: i) to rationalize the existing facilities, ii) to grow qualitatively but not quantitatively, iii) to purchase the structures built by external capital.
- ✓ The programming of new structures capable of setting about -among other promotion processes- a district sales network. This is an on-going project that has so far encountered strong inertial forces, but which can help improve the

[59] "The choices of the Administration stem from a vision that is certainly wider than that of the man in the street: we try to immagine what Livigno should offer in 10 or 15 years' time in order to be competitive. This vision of development is behind the recent investments I was talking about" (Lino Castellani).

[60] "I feel there is the risk that during the high season APTM's gear may get stuck" (Lino Castellani).

[61] "In order to make a connection it will be necessary to build a bridge over the railway and you need the Municipality to provide for all these things. And Romano Galli, being the president of Intermonti and Paré Hotel, is certainly pushing to have a ski connection with Teola. I'm against all these manipulations" (Fabio Giacomelli).

[62] The Italian law on bank privacy precludes the dissemination of data on the deposit and use or resources. However, a newsletter of the Chamber of Commerce of Sondrio reveals that for every 100 liras saved (deposit) there is another 407.45 liras invested (use).

present metamanagerial model, as it will require the implementation of collaborative strategies[63].

The drawbacks of the authoritative managerial model come to light when it is necessary to make decisions and implement actions that require operators to collaborate. The challenges the resort has to face up to (creation of new packages, extension of the seasons, development of new products, creation of a district commercial network, rationalization of internal and external connections) require that the present managerial model be revisited.

11.3.1 Efficacy conditions of the authoritative model

The following are some efficacy conditions that have supported authoritative processes:

- ✓ *Funds available to the Municipality:* the financial support resulting from Livigno's special rights has rendered the Municipality capable of responding to development issues. The skill and determination that the administrators showed in several occasions made their credibility grow in the eyes of the operators.
- ✓ *Administrative power of the Municipality*: in its capacity of public office, the Town administration has a significant control power and can thus impose, whenever necessary, certain orientation or actions[64]. Livigno's wide administrative autonomy facilitates the widening of the Municipality's sphere of competence.
- ✓ *Narrow tourist culture*: the recent history of Livigno in the field of tourism and the strong individualism of entrepreneurs have rendered it necessary for metamanagers to engage in long struggles before they could impose certain processes. See, for instance, the ban on cars in the historical center.
- ✓ *Developmental stage of the local offer*: the numerous interventions and the district objectives show that the local tourist offer is presently going through a stage of completion. The efforts are mostly devoted to making, completing and rationalizing rather than to managing. This has partly reduced the necessity to develop collaborative strategies.
- ✓ *Choice of intelligent projects:* the Town Administration has committed itself to implementing complex and challenging processes capable of solving important problems. Once the compulsory phase was over, the processes have been widely accepted by the operators, who ever more trusted the administrators.
- ✓ *Integration of metamanagement in the entrepreneurial fabric*: Town managers are exclusively residents and APTM commissioners are all tourist operators. This guarantees, on the one hand, the continuity of the dialogue between administrators and citizens. If the authoritative process had been launched by

[63] With Natura Card a new organizational form is being experimented, which Livigno's metamanagement is watching with interest because: i) the cost of the packet is included in the price paid for accomodation; ii) when the clients perceive they have free access to certain services they tend to use them, thus increasing their satisfaction; iii) the financial participation of the operators increases their involvement which, in turn, increases the efficacy of district policies; iv) package logics helps entrepreneurs to think in terms of resort rather than in terms of single services.

[64] "At the beginning everything was certainly imposed. But what was first imposed, was then accepted for it is true that the operators are now happy with those initiatives" (Mario Cotelli).

external decision makers, certain choices would have probably encountered much more resistance.

11.3.2 Inefficacy conditions

The authoritative model shows its inadequacy under the following inefficacy conditions:

- ✓ *Strategic and managerial complexity*: the growth of the tourist sector reveals the limitations of the authoritative model whose managerial resources rely exclusively on the free time of the operators-administrators, who have seldom been exposed to dedicated technical training. The resort intends to overcome this drawback by turning the APTM into a stock company and by appointing a managing director.
- ✓ *Critical importance of collaborative strategies*: the authoritative model renders its weakness evident when it is necessary to implement collaborative projects, which require the involvement of a large number of operators. Marketing provides a representative example: the implementation of any marketing project on a compulsory basis may not lead to positive results.
- ✓ *Critical importance of the spatial distribution of interventions*: Though the Municipality has done substantial interventions, especially regarding public attractions, which have usually taken too long. This is not always the Municipality's fault, but the result of the application of European regulations. At any rate, unnecessary delays reduce the efficacy of district strategies.
- ✓ *Politicization of management roles:* Livigno's authoritative model finds its decision makers a political group (that typically form the majority of the Town Council), who tend to appoint men of their own colors as tourist managers. This tendency generates serious distortions in the strategic and operative management of tourism, as clearly shown by the Hotel Association president's attitude concerning the marketing project.

Livigno is new reflecting on the effect of such inefficiency conditions and is favoring the transition to a more "participative" model. This evolution finds its fulcrum in APTM transformation into a stock company and by changing the composition of its members, restricting the Municipality's quota to 51% and leaving the remaining 49% in the hands of private operators organized in their respective trade associations.

11.4 The competitive results of the 90's.

The analysis of the competitive results confirms that the 90s were a transition period that witnessed the passage from a phase of vitality of the resort to a phase of rationalization[65]. Again, it is important here to distinguish between winter and summer results (Figure 4).

[65] We prefer to speak of rationalization rather than maturity. The stage of maturiry is usually characterised by a dramatic drop in the growth rate of overnight stays and a reduced attractiveness of the resort. In the case of Livigno the growth slowdown is mostly associated with specific policies of the local economy, oriented towards the containment of the number of bed places. As a point of fact, Livigno shows a strong growth potential.

11.4.1 Winter results

From the analysis of the winter tourist flows we can draw the following conclusions:

- ✓ *Profile of the winter results*: winter tourism is pulled by Livigno's development. Its quota, as calculated on annual overnight stays (O.S.), is now three percentage points higher, i.e. from 69% (1990) to 72% (1999). This performance is associated with an increase in O.S. (+8%) almost entirely the result of the increase in arrivals (+13%). As for mean length of stay there is just a small negative variation (-1%)[66].
- ✓ *Foreign customers*: The 90s see the return of foreign tourists (25%), from 33% in 1990 to 58% in 1999. This result is favored by the devaluation of the Italian lira from September 1992. Livigno manages to consolidate the result even during the second half of the decade, when the lira recuperated with respect to the German mark.
- ✓ *Italian customers:* the growth in foreign presence entails the contraction of the domestic presence in terms of mix. Italians were 67% of the overall flow in 1990 but only 42% in 1999. It is worth noting that foreigners tend to book long in advance.
- ✓ *Italian overnight stays*: the Italian overnight stays exhibit a clear-cut drop (29%) associated with both a contraction of the mean length of stay (-8%) and a reduction of arrivals (-24%).
- ✓ *Seasonal cycles:* the analysis of overnight stays data on a monthly basis shows that arrivals in December are slightly higher that the winter mean, a result that is to be related to Sgambeda.

The competitive results show an encouraging scenario: notwithstanding a modest increase in O.S., the resort has regained its position in the international market. The remarkable drop in Italian customers is accounted for by a "crowding-out" effect. Foreign tourists, especially from Germany, are used to booking up to 6-8 months in advance, as opposed to Italian tourists that tend to organize their holidays at the last minute only to find that the resort is booked up.

Since no motivational surveys are available, there is no way to know about customer satisfaction, although the operators we have interviewed expressed a positive opinion.

11.4.2 Summer results

From the analysis of the summer tourist flows we can draw the following clonclusions:

- ✓ *Overnight stays*: the summer season remains anchored to starting values, showing a slight contraction. As a point of fact, the 1999 datum exhibits a negative dynamic (counter to the values of the decade which tend towards a light increase of about 3-4%) confirmed by the on-going season (2000).
- ✓ *Mean length of stay*: the length of stay is the actual problem of summer tourism nowadays. A 22% contraction has been recorded in the last decade.

[66] This datum may appear a bit odd. If the table shows that the mean length of stay decreased by 7% for foreigners and by 8% for Italians, how can the final percentage be 1%? The paradox can be easily explained by considering the "productive mix" effect. In 1990, Italians account for 67% of winter O.S. with a mean L.S. of 5 days. In 1999, mean O.S. decreases for Italians but increases for foreigners whose L.S is about 7 days.

- ✓ *Italian customers:* Italian tourists account for 89% of the overall summer flow.
- ✓ *Foreign customers:* They constitute a marginal segment (11%) with a very short mean length of stay (about 2 days).
- ✓ *Seasonal cycles*: No significant changes. Over 50% of overnight stays concentrate in August. August and July record over 80% of the tourist flow.

As for the summer season, the quantitative analysis confirms the opinions recorded in the field. As it is now, Livigno cannot compete internationally, and the present offer still suffers from the traffic nuisance.

Figure 4. Livigno: Competitive results (1990-99).

Winter season	Summer season
Weekly tourism (LS 1999: 6,1 days)	Not weekly tourism (LS 1999: 3,8 days)
% weight of winter season: 69% (90), 72% (99)	% weight of summer season: 31% (90), 28% (99)
OS: +12% (mean annual increase: 8%)	OS: -1% (mean annual increase: 8%)
A: +13%	A: +26%
LS: -1%	LS: -22%
Foreigners	**Foreigners**
% weight of foreigners: 33% (90), 58% (99)	% weight of foreigners: 8% (90), 11% (99)
OS: +95% (mean winter increase: 12%)	OS: +45% (mean summer increase: -1%)
A: +110%	A: +19%
LS: -7% (OS 1999: 7,0 days)	LS: +22% (OS 1999: 2,5 days)
Italians	**Italians**
% weight of Italians: 67% (90), 42% (99)	% weight of Italians: 92% (90), 89% (99)
OS: -29% (mean winter increase: 12%)	OS: -5% (mean summer increase: -1%)
A: -24%	A: +28%
LS: -8% (OS 1999: 5,2 days)	LS: -26% (OS 1999: 4,0 days)

Legend: OS (Overnight Stays), A (arrivals), LS (Length of Stays)

Source: Own analysis on APTM 's data.

12 APPENDIX I – ACCOMMODATION STRUCTURES

12.1 Hotels

Figure 5. Evolution of hotels – perceptual figures.

Years	Hotels		Beds	
1959	**100**		**100**	
1968	288		403	
1969	313		546	
1970	363		631	
1971	438		717	
1972	438		na	
1973	na		na	
1974	613		1.069	
1975	713	**100**	1.196	**100**
1976	763	107	1.260	105
1977	825	116	1.354	113
1978	838	118	1.405	118
1979	875	123	1.443	121
1980	875	123	1.438	120
1981	900	126	1.522	127
1982	913	128	1.547	129
1983	913	128	1.492	125
1984	913	128	1.498	125
1985	950	133	1.585	133
1986	988	139	1.631	136
1987	988	139	1.641	137
1988	1.000	140	1.658	139
1989	1.038	146	1.683	141

Source: Own analysis on APTM data.

12.2 Annual tourism data

Figure 6. Evolution of Italian and foreign annual overnight stays.

Years	Overnight stays										
	Italians				Foreigners				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	132.139	100		42%	185.185	100		58%	317.324	100	
1981	192.623	146		49%	200.816	108		51%	393.439	124	
1982	238.883	181		58%	172.598	93		42%	411.481	130	
1983	273.199	207		64%	151.184	82		36%	424.383	134	
1984	264.605	200		68%	125.944	68		32%	390.549	123	
1985	241.851	183		67%	121.637	66		33%	363.488	115	
1986	277.762	210		65%	151.425	82		35%	429.187	135	
1987	261.065	198		61%	166.227	90		39%	427.292	135	
1988	315.122	238		65%	168.145	91		35%	483.267	152	
1989	352.906	267		71%	146.243	79		29%	499.149	157	
1990	415.369	314	100	75%	139.187	75	100	25%	554.556	175	100
1991	439.606	333	106	77%	132.678	72	95	23%	572.284	180	103
1992	422.407	320	102	74%	144.884	78	104	26%	567.291	179	102
1993	418.201	316	101	77%	126.102	68	91	23%	544.303	172	98
1994	405.715	307	98	69%	180.398	97	130	31%	586.113	185	106
1995	407.241	308	98	64%	225.627	122	162	36%	632.868	199	114
1996	369.131	279	89	57%	275.281	149	198	43%	644.412	203	116
1997	321.986	244	78	55%	259.278	140	186	45%	581.264	183	105
1998	354.486	268	85	58%	256.637	139	184	42%	611.123	193	110
1999	331.968	251	80	56%	265.083	143	190	44%	597.051	188	108

Source: Own analysis on APTM data.

Figure 7. Evolution of Italian and foreign annual arrivals.

	Arrivals										
Years	**Italians**				**Foreigners**				**Total**		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	17.871	100		47%	20.281	100		53%	38.152	100	
1981	29.159	163		55%	23.690	117		45%	52.849	139	
1982	36.005	201		62%	22.108	109		38%	58.113	152	
1983	41.629	233		69%	18.468	91		31%	60.097	158	
1984	42.020	235		72%	15.944	79		28%	57.964	152	
1985	40.038	224		72%	15.724	78		28%	55.762	146	
1986	44.653	250		68%	21.259	105		32%	65.912	173	
1987	43.084	241		65%	23.410	115		35%	66.494	174	
1988	54.969	308		70%	23.965	118		30%	78.934	207	
1989	63.202	354		73%	23.276	115		27%	86.478	227	
1990	74.878	419	100	76%	23.355	115	100	24%	98.233	257	100
1991	79.609	445	106	79%	20.964	103	90	21%	100.573	264	102
1992	77.779	435	104	78%	22.386	110	96	22%	100.165	263	102
1993	79.765	446	107	81%	18.235	90	78	19%	98.000	257	100
1994	79.259	444	106	74%	27.165	134	116	26%	106.424	279	108
1995	79.984	448	107	70%	33.862	167	145	30%	113.846	298	116
1996	73.178	409	98	64%	40.767	201	175	36%	113.945	299	116
1997	67.150	376	90	63%	39.410	194	169	37%	106.560	279	108
1998	70.181	393	94	66%	35.709	176	153	34%	105.890	278	108
1999	72.386	405	97	63%	43.129	213	185	37%	115.515	303	118

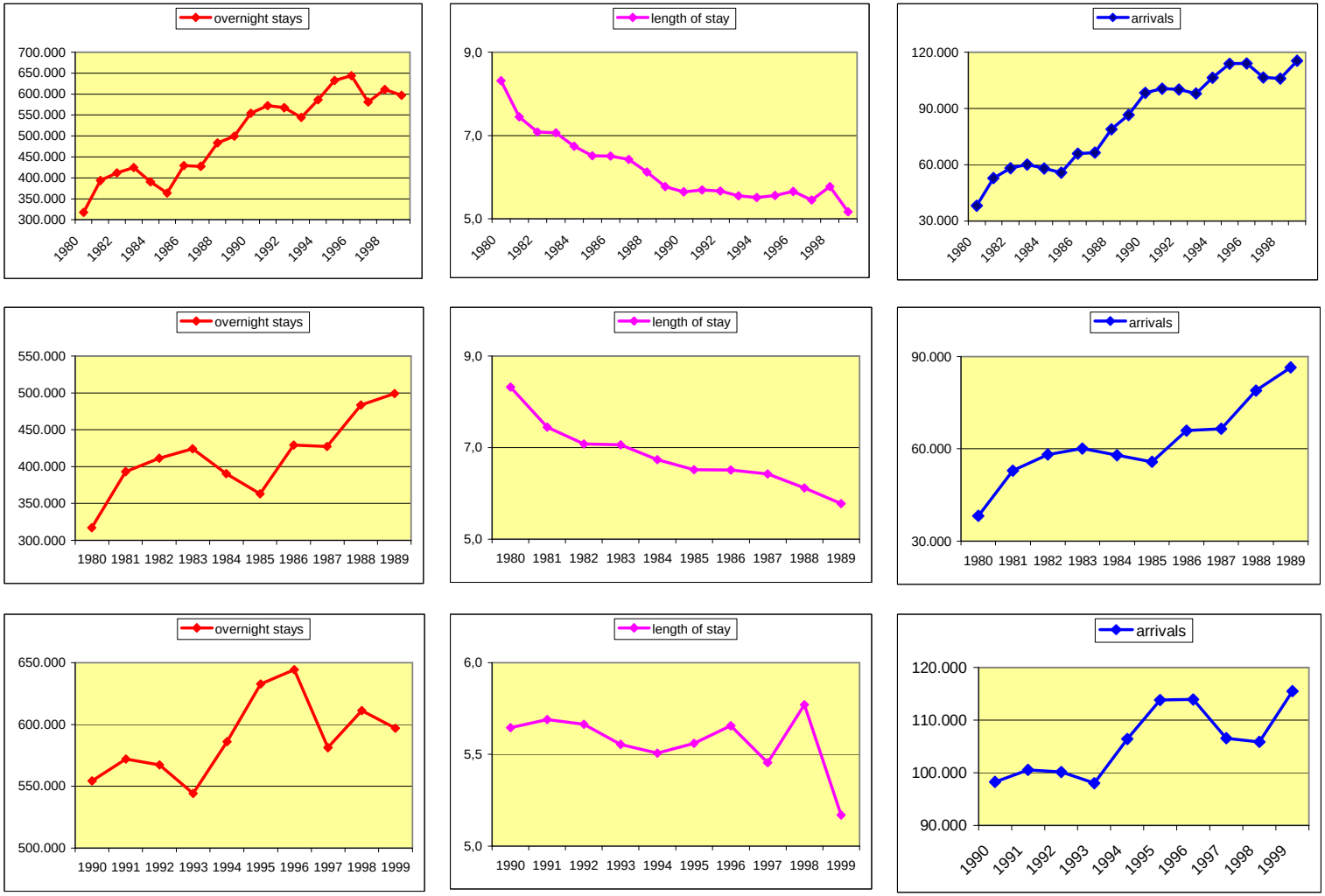
Source: Own analysis on APTM data.

Figure 8. Evolution the annual length of stays for Italians and foreigners.

Length of stays											
Years	**Italians**				**Foreigners**				**Total**		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	7,4	100		89%	9,1	100		110%	8,3	100	
1981	6,6	89		89%	8,5	93		114%	7,4	90	
1982	6,6	90		94%	7,8	86		110%	7,1	85	
1983	6,6	89		93%	8,2	90		116%	7,1	85	
1984	6,3	85		93%	7,9	87		117%	6,7	81	
1985	6,0	82		93%	7,7	85		119%	6,5	78	
1986	6,2	84		96%	7,1	78		109%	6,5	78	
1987	6,1	82		94%	7,1	78		110%	6,4	77	
1988	5,7	78		94%	7,0	77		115%	6,1	74	
1989	5,6	76		97%	6,3	69		109%	5,8	69	
1990	5,5	75	100	98%	6,0	65	100	106%	5,6	68	100
1991	5,5	75	100	97%	6,3	69	106	111%	5,7	68	101
1992	5,4	73	98	96%	6,5	71	109	114%	5,7	68	100
1993	5,2	71	95	94%	6,9	76	116	125%	5,6	67	98
1994	5,1	69	92	93%	6,6	73	111	121%	5,5	66	98
1995	5,1	69	92	92%	6,7	73	112	120%	5,6	67	98
1996	5,0	68	91	89%	6,8	74	113	119%	5,7	68	100
1997	4,8	65	86	88%	6,6	72	110	121%	5,5	66	97
1998	5,1	68	91	88%	7,2	79	121	125%	5,8	69	102
1999	4,6	62	83	89%	6,1	67	103	119%	5,2	62	92

Source: Own analysis on APTM data.

Figure 9. Summary of tourism data on an annual basis.



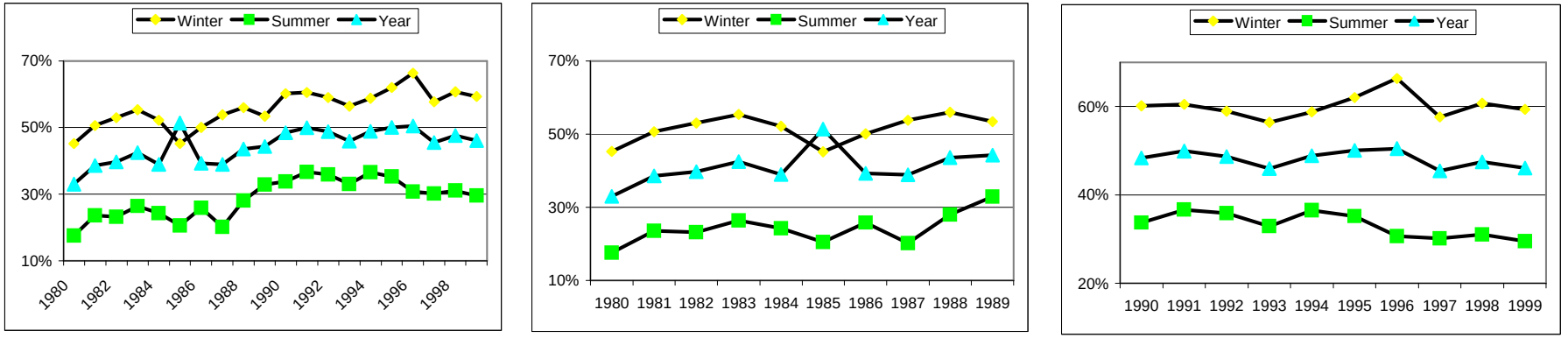
Source: Own analysis on APTM data.

Figure 10. Annual ratio of gross occupation.

	Ratio of gross occupation																			
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Italians	15%	22%	28%	34%	34%	27%	28%	29%	31%	32%	40%	42%	38%	39%	34%	32%	30%	24%	28%	25%
Foreigners	30%	28%	25%	21%	19%	18%	22%	25%	25%	21%	20%	19%	21%	18%	25%	30%	36%	33%	33%	34%
Winter	**45%**	**51%**	**53%**	**55%**	**52%**	**45%**	**50%**	**54%**	**56%**	**53%**	**60%**	**61%**	**59%**	**56%**	**59%**	**62%**	**66%**	**58%**	**61%**	**59%**
Italians	12%	15%	16%	19%	17%	18%	22%	18%	25%	30%	31%	34%	34%	31%	34%	32%	28%	26%	27%	26%
Foreigners	6%	9%	7%	8%	5%	3%	4%	3%	3%	3%	3%	2%	2%	2%	3%	3%	3%	4%	4%	3%
Summer	**18%**	**24%**	**23%**	**26%**	**22%**	**21%**	**26%**	**20%**	**28%**	**33%**	**34%**	**37%**	**36%**	**33%**	**37%**	**35%**	**31%**	**30%**	**31%**	**29%**
Year	**33%**	**39%**	**40%**	**42%**	**39%**	**51%**	**39%**	**39%**	**44%**	**44%**	**48%**	**50%**	**49%**	**46%**	**49%**	**50%**	**50%**	**45%**	**48%**	**46%**

Source: Own analysis on APTM data.

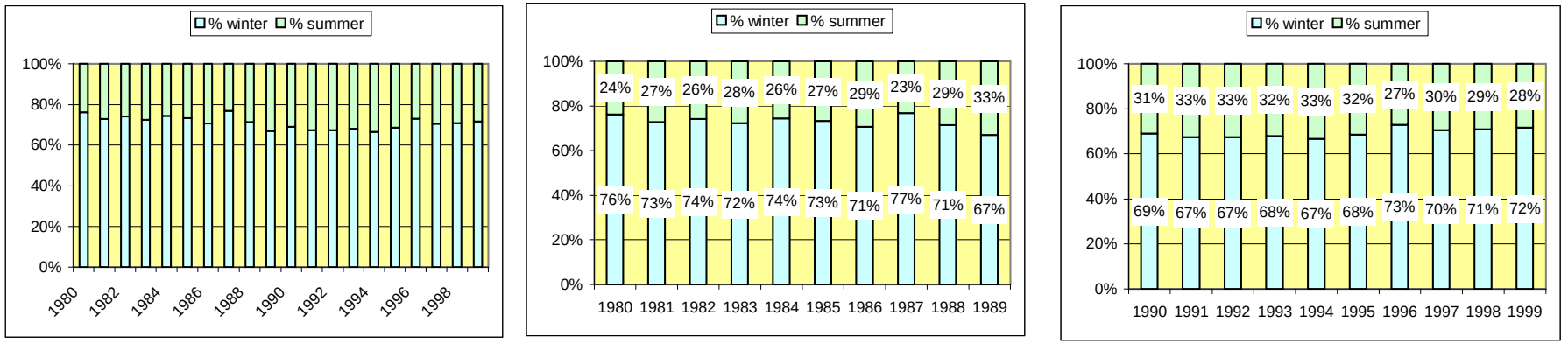
Figure 11. Annual ratio of gross occupation.



Source: Own analysis on APTM data.

12.3 Winter tourism data

Figure 12. Percentage weight of the winter season.



Source: Own analysis on APTM data.

Figure 13. Evolution of winter Italian and foreign overnight stays.

Winter	Overnight stays										
	Italians				Foreigners				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
7980	82.706	100		34%	159.289	100		66%	241.995	100	
8081	126.252	153		44%	160.315	101		56%	286.567	118	
8182	163.847	198		54%	141.106	89		46%	304.953	126	
8283	190.787	231		62%	116.443	73		38%	307.230	127	
8384	187.615	227		65%	103.137	65		35%	290.752	120	
8485	158.712	192		60%	107.836	68		40%	266.548	110	
8586	171.933	208		57%	131.803	83		43%	303.736	126	
8687	174.966	212		53%	153.692	96		47%	328.658	136	
8788	189.588	229		55%	155.568	98		45%	345.156	143	
8889	201.215	243		60%	133.121	84		40%	334.336	138	
8990	256.776	310	100	67%	126.007	79	100	33%	382.783	158	100
9091	264.606	320	103	69%	120.891	76	96	31%	385.497	159	101
9192	247.424	299	96	65%	134.809	85	107	35%	382.233	158	100
9293	254.347	308	99	69%	115.565	73	92	31%	369.912	153	97
9394	225.796	273	88	58%	164.728	103	131	42%	390.524	161	102
9495	225.038	272	88	52%	208.385	131	165	48%	433.423	179	113
9596	212.507	257	83	45%	257.587	162	204	55%	470.094	194	123
9697	172.513	209	67	42%	237.172	149	188	58%	409.685	169	107
9798	198.157	240	77	46%	234.946	147	186	54%	433.103	179	113
9899	181.215	219	71	42%	245.998	154	195	58%	427.213	177	112

Source: Own analysis on APTM data.

Figure 14. Evolution of winter Italian and foreign arrivals.

Winter	Arrivals										
	Italians				Foreigners				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
7980	11.111	100		40%	16.365	100		60%	27.476	100	
8081	19.675	177		52%	18.339	112		48%	38.014	138	
8182	24.622	222		60%	16.590	101		40%	41.212	150	
8283	29.421	265		69%	13.512	83		31%	42.933	156	
8384	30.080	271		71%	12.382	76		29%	42.462	155	
8485	25.680	231		66%	13.292	81		34%	38.972	142	
8586	26.322	237		61%	16.562	101		39%	42.884	156	
8687	29.053	261		60%	19.115	117		40%	48.168	175	
8788	31.470	283		61%	20.170	123		39%	51.640	188	
8889	35.866	323		67%	17.272	106		33%	53.138	193	
8990	45.611	411	100	73%	16.792	103	100	27%	62.403	227	100
9091	46.482	418	102	75%	15.839	97	94	25%	62.321	227	100
9192	44.797	403	98	72%	17.467	107	104	28%	62.264	227	100
9293	46.890	422	103	76%	14.717	90	88	24%	61.607	224	99
9394	42.422	382	93	66%	22.321	136	133	34%	64.743	236	104
9495	41.726	376	91	60%	28.180	172	168	40%	69.906	254	112
9596	38.104	343	84	52%	35.768	219	213	48%	73.872	269	118
9697	32.559	293	71	50%	32.888	201	196	50%	65.447	238	105
9798	33.403	301	73	52%	31.001	189	185	48%	64.404	234	103
9899	34.889	314	76	50%	35.345	216	210	50%	70.234	256	113

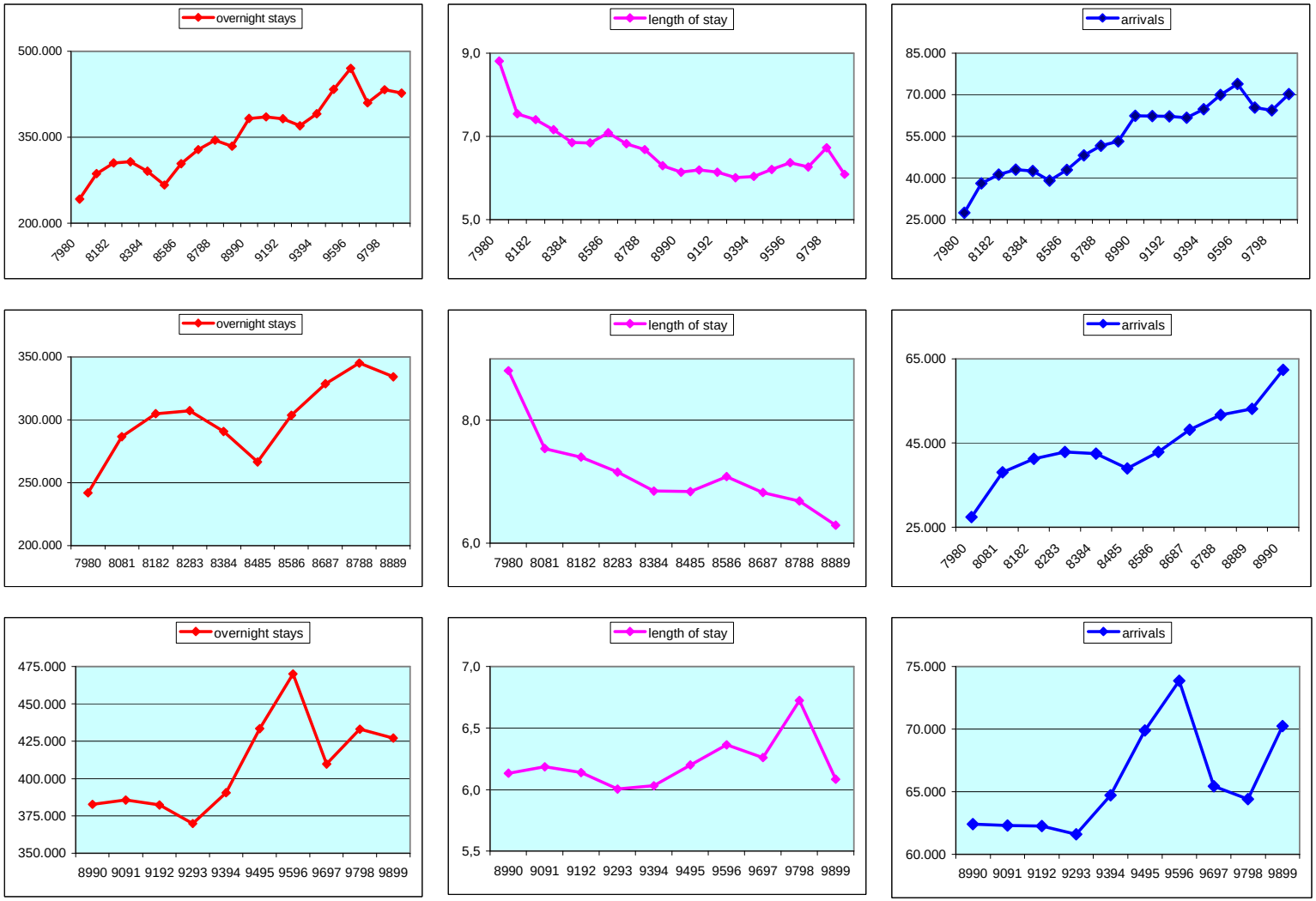
Source: Own analysis on APTM data.

Figure 15. Evolution of winter length of stays for Italians and foreigners.

Winter	Length of stays										
	Italians				**Foreigners**				**Total**		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
7980	7,4	100		85%	9,7	100		111%	8,8	100	
8081	6,4	86		85%	8,7	90		116%	7,5	86	
8182	6,7	89		90%	8,5	87		115%	7,4	84	
8283	6,5	87		91%	8,6	89		120%	7,2	81	
8384	6,2	84		91%	8,3	86		122%	6,8	78	
8485	6,2	83		90%	8,1	83		119%	6,8	78	
8586	6,5	88		92%	8,0	82		112%	7,1	80	
8687	6,0	81		88%	8,0	83		118%	6,8	77	
8788	6,0	81		90%	7,7	79		115%	6,7	76	
8889	5,6	75		89%	7,7	79		122%	6,3	71	
8990	5,6	76	100	92%	7,5	77	100	122%	6,1	70	100
9091	5,7	76	101	92%	7,6	78	102	123%	6,2	70	101
9192	5,5	74	98	90%	7,7	79	103	126%	6,1	70	100
9293	5,4	73	96	90%	7,9	81	105	131%	6,0	68	98
9394	5,3	72	95	88%	7,4	76	98	122%	6,0	68	98
9495	5,4	72	96	87%	7,4	76	99	119%	6,2	70	101
9596	5,6	75	99	88%	7,2	74	96	113%	6,4	72	104
9697	5,3	71	94	85%	7,2	74	96	115%	6,3	71	102
9798	5,9	80	105	88%	7,6	78	101	113%	6,7	76	110
9899	5,2	70	92	85%	7,0	72	93	114%	6,1	69	99

Source: Own analysis on APTM 's data.

Figure 16. Summary of winter tourism data.



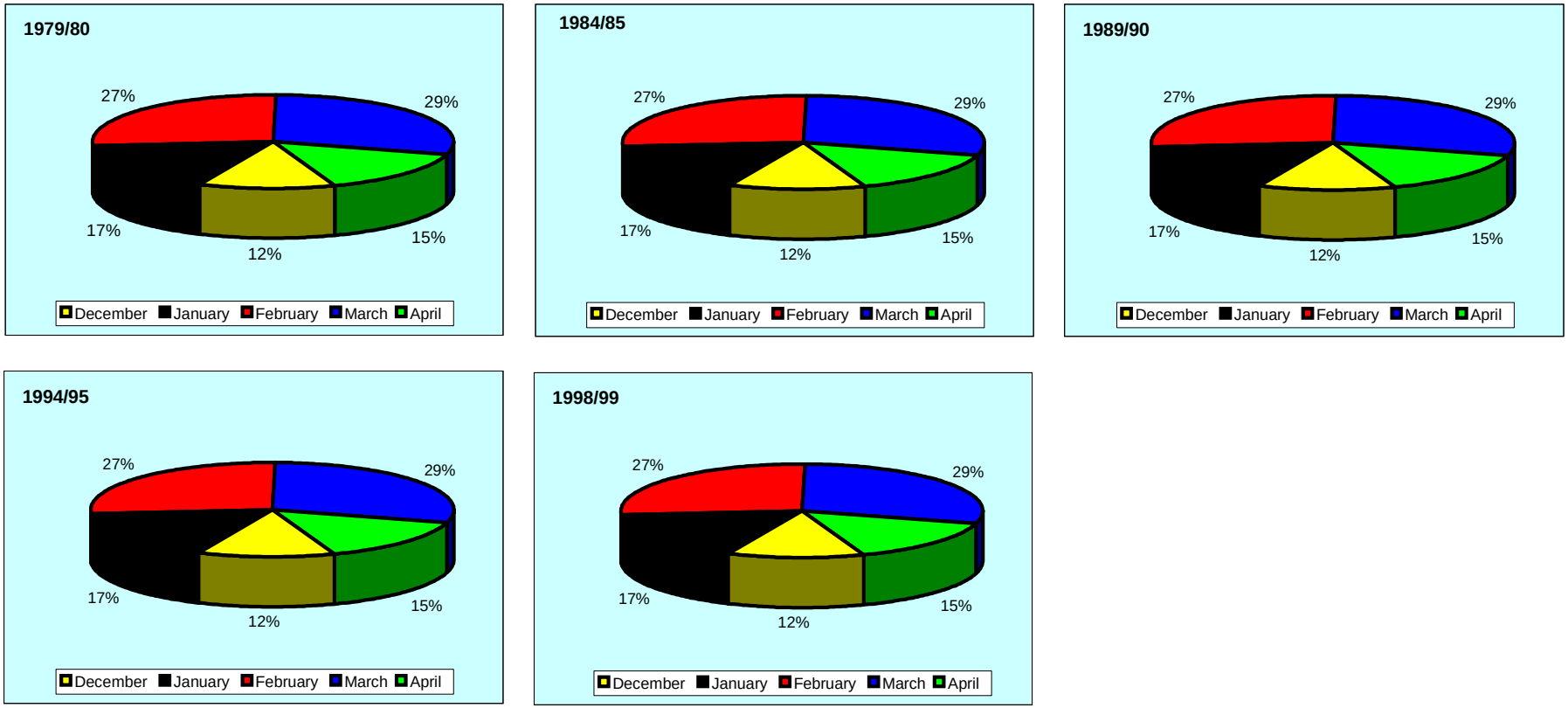
Source: Own analysis on APTM data.

Figure 17. Monthly perceptual winter overnight stays.

		Overnight stays																		
		1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
	December																			
	number	29.304	37.615	41.639	47.569	42.704	40.066	41.018	43.620	41.088	41.807	48.036	49.879	46.280	51.428	51.780	48.956	57.976	49.363	56.940
December	% (winter)	12%	13%	14%	15%	15%	15%	14%	13%	12%	13%	13%	13%	12%	14%	13%	11%	12%	12%	13%
	% (1980)	100	128	142	162	146	137	140	149	140	143	164	170	158	175	177	167	198	168	194
	% (1990)											100	103	96	111	106	90	98	96	105
	January																			
	number	41.563	60.949	61.824	67.183	64.702	53.791	59.498	65.079	63.353	80.376	89.397	85.172	93.368	93.317	104.504	111.848	114.400	97.145	116.339
January	% (winter)	17%	21%	20%	22%	22%	20%	20%	20%	18%	24%	23%	22%	24%	25%	27%	26%	24%	24%	27%
	% (1980)	100	147	149	162	156	129	143	157	152	193	215	205	225	225	251	269	275	234	280
	% (1990)											100	95	105	108	115	110	104	102	115
	February																			
	number	64.341	71.735	79.184	81.181	77.767	62.621	76.242	73.322	89.723	68.645	92.946	98.353	100.793	95.360	95.302	110.994	122.488	108.650	107.963
February	% (winter)	27%	25%	26%	26%	27%	23%	25%	22%	26%	21%	24%	26%	26%	26%	24%	26%	26%	27%	25%
	% (1980)	100	111	123	126	121	97	118	114	139	107	144	153	157	148	148	173	190	169	168
	% (1990)											100	105	109	106	101	105	107	109	103
	March																			
	number	70.761	75.854	83.609	85.755	73.566	77.312	105.069	95.206	111.227	107.985	106.890	111.629	98.636	88.535	102.709	111.274	128.635	124.147	106.493
March	% (winter)	29%	26%	27%	28%	25%	29%	35%	29%	32%	32%	28%	29%	26%	24%	26%	26%	27%	30%	25%
	% (1980)	100	107	118	121	104	109	148	135	157	153	151	158	139	125	145	157	182	175	150
	% (1990)											100	104	92	86	94	92	98	109	88
	April																			
	number	36.026	40.414	38.697	25.542	32.013	32.758	21.909	51.431	39.765	35.523	45.514	40.464	43.156	41.272	36.229	50.351	46.595	30.380	45.368
April	% (winter)	15%	14%	13%	8%	11%	12%	7%	16%	12%	11%	12%	10%	11%	11%	9%	12%	10%	7%	10%
	% (1980)	100	112	107	71	89	91	61	143	110	99	126	112	120	115	101	140	129	84	126
	% (1990)											100	88	95	94	78	98	83	62	88
	Winter	241.995	286.567	304.953	307.230	290.752	266.548	303.736	328.658	345.156	334.336	382.783	385.497	382.233	369.912	390.524	433.423	470.094	409.685	433.103

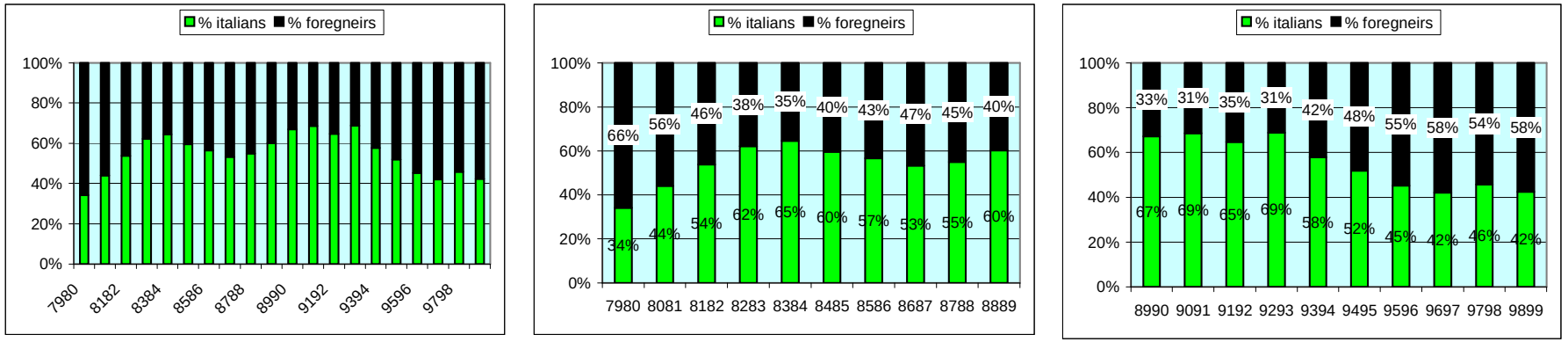
Source: Own analysis on APTM data.

Figure 18. Monthly perceptual winter overnight stays - graphs.



Source: Own analysis on APTM data.

Figure 19. Perceptual weight of Italian and foreign overnight stays.



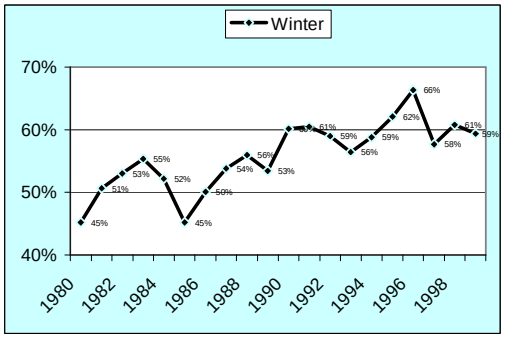
Source: Own analysis on APTM data.

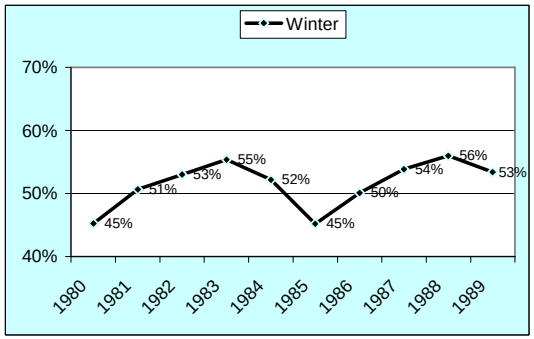
Figure 20. Winter ratio of gross occupation.

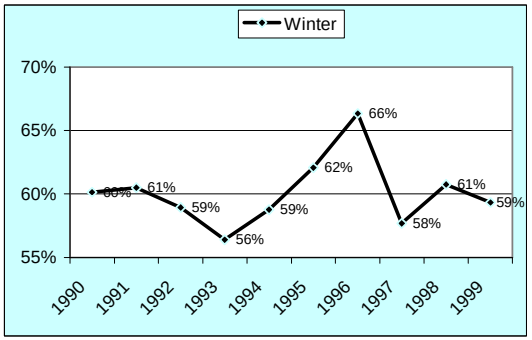
	Ratio of gross occupation																			
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
December	27%	33%	36%	43%	38%	34%	34%	36%	33%	33%	38%	39%	36%	40%	39%	36%	41%	35%	40%	41%
January	39%	54%	54%	61%	58%	46%	49%	53%	51%	64%	70%	67%	72%	72%	79%	80%	81%	68%	82%	82%
February	60%	63%	69%	73%	70%	53%	63%	60%	73%	55%	73%	77%	78%	73%	72%	78%	87%	76%	76%	80%
March	66%	67%	73%	77%	66%	66%	87%	78%	90%	86%	84%	88%	76%	67%	77%	79%	91%	87%	74%	69%
April	34%	36%	34%	23%	29%	28%	18%	42%	32%	28%	36%	32%	33%	31%	27%	36%	33%	21%	32%	25%
Winter	**45%**	**51%**	**53%**	**55%**	**52%**	**45%**	**50%**	**54%**	**56%**	**53%**	**60%**	**61%**	**59%**	**56%**	**59%**	**62%**	**66%**	**58%**	**61%**	**59%**

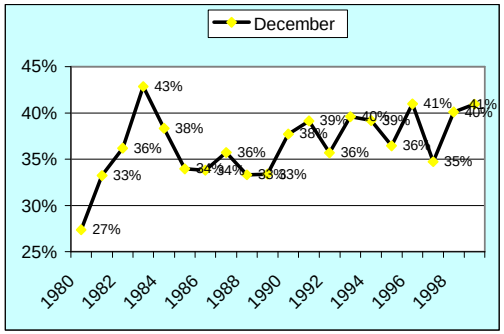
Source: Own analysis on APTM data.

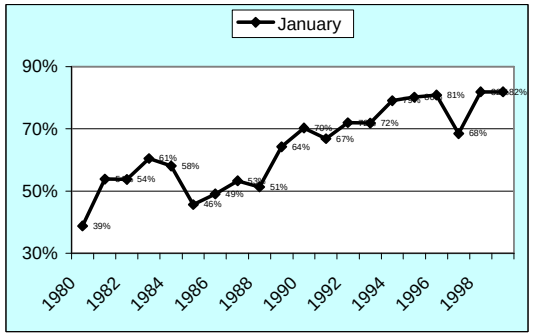
Figure 21. Winter ratio of gross occupation - graphs.

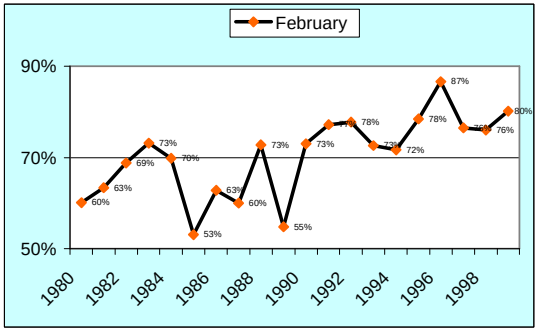


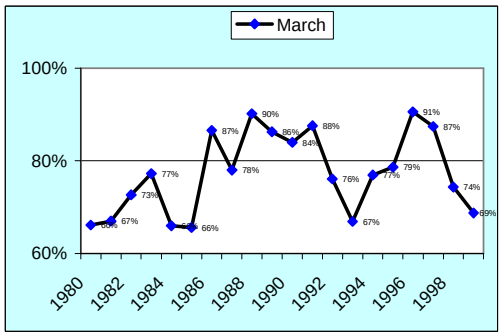


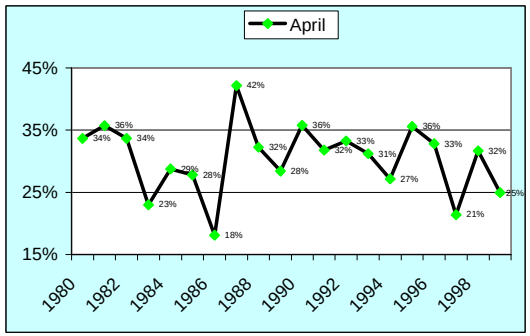








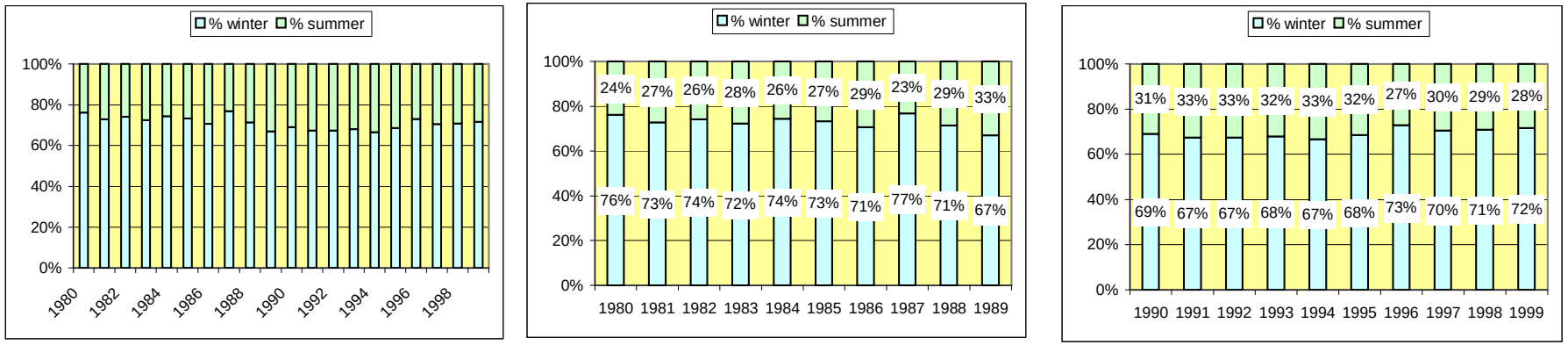




Source: Own analysis on APTM data.

12.4 Summer tourism data

Figure 22. Perceptual weight of the summer season.



Source: Own analysis on APTM data.

Figure 23. Evolution of summer Italian and foreign overnight stays.

Overnight stays

Summer	Italians				Foreigners				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	49.433	100		66%	25.896	100		34%	75.329	100	
1981	66.371	134		62%	40.501	156		38%	106.872	142	
1982	75.036	152		70%	31.492	122		30%	106.528	141	
1983	82.412	167		70%	34.741	134		30%	117.153	156	
1984	76.990	156		77%	22.807	88		23%	99.797	132	
1985	83.139	168		86%	13.801	53		14%	96.940	129	
1986	105.829	214		84%	19.622	76		16%	125.451	167	
1987	86.099	174		87%	12.535	48		13%	98.634	131	
1988	125.534	254		91%	12.577	49		9%	138.111	183	
1989	151.691	307		92%	13.122	51		8%	164.813	219	
1990	158.593	321	100	92%	13.180	51	100	8%	171.773	228	100
1991	175.000	354	110	94%	11.787	46	89	6%	186.787	248	109
1992	174.983	354	110	95%	10.075	39	76	5%	185.058	246	108
1993	163.854	331	103	94%	10.537	41	80	6%	174.391	232	102
1994	179.919	364	113	92%	15.670	61	119	8%	195.589	260	114
1995	182.203	369	115	91%	17.242	67	131	9%	199.445	265	116
1996	156.624	317	99	90%	17.694	68	134	10%	174.318	231	101
1997	149.473	302	94	87%	22.106	85	168	13%	171.579	228	100
1998	156.329	316	99	88%	21.691	84	165	12%	178.020	236	104
1999	150.753	305	95	89%	19.085	74	145	11%	169.838	225	99

Source: Own analysis on APTM data.

Figure 24. Evolution of summer Italian and foreign arrivals.

Summer	Arrivals										
	Italians				Foreigners				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	6.760	100		63%	3.916	100		37%	10.676	100	
1981	9.484	140		64%	5.351	137		36%	14.835	139	
1982	11.383	168		67%	5.518	141		33%	16.901	158	
1983	12.208	181		71%	4.956	127		29%	17.164	161	
1984	11.940	177		77%	3.562	91		23%	15.502	145	
1985	14.358	212		86%	2.432	62		14%	16.790	157	
1986	18.331	271		80%	4.697	120		20%	23.028	216	
1987	14.031	208		77%	4.295	110		23%	18.326	172	
1988	23.499	348		86%	3.795	97		14%	27.294	256	
1989	27.336	404		82%	6.004	153		18%	33.340	312	
1990	29.267	433	100	82%	6.563	168	100	18%	35.830	336	100
1991	33.127	490	113	87%	5.125	131	78	13%	38.252	358	107
1992	32.982	488	113	87%	4.919	126	75	13%	37.901	355	106
1993	32.875	486	112	90%	3.518	90	54	10%	36.393	341	102
1994	36.837	545	126	88%	4.844	124	74	12%	41.681	390	116
1995	38.258	566	131	87%	5.682	145	87	13%	43.940	412	123
1996	35.074	519	120	88%	4.999	128	76	12%	40.073	375	112
1997	34.591	512	118	84%	6.522	167	99	16%	41.113	385	115
1998	36.778	544	126	89%	4.708	120	72	11%	41.486	389	116
1999	37.497	555	128	83%	7.784	199	119	17%	45.281	424	126

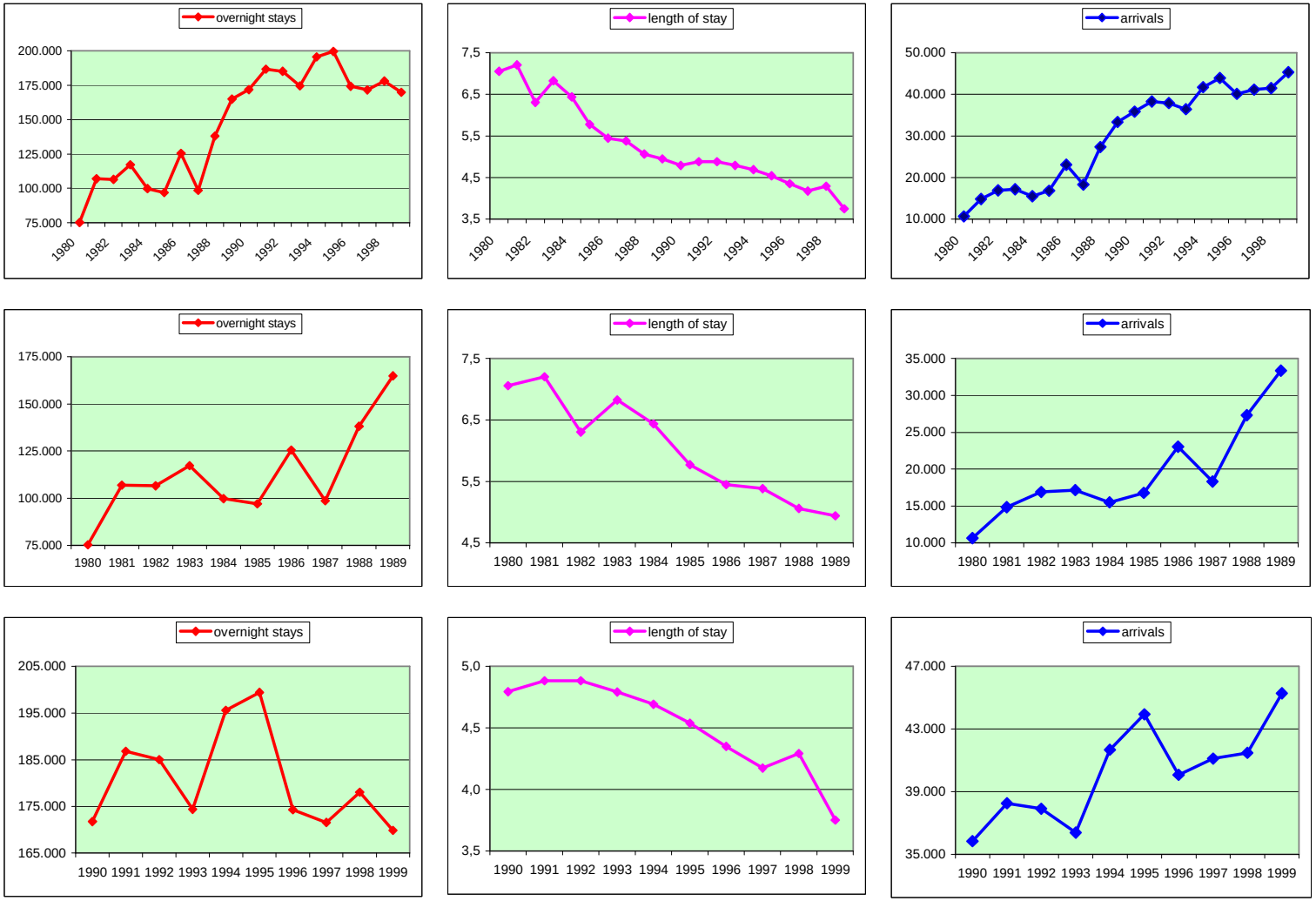
Source: Own analysis on APTM data.

Figure 25. Evolution of summer length of stays for Italians and foreigners

Summer	Length of stays										
	Italians				Foreigners				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	7,3	100		104%	6,6	100		94%	7,1	100	
1981	7,0	96		97%	7,6	114		105%	7,2	102	
1982	6,6	90		105%	5,7	86		91%	6,3	89	
1983	6,8	92		99%	7,0	106		103%	6,8	97	
1984	6,4	88		100%	6,4	97		99%	6,4	91	
1985	5,8	79		100%	5,7	86		98%	5,8	82	
1986	5,8	79		106%	4,2	63		77%	5,4	77	
1987	6,1	84		114%	2,9	44		54%	5,4	76	
1988	5,3	73		106%	3,3	50		65%	5,1	72	
1989	5,5	76		112%	2,2	33		44%	4,9	70	
1990	5,4	74	100	113%	2,0	30	100	42%	4,8	68	100
1991	5,3	72	97	108%	2,3	35	115	47%	4,9	69	102
1992	5,3	73	98	109%	2,0	31	102	42%	4,9	69	102
1993	5,0	68	92	104%	3,0	45	149	63%	4,8	68	100
1994	4,9	67	90	104%	3,2	49	161	69%	4,7	67	98
1995	4,8	65	88	105%	3,0	46	151	67%	4,5	64	95
1996	4,5	61	82	103%	3,5	54	176	81%	4,4	62	91
1997	4,3	59	80	104%	3,4	51	169	81%	4,2	59	87
1998	4,3	58	78	99%	4,6	70	229	107%	4,3	61	90
1999	4,0	55	74	107%	2,5	37	122	65%	3,8	53	78

Source: Own analysis on APTM data.

Figure 26. Summary of summer tourism data.



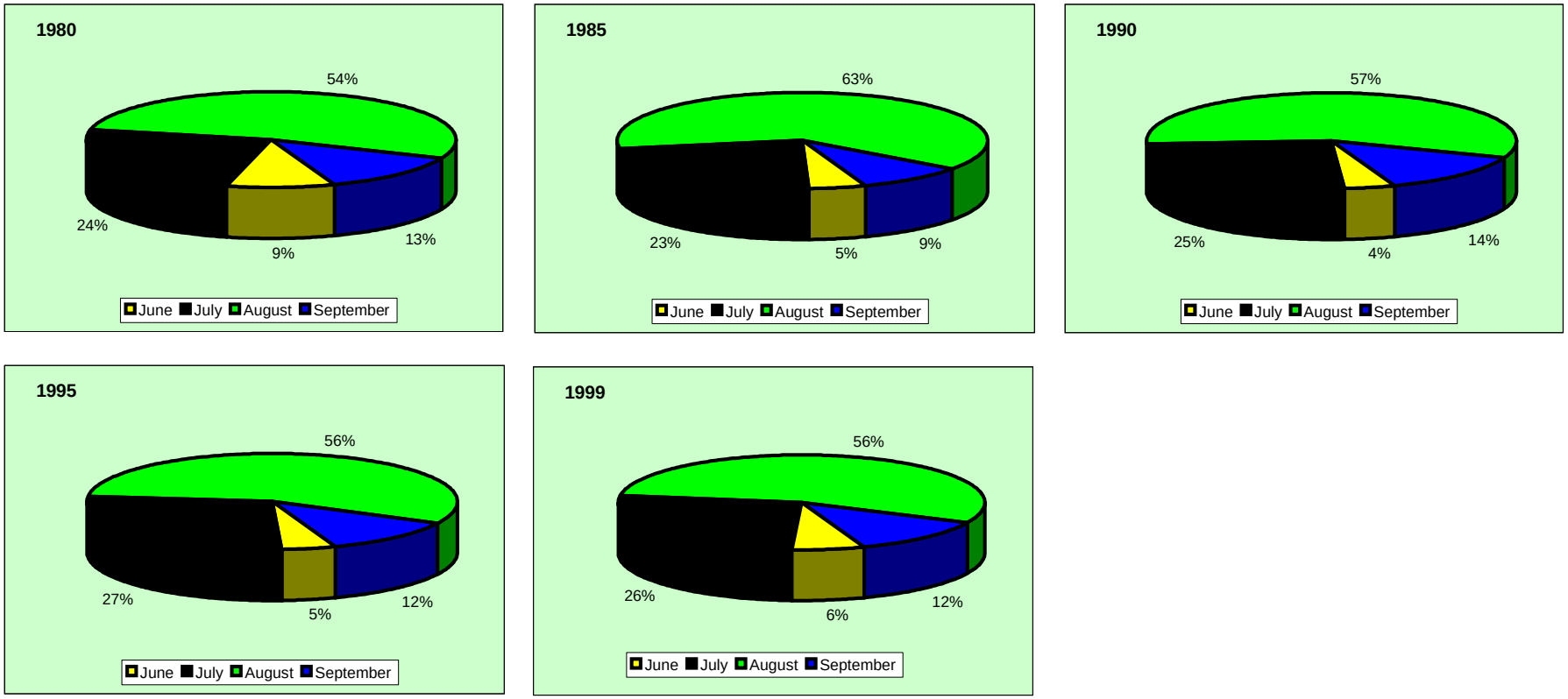
Source: Own analysis on APTM data.

Figure 27. Monthly perceptual winter overnight stays.

	Overnight stays																			
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
June																				
number	7.151	10.056	9.605	8.839	9.007	4.816	5.464	5.713	5.383	5.477	7.718	8.211	9.689	7.592	8.714	9.436	10.054	8.986	10.895	10.880
% (summer)	9%	9%	9%	8%	8%	5%	4%	6%	4%	3%	4%	4%	5%	4%	4%	5%	6%	5%	6%	6%
% (1980)	100	141	134	124	126	67	76	80	75	77	108	115	135	106	122	132	141	126	152	152
% (1990)											100	98	117	97	99	105	128	117	136	143
July																				
number	18.386	21.412	24.160	26.698	28.034	22.159	28.979	26.122	30.545	41.724	42.844	48.308	46.984	47.208	50.802	54.735	47.885	46.470	42.074	44.701
% (summer)	24%	20%	23%	23%	26%	23%	23%	26%	22%	25%	25%	26%	25%	27%	26%	27%	27%	27%	24%	26%
% (1980)	100	116	131	145	152	121	158	142	166	227	233	263	256	257	276	298	260	253	229	243
% (1990)											100	104	102	109	104	110	110	109	95	106
August																				
number	39.958	61.127	60.983	66.975	57.440	60.938	76.661	59.120	85.851	96.328	97.759	104.788	104.821	99.388	112.352	111.692	96.816	91.361	103.322	93.223
% (summer)	53%	57%	57%	57%	53%	63%	61%	60%	62%	58%	57%	56%	57%	57%	57%	56%	56%	53%	58%	55%
% (1980)	100	153	153	168	144	153	192	148	215	241	245	262	262	249	281	280	242	229	259	233
% (1990)											100	99	100	100	101	98	98	94	102	96
September																				
number	9.834	14.277	11.780	14.641	13.432	9.027	14.347	7.679	16.332	21.284	23.452	25.480	23.564	20.203	23.721	23.582	19.563	24.762	21.729	21.034
% (summer)	13%	13%	11%	12%	12%	9%	11%	8%	12%	13%	14%	14%	13%	12%	12%	12%	11%	14%	12%	12%
% (1980)	100	145	120	149	137	92	146	78	166	216	238	259	240	205	241	240	199	252	221	214
% (1990)											100	100	93	85	89	87	82	106	89	91
Summer	75.329	106.872	106.528	117.153	107.913	96.940	125.451	98.634	138.111	164.813	171.773	186.787	185.058	174.391	195.589	199.445	174.318	171.579	178.020	169.838

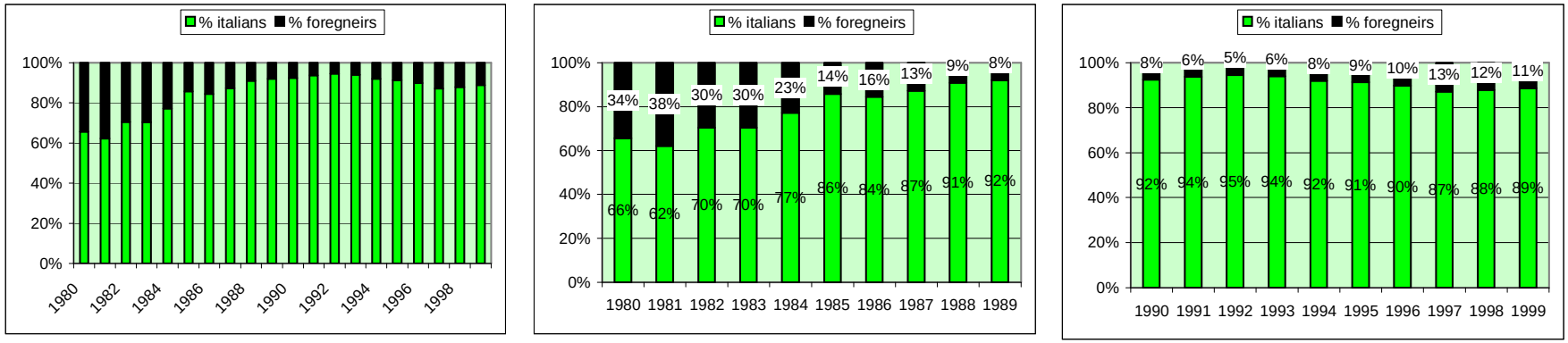
Source: Own analysis on APTM data.

Figure 28. Monthly perceptual summer overnight stays – graphs.



Source: Own analysis on APTM data.

Figure 29. Perceptual weight of Italian and foreign overnight stays.



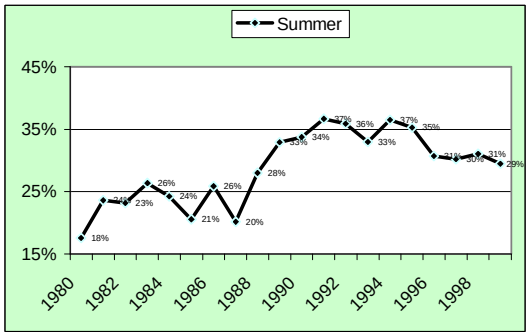
Source: Own analysis on APTM data.

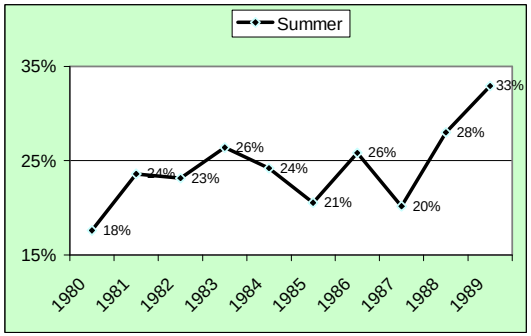
Figure 30. Summer ratio of gross occupation.

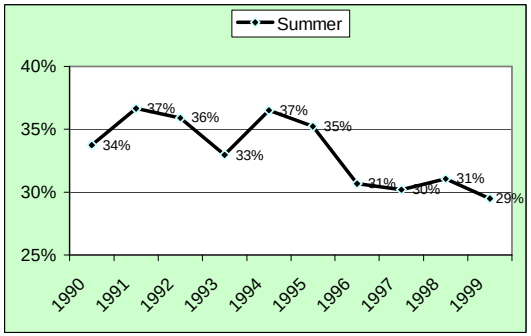
	Ratio of gross occupation																			
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
June	7%	9%	8%	8%	8%	4%	5%	5%	4%	4%	6%	6%	8%	6%	7%	7%	7%	6%	8%	8%
July	17%	19%	21%	24%	25%	19%	24%	21%	25%	33%	34%	38%	37%	36%	38%	39%	34%	33%	29%	31%
August	37%	54%	53%	60%	52%	52%	63%	48%	70%	77%	77%	82%	81%	75%	84%	79%	68%	64%	72%	65%
September	9%	13%	10%	13%	12%	8%	12%	6%	13%	17%	18%	20%	18%	15%	18%	17%	14%	17%	15%	15%

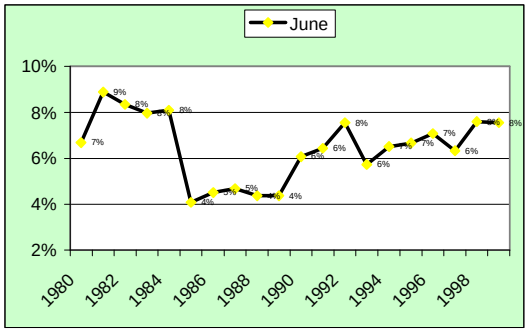
Source: Own analysis on APTM data.

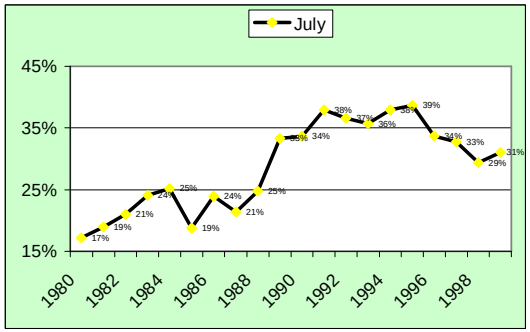
Figure 31. Summer ratio of gross occupation - graphs.

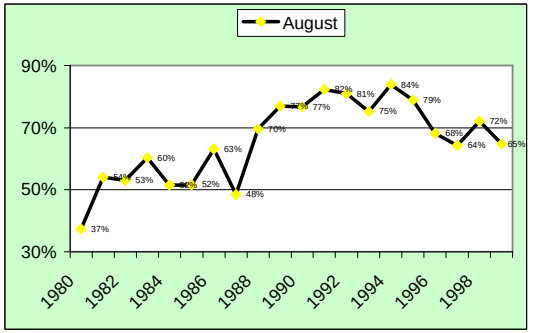


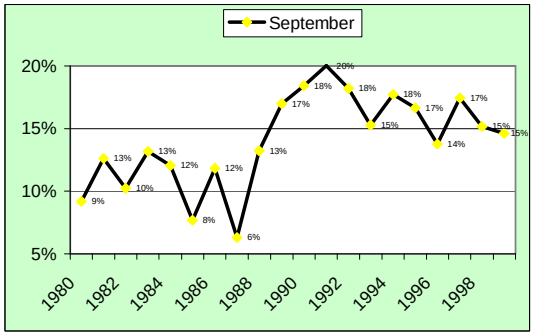








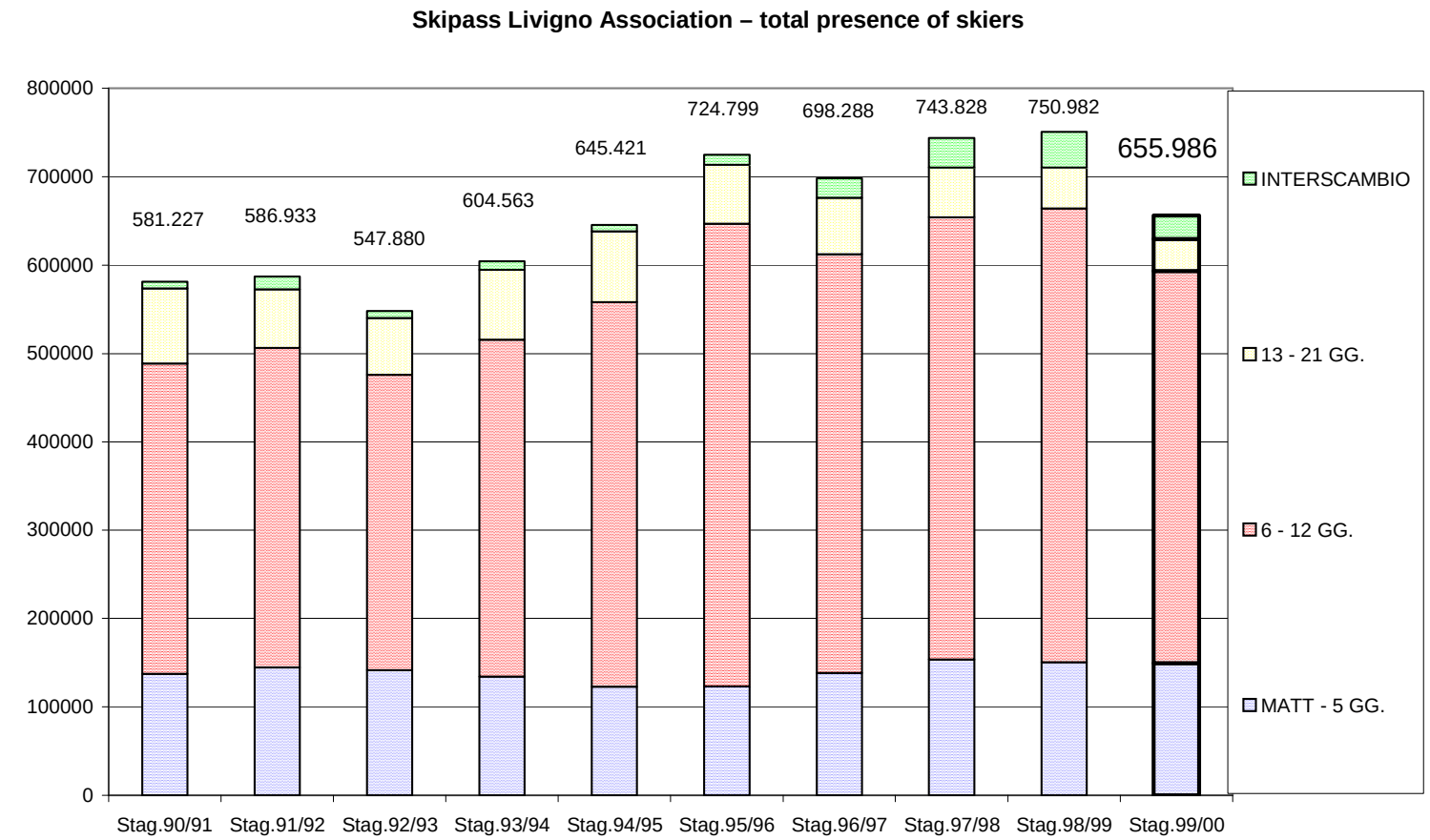




Source: Own analysis on APTM data.

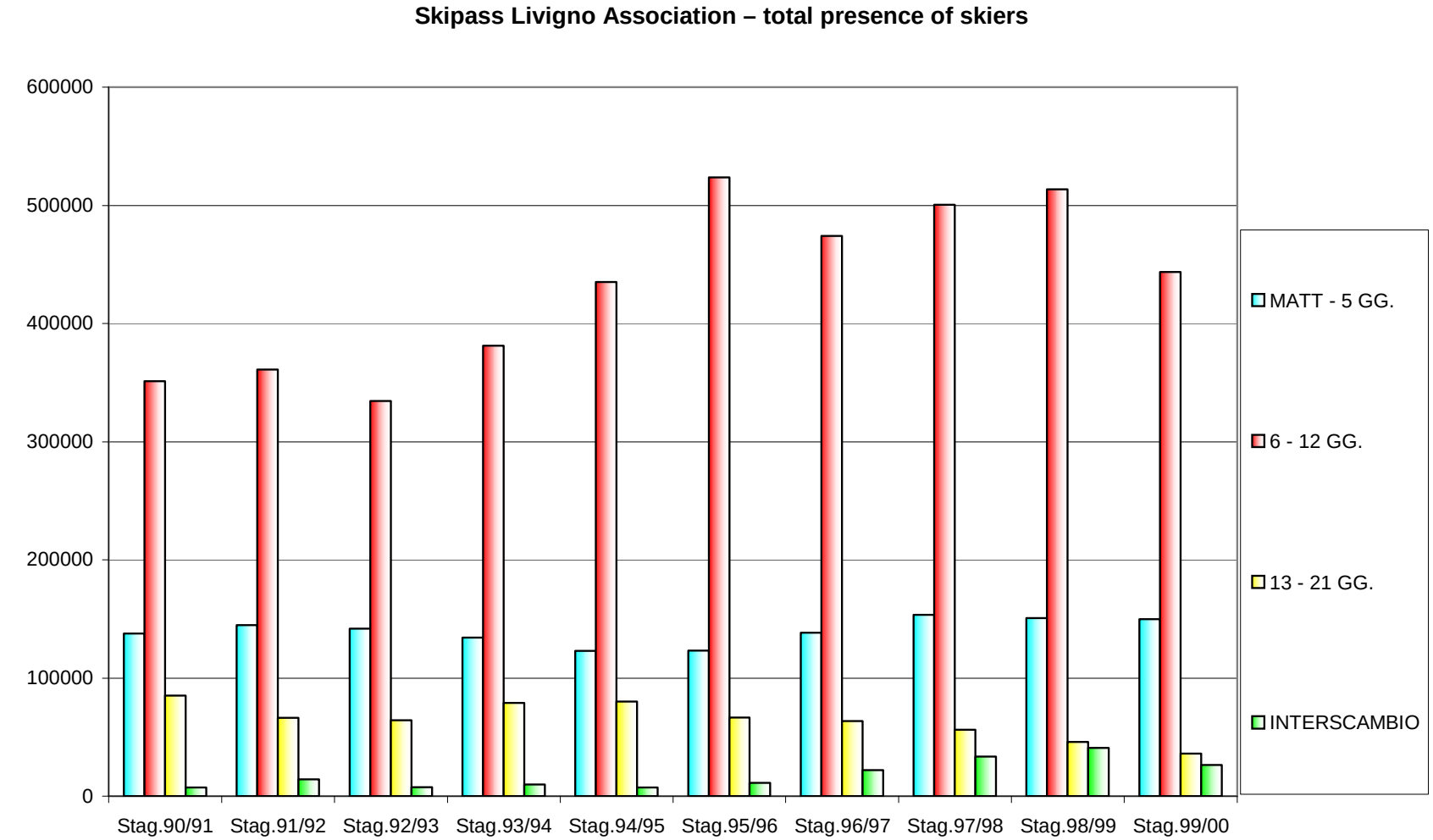
12.5 Appendix II – Ski area

Figure 32. Ski area data.



Source: Own analysis on Skipass data.

Figure 33. Composition of ski area data.



Source: Own analysis on Skipass data.

12.6 Appendix III – Viability

Figure 34. The effect of the Drossa tunnel.

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989
Drossa passages (A)										
December	19.611	25.850	20.097	23.302	21.674	25.833	25.857	28.321	*	32.217
January	26.365	32.478	25.756	33.533	35.862	29.831	29.163	36.624	*	50.641
February	34.018	37.365	40.573	39.488	35.192	38.220	33.445	39.691	*	53.154
March	54.673	48.076	42.368	49.355	43.946	47.487	69.116	50.820	*	70.963
April	37.990	54.226	42.115	36.729	38.656	36.363	30.941	51.004	40.108	42.966
Total	***172.657***	***197.995***	***170.909***	***182.407***	***175.330***	***177.734***	***188.522***	***206.460***	*****	***249.941***
Winter arrivals (B)										
December	2.556	2.793	2.274	2.114	1.775	2.099	1.983	2.076	1.927	1.388
January	2.538	3.771	3.357	2.739	2.794	1.807	2.928	3.936	4.517	4.111
February	3.324	4.604	4.536	3.542	2.829	3.298	4.480	5.438	6.102	4.622
March	6.254	4.351	4.524	4.107	3.145	4.916	6.221	4.818	6.062	5.311
April	1.693	2.820	1.899	1.010	1.839	1.172	950	2.847	1.562	1.840
Total	***16.365***	***18.339***	***16.590***	***13.512***	***12.382***	***13.292***	***16.562***	***19.115***	***20.170***	***17.272***
Ratio (A/B)										
December	3,8	4,6	4,4	5,5	6,1	6,2	6,5	6,8	*	11,6
January	5,2	4,3	3,8	6,1	6,4	8,3	5,0	4,7	*	6,2
February	5,1	4,1	4,5	5,6	6,2	5,8	3,7	3,6	*	5,8
March	4,4	5,5	4,7	6,0	7,0	4,8	5,6	5,3	*	6,7
April	11,2	9,6	11,1	18,2	10,5	15,5	16,3	9,0	12,8	11,7
Total	***5,3***	***5,4***	***5,2***	***6,7***	***7,1***	***6,7***	***5,7***	***5,4***	*****	***7,2***

Legend: * The flood of Valtellina rendered 1988 figures negligible.
Source: Own analysis on APTM and La Schera data.

12.7 Appendix IV – APTM

Figure 35. APTM economic count (summary).

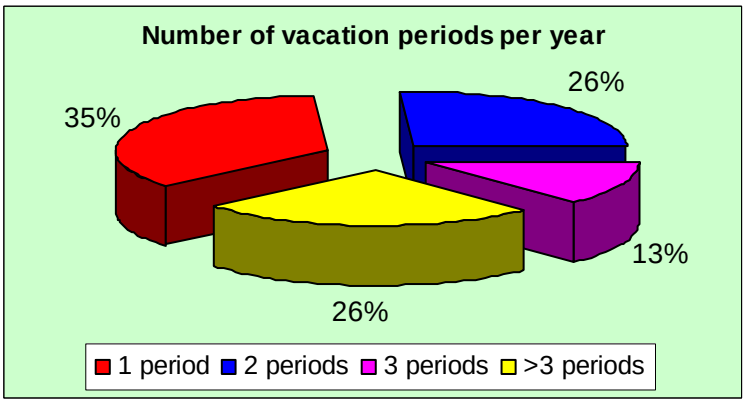
	APTM economic count (summary)											
	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999*	2000**
Turnover (1)	**3.303.071**	**2.883.887**	**3.494.691**	**3.548.740**	**3.400.922**	**3.370.088**	**3.196.558**	**3.236.990**	**3.362.672**	**3.176.930**	**1.865.234**	**3.514.500**
Total costs (2)	***-2.567.772***	***-1.885.972***	***-2.442.375***	***-2.505.402***	***-2.400.006***	***-2.270.033***	***-2.055.932***	***-2.107.290***	***-2.452.625***	***-2.252.771***	***-1.235.569***	***-2.262.000***
Added value (3=1+2)	**735.299**	**997.915**	**1.052.316**	**1.043.338**	**1.000.916**	**1.100.055**	**1.140.626**	**1.129.700**	**910.047**	**924.159**	**629.665**	**1.252.500**
Personnel expenditure costs (4)	***-630.064***	***-610.755***	***-618.608***	***-716.022***	***-729.387***	***-851.111***	***-934.143***	***-862.494***	***-888.158***	***-925.490***	***-449.959***	***-947.000***
MOL (5=3+4)	**105.235**	**387.160**	**433.708**	**327.316**	**271.529**	**248.944**	**206.483**	**267.206**	**21.889**	**-1.331**	**179.706**	**305.500**
Total amortization (6)	***-125.210***	***-299.093***	***-415.374***	***-241.987***	***-313.036***	***-277.699***	***-207.035***	***-265.101***	***-257.471***	***-244.724***	***-81.512***	***-268.900***
Operating profit (7=5+6)	**-19.975**	**88.067**	**18.334**	**85.329**	**-41.507**	**-28.755**	**-552**	**2.105**	**-235.582**	**-246.055**	**98.194**	**36.600**
Financial management (8)	***4.916***	***-60.394***	***-26.199***	***-30.589***	***-49.118***	***120***	***-37.113***	***-49.553***	***-48.960***	***-28.229***	***-8.704***	***-11.600***
Extraordinary management (10)	***43.918***	***-16.342***	***-70.660***	***32.179***	***79.558***	***28.868***	***-29.159***	***-1.499***	***0***	***2.350***	***-5.700***	***0***
EBT (11=9+10)	**28.859**	**11.331**	**-78.525**	**86.919**	**-11.067**	**233**	**-66.824**	**-48.947**	**-284.542**	**-271.934**	**83.790**	**25.000**
Tax (12)	***-25.205***	***-9.943***	***-7.748***	***-9.219***	***-1.488***	***-233***	***-242***	***-2.721***	***-1.718***	***-26.381***	***-27.113***	***-25.000***
Net income (13=11+12)	**3.654**	**1.388**	**-86.273**	**77.700**	**-12.555**	**0**	**-67.066**	**-51.668**	**-286.260**	**-298.315**	**56.677**	**0**

Source: Own analysis on APTM data.

12.8 Appendix V – Customer satisfaction analysis

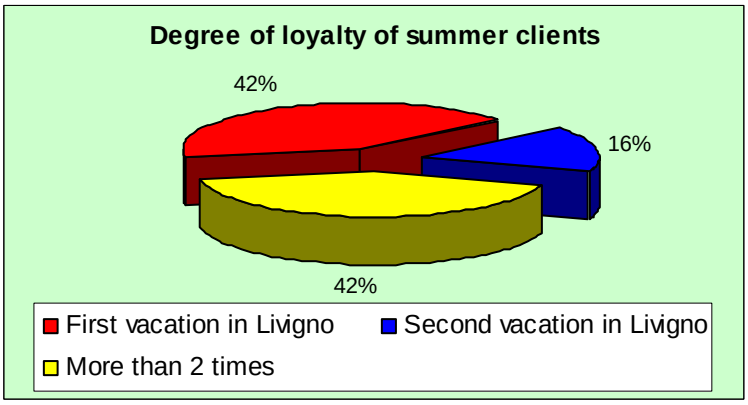
12.8.1 Summer season

Figure 36. Number of vacation periods per year.



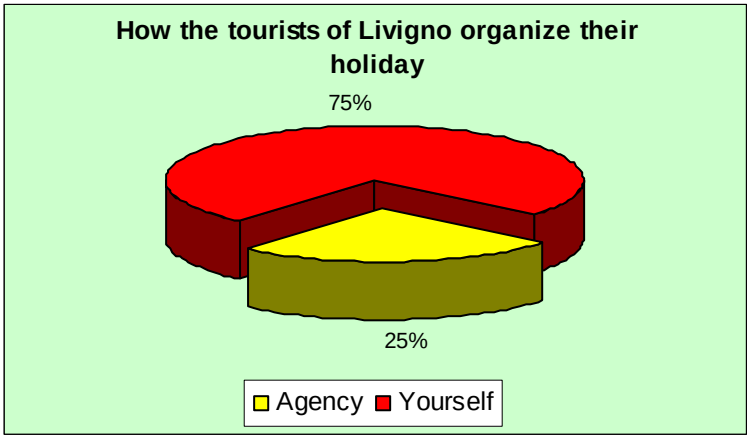
Source: Own analysis on ARITER report (1989, p. 31).

Figure 37. Degree of loyalty of summer clients.



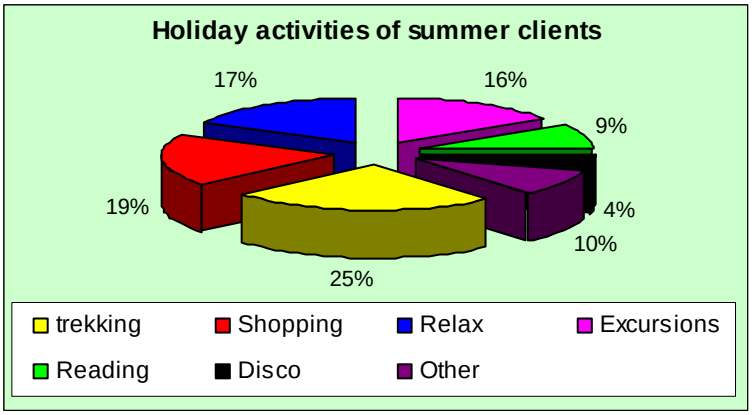
Source: Own analysis on ARITER report (1989, p. 42).

Figure 38. How the tourists of Livigno organize their holiday.



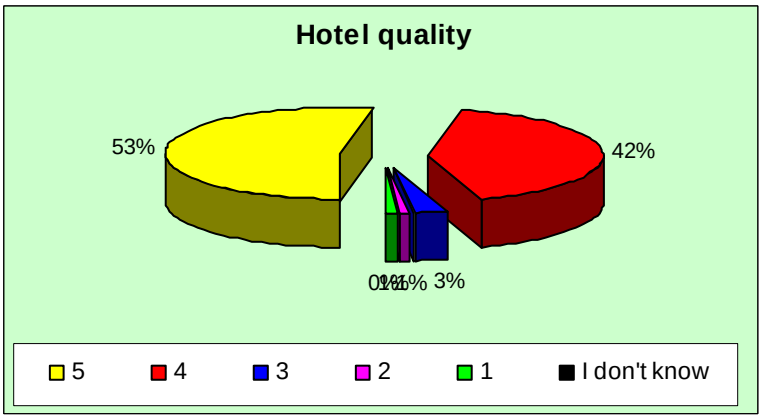
Source: Own analysis on ARITER report (1989, p. 49).

Figure 39. Holiday activities of summer clients.



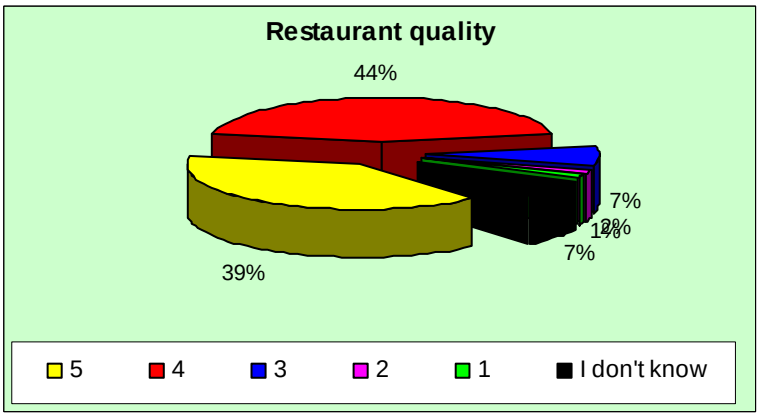
Source: Own analysis on ARITER report (1989, p. 63).

Figure 40. Hotel quality.



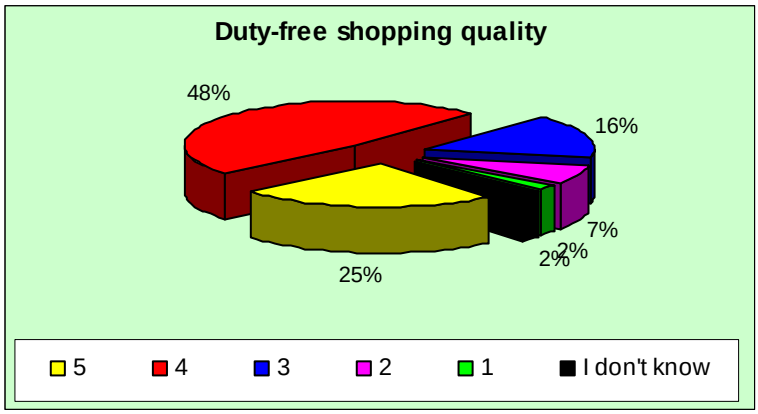
Source: Own analysis on ARITER report (1989, p. 70).

Figure 41. Restaurant quality.



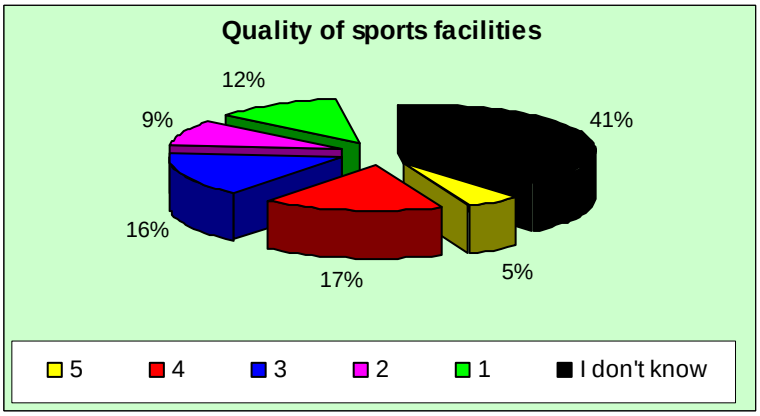
Source: Own analysis on ARITER report (1989, p. 72).

Figure 42. Duty-free shopping quality.



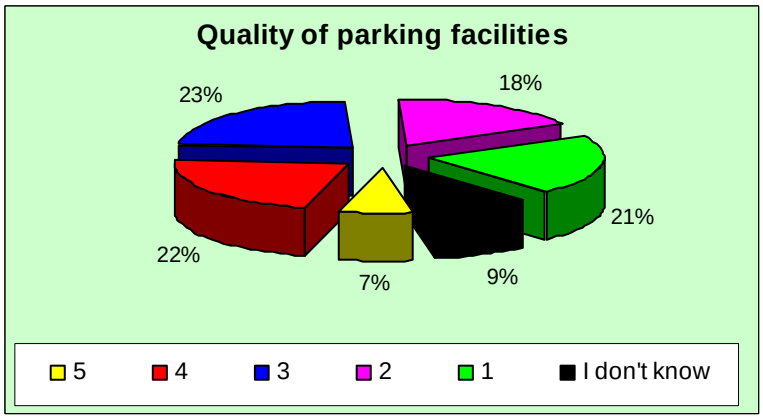
Source: Own analysis on ARITER report (1989, p. 74).

Figure 43. Quality of sports facilities.



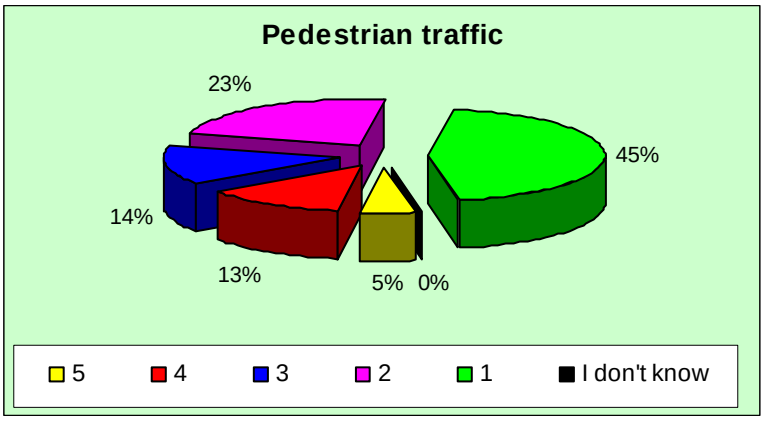
Source: Own analysis on ARITER report (1989, p. 76).

Figure 44. Quality of parking facilities.



Source: Own analysis on ARITER report (1989, p. 85).

Figure 45. Pedestrian traffic.



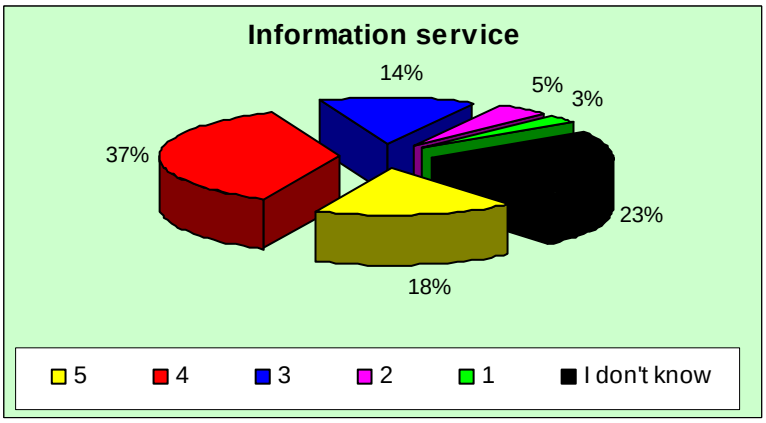
Source: Own analysis on ARITER report (1989, p. 86).

Figure 46. Pedestrian traffic – some comments.

- ✓ ”We will return only if they do something about pedestrian traffic”.
- ✓ “The centre of town is a gas chamber”.
- ✓ “We will have to wear smog masks like in Milan. Livigno should not come down to this, unless we want to see it ruined”.
- ✓ “It is impossible to walk in the centre of Livigno. I’m seriously considering of putting up a sign on my balcony: For sale due to lack of organization”.
- ✓ “Pedestrian traffic? It’s a big mess. I’ll come back only when they will have improved this”.
- ✓ “The center is inhuman chaos. I won’t come back unless they do something about it”.

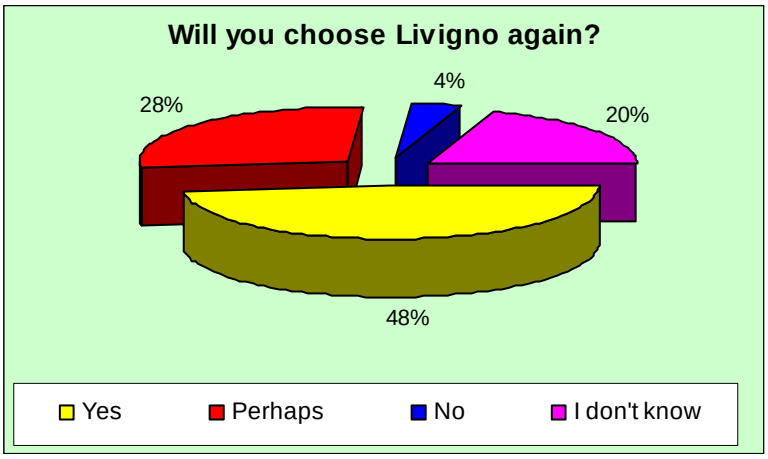
Source: Own analysis on ARITER report (1989, p. 87).

Figure 47. Information service.



Source: Own analysis on ARITER report (1989, p. 90).

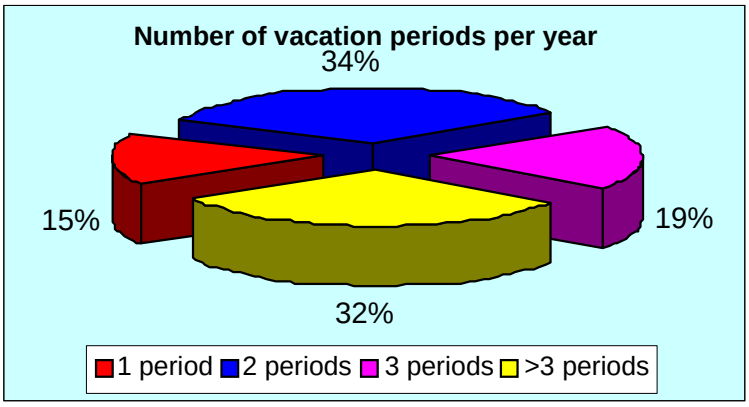
Figure 48. Degree of customer satisfaction.



Source: Own analysis on ARITER report (1989, p. 98).

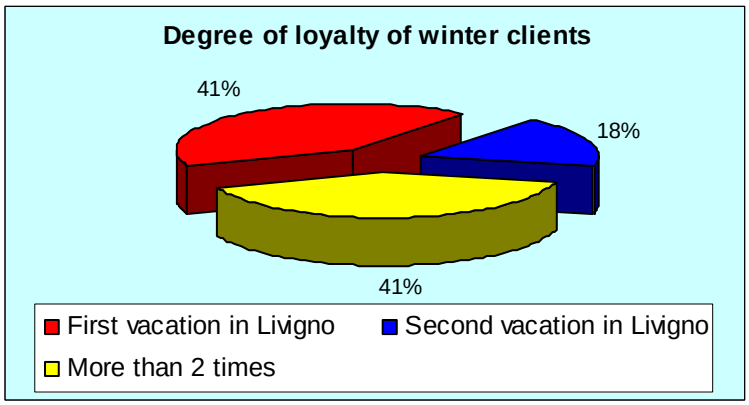
12.8.2 Winter season

Figure 49. Number of vacation periods per year.



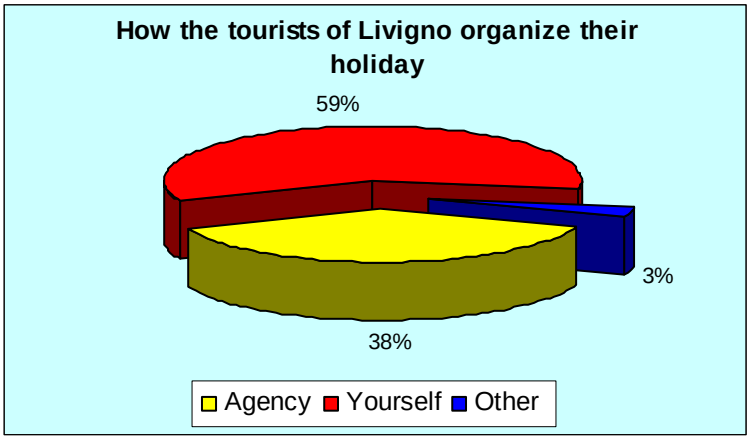
Source: Own analysis on ARITER report (1989, p. 31).

Figure 50. Degree of loyalty of winter clients.



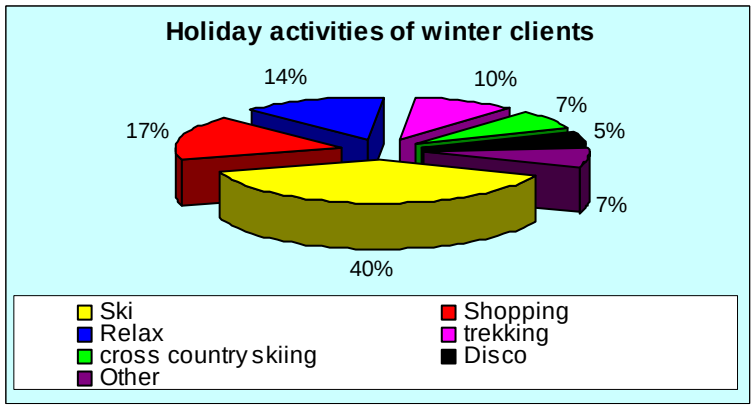
Source: Own analysis on ARITER report (1989, p. 42).

Figure 51. How the tourists of Livigno organize their holiday.



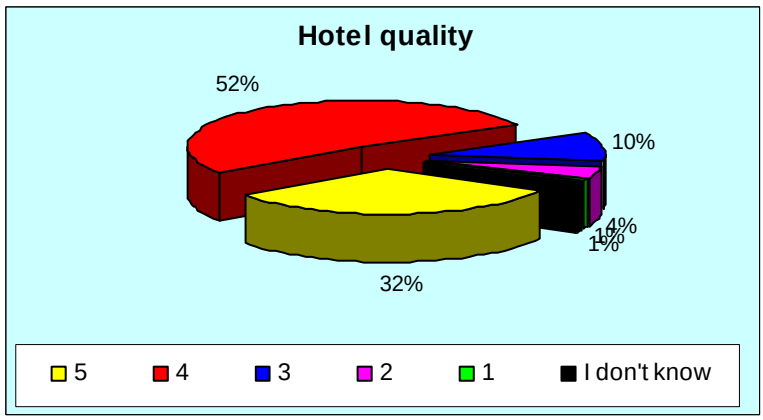
Source: Own analysis on ARITER report (1989, p. 49).

Figure 52. Holiday activities of winter clients.



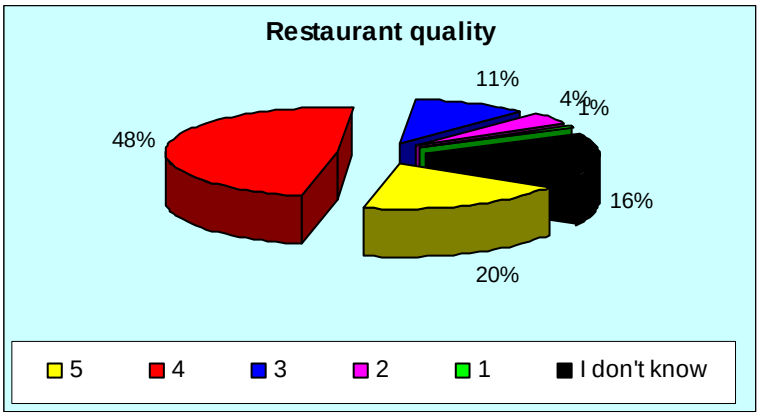
Source: Own analysis on ARITER report (1989, p. 63).

Figure 53. Hotel quality.



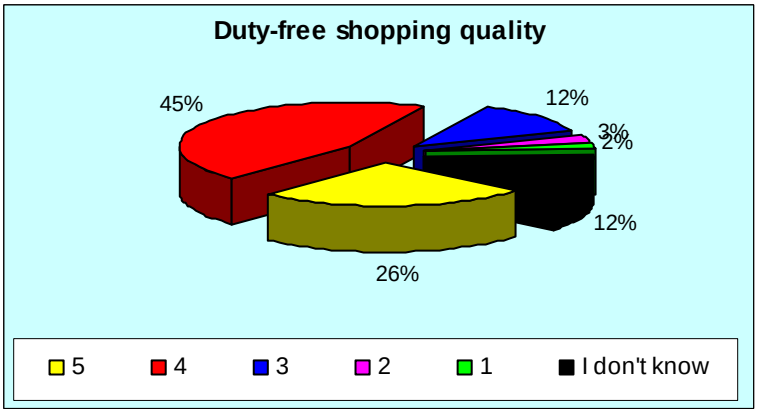
Source: Own analysis on ARITER report (1989, p. 70).

Figure 54. Restaurant quality.



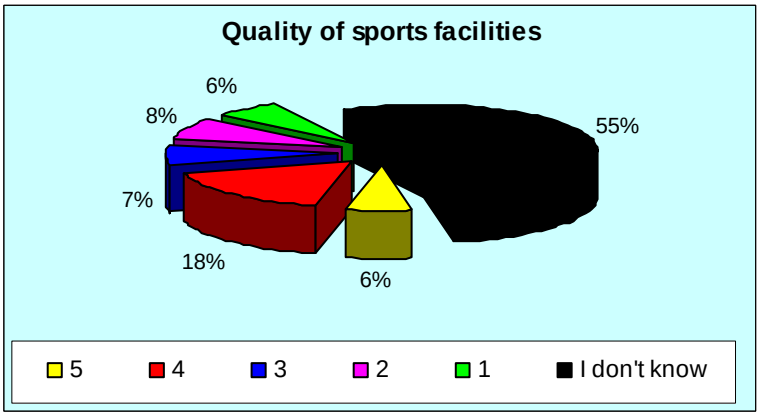
Source: Own analysis on ARITER report (1989, p. 72).

Figure 55. Duty-free shopping quality.



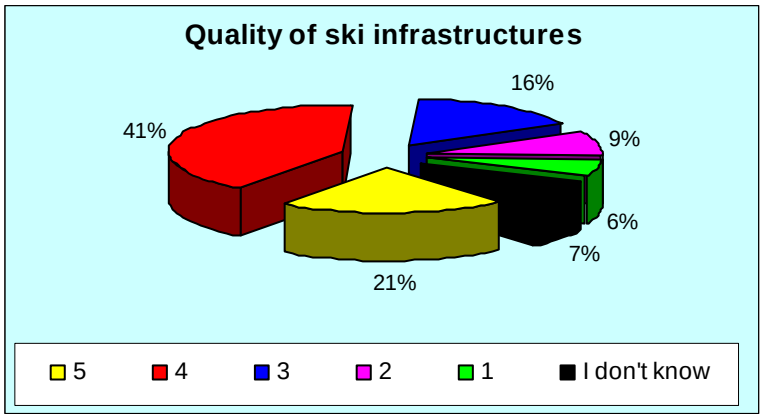
Source: Own analysis on ARITER report (1989, p. 74).

Figure 56. Quality of sports facilities.



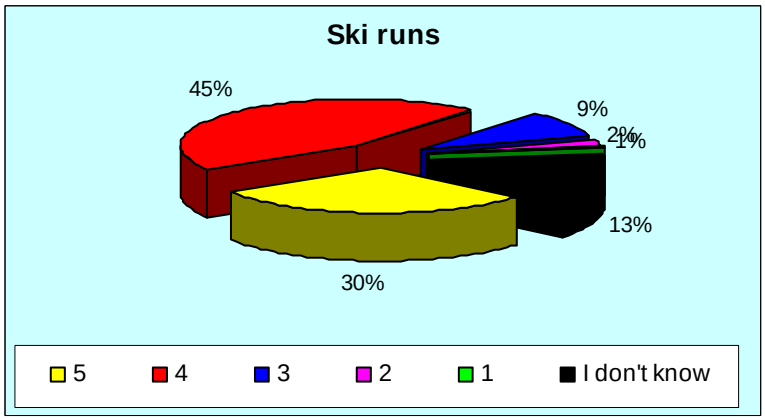
Source: Own analysis on ARITER report (1989, p. 76).

Figure 57. Quality of ski infrastructures.



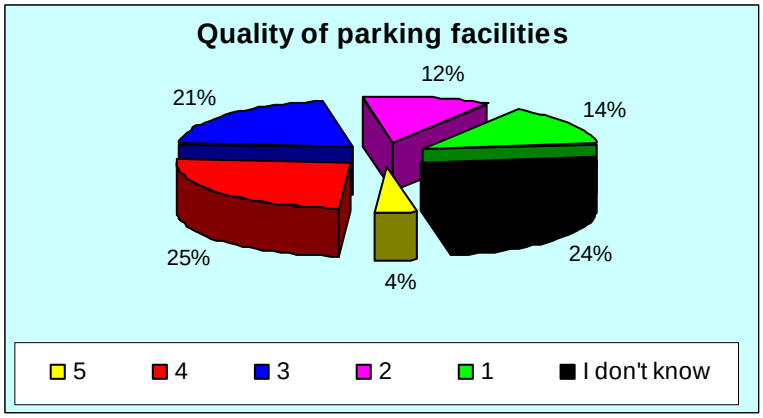
Source: Own analysis on ARITER report (1989, p. 85).

Figure 58. Ski runs.



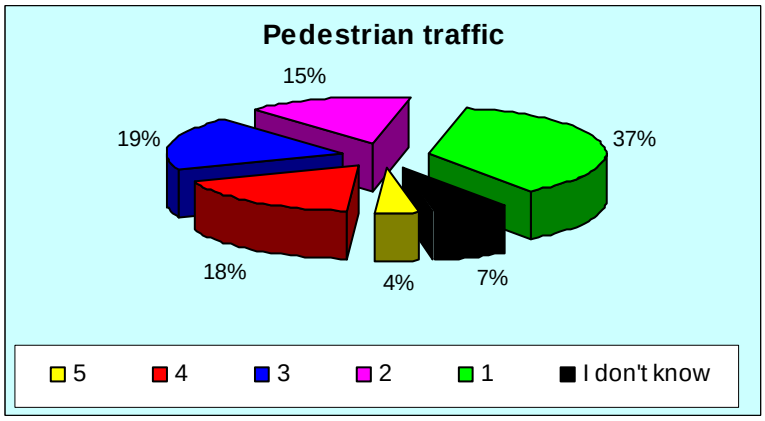
Source: Own analysis on ARITER report (1989, p. 86).

Figure 59. Quality of parking facilities.



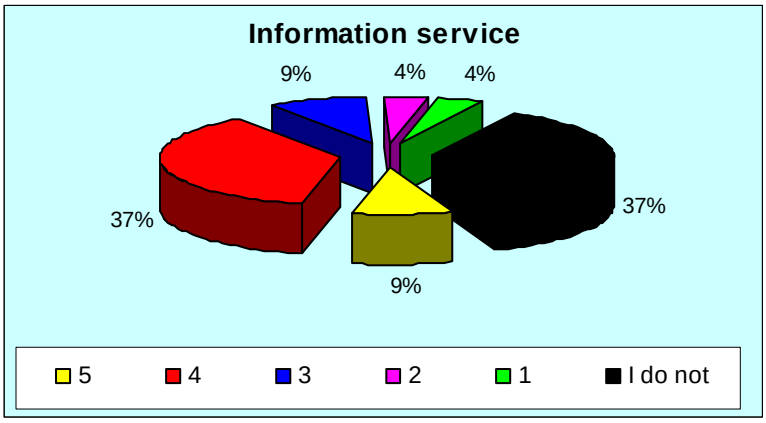
Source: Own analysis on ARITER report (1989, p. 85).

Figure 60. Pedestrian traffic.



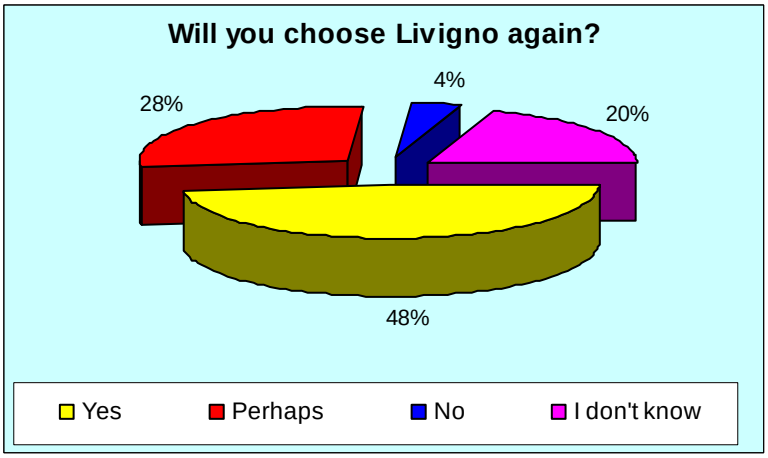
Source: Own analysis on ARITER report (1989, p. 86).

Figure 61. Information service.



Source: Own analysis on ARITER report (1989, p. 90).

Figure 62. Degree of customer satisfaction.



Source: Own analysis on ARITER report (1989, p. 98).

2.3 Interviews

Castellani L., ex President of the APT, Manager of the Comunità Montana Alta Valtellina, Entrepreneur.

Claoti F., Mayor of Town.
Cotelli M., Consultant of APT Livigno.
Cusini G., CEO of SITAS.
Damiano B., Chairman of the Hotelkeepers' Association
Galli A., Responsible of the Promotion and statistic of APT Livigno.
Galli E., Vice President of the APT Livigno.
Galli G., ex President of the APT, Entrepreneur.
Galli R., President of the APT Livigno.
Galli V., President of Mottolino S.p.A.
Giacomelli M. and F., entrepreneurs.
Rocca M., Responsible of PR of Mottolino S.p.A.
Silvestri F., Entrepreneur.
Zini G., President of Skipass Livigno Association.

Chapter 5
The Case of Corvara

1. THE CHALLENGES OF THE NINETIES

The history of Corvara and Colfosco is linked closely with that of Alta Badia. It, like the other Ladin valleys, was inhabited by a prehistoric population during the pre-Roman age that benefited from the particularly mild climate found in Alta Badia. Roman rule lasted about 500 years and many traces of it have been found, in particular the remains of what was probably a fort built in San Linêrt in Badia to protect the road that linked Sebatum (San Lorenzo) to the Roman roads in the Veneto region.

Arrival of the barbarians forced the local population to seek refuge in the side valleys, and this fostered construction of the first farmsteads. Alta Badia experienced continuous tensions during the Middle Ages due to its administrative peculiarity. In fact, Count Vocold di Lurgau handed over a large amount of the valley to the Benedictine nuns, whereas San Martine de Tore and Colfosco were under the bishop of Bressanone and the jurisdiction of the lords of Wokenstein in Gardena, respectively. The friction between the bishop and the convent drove the local population to take up arms several times.

The common Ladin roots of the local population and the make-up of Val Badia, difficult to enter from the bordering areas but open and welcoming once inside, encouraged development of tourist accommodations over the years. Val Badia took its first steps towards tourism at the start of the century, but it was only at the end of World War II that it tried its first actual development by venturing into the winter tourism market.

1.1 Corvara and Colfosco at the threshold of the nineties

Alta Badia is an area that is culturally, historically and geographically homogeneous, and that today comprises three municipalities: Corvara (which includes the town of Corvara and the country ward of Colfosco), Badia (comprising the three country wards of San Cassiano, Pedraces and la Villa) and La Val. From a sightseeing point of view, the municipalities of Corvara and Badia are co-leaders, even though the role of pioneer and catalizer of area development is due to Corvara. Corvara also enjoys a great deal of renown and a medium to high quality market positioning[1].

Here we wish to propose a detailed analysis of the condition of three groups of activities: the accommodation structure, the ski area and the communication routes. This way we can picture the municipality of Corvara, and Alta Badia in more general terms, at the end of the 1980's.

1.2 Accommodation structure

Corvara's tourist development is closely tied to the period following in the wake of World War II. Indeed, significant growth of the accommodation capacity and number of overnight stays was recorded during this period.

In terms of time, the most significant increase in number of beds was recorded during the decade of 1956-66 (hotels, non-hotels and then totals), with a jump of 172%.

[1] "The Alta Badia trademark indicates Alta Val Badia. We were the first in Alto Adige to create an area trademark, and we wanted it so as to aggregate and promote the small towns as well (such as La Val), which could certainly not go a long way all on their own. […] Of all the Alta Badia towns, Corvara is certainly the most well known. Many Germans say they have stayed in Corvara, even if they had chosen San Cassiano, la Villa or Colfosco as their destinations" (Damiano Da Punt).

Nevertheless, its development – especially in the hotel sector – continued at a steady pace throughout the following decade as well (+91%), and between '76 and '86 (+66%) (see appendix I).

The make-up of the accommodation mix reveals higher growth in hotel facilities, the rise of which in percentage terms represents 83% of the entire supply. In terms of quality, the supply is predominantly off-balance as it leans towards the three- and four-star facilities, whereas the presence of five-star facilities is not detected. On the average, the facilities are small.

Its distance from towns and the strong attachment its residents have to their land have strongly curtailed development of vacation homes owned by non-residents. Typically family-run management using the bed & breakfast formula distinguishes the non-hotel facilities. The local population's strong sense of hospitality, openness and friendliness, in addition to its tradition (as small it may be), have helped high accommodation service standards to be attained[2].

1.3 Ski area

Development of Alta Badia's winter tourism is inseparably linked to the work done by Erich Kostner, an Italian pioneer in the railroad transport sector. In 1947 he came up with the first lift on the Col Alto hill. It was a "homemade" system with a chairlift and wooden posts that was tested by the Italian Ministry of Transportation on December 24th of that same year.

Development of the lifts continued along several guidelines that inspired the pioneer's activity, and that can be summarized as follows:

- ✓ Keep company control: Many tourist spots opened onto the winter market thanks to the involvement of outside partners engaged in the lift building and management business. The sizeable initial investments were often strong obligations for local entrepreneurship, which mainly came from a farming background. Corvara, and more generally Alta Badia, is a significant exception. The many companies that Kostner founded were characterized by their heavy involvement of local and outside resources, which however always held a minority role[3]. This trend fostered a special agreement between the businesses of the lift operators and of the other players working in the tourist sector.
- ✓ Draw in local resources: In order to create a plausible competitive advantage, winter tourism requires strong integration between various entrepreneurs engaged in generating different services. In starting off with this fact, Kostner established a variety of companies with a large number of shareholders who were often local hotelkeepers. In this way an integration of goals and views was created.

[2] "We had to adapt ourselves in the aftermath of what the large hotels were offering, but we were never perfectly able to as they were 'chains' and we were simple family-run hotels. Our characteristic is our reception, what we can offer our guests from the human standpoint. The guest is considered a friend of the family" (Renata Pizzinini).

[3] "I established all of the carousel companies and I have always made sure I have the majority so I can control any situation. I'll explain why. The companies where the group of hotelkeepers holds the majority have always had difficulties (and not only in Alto Adige). The hotelkeeper is interested in the hospitality service supplied to his paying guest, while he is not interested in either spending so much or in making a profit off the transport company. He is interested in managing it with the lowest prices possible because he often reasons this way: if the customer spends 5 for the skipass, he spends less money at the bar. In developing this logic one tends to define a non-remunerative price for the lifts and reserves that are necessary for their maintenance and replacement are not created" (Erich Kostner).

- ✓ Encourage two-way links: The lifts built always try to reach the crest of the mountain and to help transfer skiers to new valleys. The development of other resorts is fostered this way. This decision is also backed by the positive effects that the cableway connections create: greater development of the entire area.
- ✓ Encourage links between the various lifts: As they often pivoted around just one entrepreneur (Mr. Kostner), the various entrepreneurial businesses naturally fostered the creation of circuits and carousels by attracting the most demanding - and above all weekly - skiers' interest.

When it was on the threshold of the 1990's, the Superski Dolomiti park of lifts showed a few limitations. The artificial snow systems were not very highly developed in view of growing scarcity of snowy precipitation, and many of the lifts were obsolete (although running perfectly). On the other hand, the customers require rising qualitative standards, both in terms of ski run management and comfort of the lifts.

1.4 Communication routes

Communications do not present any particular problems since Corvara can mainly be reached by three different routes: Passo Gardena, Passo Campolongo and State Route 244 going in the direction of La Val. These roads are in turn linked to tollway arteries going in different directions. They are, in all cases, state highways with one lane in each direction that therefore tend to slow down traffic when it sustains heavy increases with connection to the tourist seasons.

1.5 Competitive results

Now let us outline Corvara's competitive positioning by listing the critical points. Analysis of the flows of tourists at the end of the 1980's on the one hand shows considerable growth in quantitative terms and, on the other hand, signs of strong change (appendix I).

1.5.1 Annual competitive results

Although based solely on quantitative indicators, analysis of the annual competitive results reveals a picture of rapid change in customer behaviors and needs. Accommodation presences recorded a seesaw trend characterized by good growth up until 1984, a standstill until 1987, and then growth in 1988 that was cancelled out by a heavy drop-off in 1989. On the whole (1980-89), presences grew by 3%. Taking 1988 as the reference, the increase was over 20%.

When rereading this overall performance and taking nationalities into consideration, we note strong growth of domestic customers (+132%) and a considerable decline of foreign customers (-46%). In terms of production mix, the implications are obvious: in 1980, foreigners made up 73% of Corvara's presences, and then this percentage fell to 38% in 1989.

The breakdown of presences in its prime indicators, arrivals and average stay, is no less significant. A strong decline in the length of stay was recorded, equivalent to 9.8 days in 1980 and to 7.4 days in 1989. The downward trend reveals a slow though

gradual and, in some ways relentless, contractionary process[4]. In terms of percentages, the ten-year long drop is 24%[5]. The reduction of the average stay is compensated in more arrivals, which rose by 36%. Nevertheless, while Italians were increasing at a steady pace (+186%), foreigners were declining (-30%).

In rereading this information from an employment rate viewpoint[6], we see a seesaw picture, with the degree of utilization of the productive capacity in the last year dropping considerably (-9%).

1.5.2 Winter competitive results

One of the most significant changes that characterize Corvara's competitive results is the change of the "seasonal" mix. In fact, the percentage weight of the winter season fell from 72% in 1980 to 57% at the end of the 1980's. Even though the heavy drop of presences recorded in 1989 amplified this value, it in any case marked a trend that was under way – the rising dual seasonality of the Corvara resort.

Winter presences on the whole indicate a rather stagnant trend, with the positive exception during the 1983/84-1985/86 and 1987/88 seasons. The ten-year balance measured a heavy fall (-19%). As regards the causes of this drop, they are certainly tied to the strong decline of foreign customers (-49%), which was only partly compensated by the growth of Italians (+107%).

Now let us break the presences down into their prime components. As regards the average period of stay, winter tourism denotes a strong weekly bent, and the ten-year decline is equivalent to 28%. Arrivals on the average rose throughout the ten-year period and the final balance resulted in a 13% increase, despite the negative performance of the last winter season. The breakdown by nationality once again shows a dual behavior between the Italian customers, which significantly grew (+179%), and foreign customers (-38%).

Lastly, the employment rates recorded a good degree of utilization of the productive capacity, which tended to settle in at around 60%. The level reached during the winter of 1979/80 (70%) was never again reached. On the contrary, the decade closed at 44%.

1.5.3 Summer competitive results

The summer season significantly grew in importance over the 1980's. Its weight in terms of percentage, calculated by taking the annual presences as reference, in fact rose from 28% (1980) to 43% (1989).

---

[4] "There was a strong shift in tourism, and these days people move around easily and all the time. We have to accept the fact that the customer is no longer willing to spend 3 weeks in the same place, but perhaps just one. So we have to invent things that are out of the ordinary. For example, in the summer we have a bicycle marathon (we fill about 16,000 beds at that time) or the World Cup, but we're talking about just a few days" (Renata Pizzinini).

[5] We observe a 19% decline of domestic customers, whereas that of foreign customers is 23% compared to an annual drop of 24%. This apparent paradox is easily explained, considering the change in the production mix. In 1980 the foreigners, whose stays exceeded 10 days, depicted more than 70% of the overall flows, and in 1989 their contribution totaled 38%.

[6] The analysis is based on a gross employment rate that considers that the summer season lasts four months and the winter season lasts five months. The statistics manager of the Tourism Association of Corvara and Colfosco corroborated this hypothesis. A gross rate was chosen so as to measure the effects of any early or delayed closings (due to lack of snow, for example), which are concealed by the net rates.

The presences show high growth in percentage terms (+60%) and continuity in development, except for the 1983 peak[7]. The production mix in this case as well displays intense evolution in terms of nationality. The percentage of foreigners, similar to that of domestic tourists in 1980 (51% and 49%, respectively), dropped to 21% in 1989. Grounds for the change are found in the different rates of growth. They were explosive in the case of domestic tourists (+158%) and recessive for international customers (-33%).

A positive picture is found when we break the presences down into their prime components. In fact, the high rate of average stay of 9 days in 1980 did not suffer an enormous decline, coming in at 7.6 days in 1989 (-16%). This result is due to a higher average stay of Italian customers, who curtailed the effect of mix variation (between domestic and international customers). On the other hand, there was a 91% increase in arrivals, with a stability of international customers (-3%) and a sharp rise of domestic customers (+194%).

The employment rates, an important competitive indicator, offer proof to the positive trend of the 1980's. The degree of utilization of the productive capacity rose from 34% in 1980 to 42% in 1989.

Figure 1. Corvara: Competitive results.

Winter season	Summer season
Weekly tourism (LS 1989: 7,3 days)	Weekly tourism (LS 1989: 7,6 days)
% weight of winter season: 72% (80), 57% (89)	% weight of summer season: 28% (80), 43% (89)
OS: -19% (annual increase: +3%)	OS: +60% (mean annual increase: 3%)
A: +13%	A: +91%
LS: -28%	LS: -16%
Foreigners	**Foreigners**
% weight of foreigners: 81% (80), 51% (89)	% weight of foreigners: 51% (80), 21% (89)
OS: -49% (mean winter decrease: -19%)	OS: -33% (mean summer increase: 60%)
A: -38%	A: -3%
LS: -28% (OS 1989: 7,3 days)	LS: -31% (OS 1989: 6,1 days)
Italians	**Italians**
% weight of Italians: 19% (80), 49% (89)	% weight of Italians: 49% (80), 79% (89)
OS: +107% (mean winter decrease: -19%)	OS: +158% (mean summer increase: 60%)
A: +179%	A: +194%
LS: -26% (OS 1989: 6,1 days)	LS: -12% (OS 1989: 8,1 days)
Legend: OS (Overnight Stays), A (arrivals), LS (Length of Stays)	

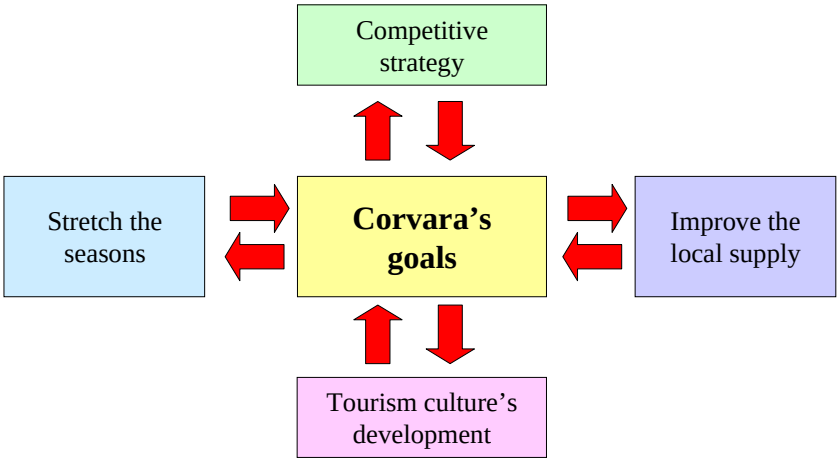
Source: Own analysis of ATCC 's data.

[7] As will be later pointed out, the exceptional result of the summer of 1983 was due to the large increase of the average stay, equivalent to 12.2 days compared to an average rate of approximately 8.5 days.

2. THE LINES OF ACTION

The empirical work allowed us to define the following tourism objectives: i) define a clear competitive strategy, ii) lengthen the seasons, iii) develop a tourism culture, and iv) complete the tourism supply (figure 2).

Figure 2. Corvara's goals.



Source: Own analysis.

2.1 Definition of a clear competitive strategy

Analysis of tourism trends points out the vivid consumption changes manifested by the customers during the 1980's, which continued and in some ways intensified during the 1990's. The implications on tourism in Alta Badia and Corvara tourism are troubling. The summer and winter seasons declined[8], the average stay dropped, the German customer variance increased[9], and new requirements blossomed.

The area detected the need to clearly identify the segments of reference customers, and three macro segments are singled out in the development plan[10]: families with children, pure mountain enthusiasts (in both the winter and summer), and couples over the age of 60.

2.2 Lengthening the seasons

This is a complex though recurring goal in both the development plan[11] and in interviews carried out in the field. This goal then has a winter and summer declination. The shortening of the end-of-season is particularly worrisome regarding the winter, in

[8] "As far as the shortening of the season is concerned, I think the customer – whether domestic or foreign – no longer has a preference for the two- or three-week-long vacation, but instead prefers to take vacations several times a year, perhaps taking advantage of the various long weekends (Marcello Varallo).

[9] "A worrisome drop of the German market, perhaps due to a change in generations, is being noted. The new generation is lacking since a supply of fun is lacking" (Tourism Development Plan).

[10] "We are focused on our target, or rather on families, pure mountain enthusiasts and couples of a certain age (aged 45 and up, even without children)" (Damiano Da Punt).

[11] The topic is dealt with in paragraph 7.3.3, "create a supply for the short vacation at the beginning and end of the season". It also appears among the secondary goals when "increasing the average employment" is discussed.

particular starting at the end of March[12]. This drop actually generates heavy downswings, above all on the profit and loss accounts of the cablecar companies, the economic balance of which is increasingly precarious. The decline is not explained by inadequate snowfall, but is instead linked to new consumption behaviors.

The problem is certainly not new as far as the summer goes. The towns located at a high altitude have a cold climate as early as mid-September. Nevertheless, the growing rigidity of costs, especially those of personnel, forced alternative solutions to be found. Also in this case the problem of seasonality runs the risk of making a negative impact on the inexpensiveness of the larger facilities[13].

2.3 Development of a tourism culture

As already pointed out, the Alta Badia area has a high culture level that has been translated into choices bringing about its tourism vocation[14]. Its operators and development plan insist on the centrality that this element must play in order to attain further development of the Corvara resort. What the development plan additionally supports is a clear realization that tourism is Alta Badia's economy, and not one of its components. This maturity is then a condition for further fostering the development of collaborative strategies that are crucial for braving the chief challenges that modern alpine tourism has to face (centralized reservation centers, development of supplies, creation of packages, and stretching out the seasons).

2.4 Completion of the tourism supply

Changes in the customers' purchasing behaviors and, more generally, the shortening of their stays require that the number of arrivals be increased, presences being equal. The result is that Corvara must demonstrate an ability to meet the needs of an increasingly broader and differentiated customer portfolio while partly distancing itself from its traditional customers. In this process it becomes necessary to meet the new requirements with new services, which in turn often require building up the infrastructure supply of the destination. Completion of the supply, in all its forms, is always tied to respecting the environment, enumerated and countlessly referred to as Corvara's primary resource[15].

3. THE SUBJECTS INVOLVED

Destination management is concretely implemented through the work carried out by two superordinate structures: the Corvara-Colfosco Tourism Association and the Alta Badia Consortium. The first body, as can be deduced from its name, has specific

[12] Note that the presences in April fell from the 47,000 recorded in the winter of 1979/80 to little less than 15,000 presences during the 1999/00 season (see appendix I).

[13] "At one time we worked with less personnel and it was better. We have gone into deficit two or three summers, and we need the winter season to make up for the summer loss" (Renata Pizzinini).

[14] Think of maintaining the visitor's tax on voluntary bases, of the decision to not sell the land in order to prevent development of second homes, or Erich Kostner's stances on the ratio between local and outside capital as far as the lifts are concerned.

[15] The Tourism Development Plan clearly and concisely emphasizes that "the future chances of tourism supply are based on the natural and environmental resources", and this requires an attentive approach to the "ecological" problems "and to area's liveableness".

jurisdiction in the Municipality of Corvara (and hence, for the country wards of Corvara and Colfosco). The second organization deals with promoting all of Alta Badia (and therefore the three municipalities of Corvara, Badia and La Val).

The competences, bodies and financial structure of both organizations are analyzed below.

3.1 The competences of the Corvara-Colfosco Tourism Association

According to the provisions of Art. 1, the *Associazione Turistica Corvara-Colfosco*, or the Corvara-Colfosco Tourism Association (hereafter ATCC) is the transformation of the *Azienda Autonoma di Soggiorno e Turismo*, or Stay and Tourism Public Service Company (hereafter AAST). This latter was established in 1963, above all with Erich Kostner's backing. AAST's transformation into an association took place in 1993 because of a change in Italian legislation, which called for transformation of the AAST's into APT's (*Azienda di Promozione Turistica*, or Tourism Promotion Enterprise). According to the text of the Italian provisions, the APT's cannot collect the visitor's tax, but do receive contributions on a regional or provincial basis. It was based on this reason that AAST management made the decision, mutually agreed upon with local entrepreneurs, to create the private ATCC. This decision allowed the visitor's tax to be maintained, although on a voluntary basis, and documents the existence of a deep-rooted tourism culture in local entrepreneurs. ATCC intensively met with the operators during the start-up stage, above all through a large number of meetings with other resorts that had successfully gone through similar experiences[16].

According to the text of Art. 2 of the charter, ATCC has the capacity of "promoting tourism in the area of its jurisdiction" and for that purpose may:

- ✓ Set up information and tourist assistance services.
- ✓ Promote and put into effect events and other initiatives mainly of a touristic nature in its area of jurisdiction.
- ✓ Carry out marketing initiatives, preferably in collaboration with the competent tourism consortium or with other tourism organizations.
- ✓ Improve landscape, artistic and historic assets.
- ✓ Promote and manage facilities and services mainly of a touristic nature, also in collaboration with third parties.
- ✓ Collaborate with *Alto Adige Promozione Turismo* (Alto Adige Tourism Promotion) in performing tourism studies, surveys and research.
- ✓ Carry out the functions delegated by the competent province or municipality, particularly those concerning tourism surveys.

3.2 The organizational set-up of ATCC

In order to understand the organizational structure of ATCC, it is necessary to clarify who can be members and which bodies actually govern its operation.

[16] "We set up numerous meetings where various operators who had gone through this experience came to talk. You know how it is – the operators still had a bit of a farmer's mentality. They have to be sure about something before doing it. The young people who already work with their parents understand it first. In any case, there was widespread approval that grew over time. Today it is clear that a single hotel does nothing and if we do not collaborate, it is a question of time, but we do not go far. Tourism's problems require more and more considerable investments and joint capabilities" (Renata Pizzinini).

3.3 ATCC's members

All individuals and legal entities interested in the association's purpose can become members of the association. Art. 5 then distinguishes between full members and honorary members. Full members are those who send in formal and written applications to the Executive Council requesting the status of member and who do not receive a negative answer within 60 days. Full members are then recorded in the book of members. Honorary members are nominated by the Executive Council in order to reward services "particularly worthy for the aims of the association". Honorary members enjoy the same rights as the full members.

The status of member (honorary or full) entails particular rights and duties. The rights are ascribable to: i) attending the annual general meetings with the right to vote, ii) presenting motions (during these meetings), and iii) franchise (candidacy) or eligibility (right to vote). The duties pertain to: i) observance of the rules contained in the charter, of the resolutions made by the general meeting and by the executive council, ii) pursuit of the association's purpose, and iii) payment of the annual membership fee and other mandatory payments established by the association.

3.4 The ATCC bodies

Art. 9 introduces five bodies that in actual fact permit the association to operate. They are: i) the annual general meeting, ii) the executive council, iii) the executive committee, iv) the chairman, and v) the board of auditors.

3.4.1 The Annual General Meeting

As the name itself indicates, the annual general meeting brings together all ATCC members. One must have membership status for at least one month and have paid all mandatory fees to have the right to vote. Each member expresses one vote, and that can also be through a representative named by written proxy, if necessary.

Sub-section 3 of art. 10 then envisages two types of annual general meeting: ordinary and extraordinary. The ordinary meeting takes the normal decisions regarding management, whereas the latter decides on extraordinary events, such as liquidation or transformation.

The general meeting can be called in the following ways: i) by the chairman's request; ii) by the request of the majority of the executive council; or iii) by request of one-tenth of the members. The annual general meeting is valid when at least half of the members attend in the first call; in the second call, it is valid regardless of the number. The resolutions are adopted by simple majority of those having the right to vote who are present and/or represented. On the other hand, a qualified majority equivalent to 2/3 of those having the right to vote who are present is required for resolutions concerning modification of the charter.

3.4.2 The Executive Council

The executive council is a body made up of 13 members, 11 of whom are elected by the annual general meeting and 2 of whom hold office by right, and they are the Mayor (or councilor appointed by him) and the chairman of the local Hotelkeepers' Association group that is the most widely representative on a provincial level. The councilmen stay in office four years. The annual general assembly must observe the

restrictions dictated by art. 12 when choosing the councilmen. The following must be represented: 3 hotel entrepreneurs, 1 representative of the landlords, 1 representative of the local farmers' association, 2 representatives of the shopkeepers, 2 representatives of the lifts, 1 representative of the ski schools, and 1 representative of the craftsmen (provided that at least 50% of the craftsmen are members). These restrictions are meant to guarantee utmost representation of all categories directly and indirectly involved in the tourism business.

The executive council is in charge of the main management functions.

3.4.3 The Executive Committee

Art. 14 envisages that the executive council can name an executive committee within itself that is made up of a variable number of members (3 to 5) to whom it can delegate the competences expressly specified with a special resolution. The chairman of the Executive Council chairs the executive committee.

3.4.4 The Chairman

The chairman is a representative figure of the association, both in court and towards third parties. The chairman is also entitled to the right to summon the annual general meeting, the executive council and the executive committee. He is elected to a four-year term by the executive council with the presence of at least two-thirds of the members and with absolute majority of those present (like the executive council, of which he is the embodiment). The chairman can be reelected, but only three consecutive times.

3.4.5 The Board of Auditors

The board of auditors is made up of three members elected by the annual general meeting for a four-year period. At least one of them must be a hotel entrepreneur. The auditors do not have to be members of the association, and they attend the meetings of the executive council with a consultative vote. The board chairman is elected within the board itself, with consideration given to his professional skills.

The board is in charge of presiding over and controlling that the financial management is properly performed, and draws up a report on the accounts (financial statements) at the end of each financial year.

3.5 The Financial Structure of ATCC

Art. 4 of the charter specifies six types of income, which can be summed up as follows:

- ✓ The annual membership dues and other mandatory fees.
- ✓ Contributions and subsidies paid by bodies, companies, associations and private people.
- ✓ The visitor's tax and other taxes, if any.
- ✓ Property revenues (such as rents receivable or interest on portfolio investments).
- ✓ Revenues generated by shows or other management activities (sponsorships, for example).
- ✓ Any donations or bequests.

A temporal analysis of the income clearly points out the importance of the members' fees and, included in them, the visitor's tax (see appendix III). The contribution base is however broad and includes the main professional categories directly or indirectly affected by the tourism business (such as the craftsmen, farmers, tradespeople and professionals).

By going to the heart of the numbers, the following information can be gained:

- ✓ ATCC revenues grow significantly over years, marking a 94% jump between 1990 and 2000[17].
- ✓ The weight of the members' fees increased over the years, settling in at about 60%. This item depicted approximately 50% at the start of the 1990's. The percentage increase is particularly significant and is equivalent to 139%. It is important to point out that the change of legal status allowed this item to increase considerably.
- ✓ The contribution disbursed by the province represents the second item in terms of percentage weight; however, its evolution shows a decreasing weight.
- ✓ The creation of the Alta Badia Tourism Consortium (see the paragraphs that follow) allowed ATCC to be assured of an additional income equivalent to 8%.
- ✓ The remaining other revenues item shows a dynamics that is growing in time, hitting a 22% quota in 1996 and settling at about 15% at the end of the 1990's. Within this item, the income tied to the sponsorships, the sale of advertising space, show organization, retail sales and skibus service organization figures primarily.

3.6 The Alta Badia Tourism Consortium

The Alta Badia Tourism Consortium was established on Feb. 21, 1997 with the German name of "Tourismusverband Alta Badia" (hereinafter CTAB). The consortium is a non-profit organization and has an unlimited lifetime.

Its purposes mainly concern setting up coordination between the various tourist resorts in Alta Badia (see §1.1) and creating an area marketing activity. In analytical terms, the wording of Art. 1 assigns CTAB the following purposes:

- ✓ "Collaborate on the tourism plan by setting out common objectives and coordinating the members' activity.
- ✓ adopt and implement initiatives and measures suited to the development of tourism within the sphere of jurisdiction as well as the improvement and completion of the relative installations and equipment.
- ✓ come up with common marketing initiatives in favor of the territory of jurisdiction.
- ✓ organize and implement extra-municipal events of special tourist interest.
- ✓ make provisions for the brokerage and booking of tourist services".

The decision to establish a second management destination facility mainly meets three requirements:

- ✓ To create a body that is superordinate compared to the two Corvara and Badia associations so as to impart greater effectiveness on the area's promotional activity and above all on management of the Alta Badia trademark. These aims were managed in an unstructured manner before the consortium was established.

[17] The values referring to the year 2000 are fruit of the budget.

- ✓ To create a body able to also improve those small realities that, owing to objective size limitations, are unable to carry out an incisive promotional activity and that need the support of resorts that are already popular, also in terms of image.
- ✓ To be able to use provincial loans granted to tourism consortiums. As is deduced from the financial analysis contained in §2.5, the creation of the consortium allows ATCC to enjoy additional financing equivalent to approximately 7-8% of its overall revenues[18].

3.6.1 The Organizational Structure of the Consortium

Art. 4 envisages that "local tourism organizations governed by provincial law no. 33 of Aug. 18, 1992, bodies, institutions and associations concerned with tourism as well as private persons who manage tourist facilities and services" are entitled to the status of member, but under the proviso that their activities are carried out in the municipalities of Corvara, Badia and La Val.

The bodies presiding over its operation are similar to those contemplated in the ATCC; in particular, Art. 9 provides for:

- ✓ The annual general meeting.
- ✓ The executive council.
- ✓ The chairman.
- ✓ The board of auditors.

How these bodies operate is in actual fact similar to the case of ATCC, so readers are asked to refer to the previous paragraphs. As far as the composition is concerned, the charter provides that:

- ✓ *The annual general meeting:* is constituted by all consortium members to whom the directors and/or managers of the tourism associations can be added at their discretion. Each member has the right to vote, and each association must be guaranteed at least five votes.
- ✓ *The executive council*: is made up of nine members, four of whom represent the ATCC, four representing AT Badia and one who represents AT La Val.
- ✓ *The chairman*: is elected by the executive council with at least two-thirds of the councilmen present and with a qualified majority equivalent to three-fourths of those present. Also the figure of vice chairman is foreseen. He is elected according to the same procedure and replaces the chairman in all his tasks in the case he is incapacitated or absent.
- ✓ *The board of auditors*: is made up of three members elected by the annual general meeting.

[18] "Establishment of the consortium found an additional stimulus in the cut of provincial contributions to the tourism associations. Owing to the simple fact that we had not established a consortium, we started losing about ITL 350 million per year in non-contributions. So we decided to also involve the La Val Tourism Association and, in 1997, the Alta Badia Tourism Consortium was established. I however repeat that this initiative actually "officialized" what was already in existence on paper. In fact, we had created an intercompany council that people on the Corvara and Badia councils were members of, so as to jointly carry out primarily marketing and informative material production activities" (Damiano Da Punt).

3.6.2 The Financial Structure of the Alta Badia Consortium

Art. 8 contemplates the following financial sources supporting the consortium's activity:

- ✓ The annual membership dues.
- ✓ Contributions and subsidies coming from organizations, companies, associations and private persons.
- ✓ Property revenues.
- ✓ Revenues from management and event activities.
- ✓ Bequests and any donations.

The second sub-section of the article introduces a particularly important note regarding the make-up of the revenues, depending on whether they are public or private: "the total amount of the annual membership dues must be no less than 50% of the provincial contributions allocated the previous year."

4. THE DESTINATION FACILITIES: PUBLIC INFRASTRUCTURES

Now we will go to the heart of the strategic process by identifying the decisions and actions embarked upon. This section closely examines the management processes regarding the infrastructures and public services, and the following activities in particular: i) local viability; ii) local transportation; iii) urban facilities; and iv) sports facilities.

4.1 Local viability

The growth of tourist flows has brought about increased local traffic, above all in the periods of maximum influx. The municipality of Corvara, given its isolated nature, is not affected by traffic passing through except to a marginal extent. Nevertheless, the absence of means of transportation alternative to motor vehicles makes traffic inside the town problematic or, to say the least, chaotic.

Both long-term solutions and short-term remedial activities have been proposed to solve this problem. The creation of a ring road able to shut automobile traffic out of the town falls within the first point. However, the municipal administration recently decided to allocate the transit area of the future street to tourism use following strong pressure coming from tourism operators and the local Tourism Association. In fact, a biotope lake and practice rock wall have been created and, more in general, this area is to be characterized as a recreational park. The old layout having been set aside, a new solution that contemplates construction of a tunnel entering the town is under consideration.

Construction of parking lots and the temporary closing of the old town center are among the contingent interventions planned that are aimed at reducing the effects of traffic in view of the ring road's creation.

4.2 Local transportation

As has already been mentioned, the resort cannot be reached by means of transportation other than motor vehicles, and there are innovative projects that tackle the problem. Nevertheless, Corvara has set up three forms of public transport to prevent cars from being used. The rationalization of the lifts and the construction of

communication areas strongly restrict movements from the accommodation facilities to the lifts themselves during the winter period. In any case, a skibus service was set up to further motivate guests to not use their cars[19]. The service is greatly appreciated and used by the guests. The growing need for evening amusement demanded by customers has already been mentioned. A public transportation service going to the main nightspots and pubs has recently been set up to meet this requirement. In this case not only has automobile traffic been reduced, but the service prevents the negative consequences tied to drunk driving. A third initiative pertains to the creation of a shuttle between Corvara and the Bolzano airport. It is a service that was set up as part of a promotion aimed at increasing the number of tourists coming from Düsseldorf. The customer thereby comfortably reached the resort by buying a special-priced ticket. The poor success of this promotional activity nevertheless required the service to be suspended[20].

4.3 Urban facilities

The most important street furniture development activity concerned the creation an old town center[21]. The town's development was indeed so frenetic that it led to the previous country wards knitting together.

In view of the segment's development represented by families with children, Corvara is developing two important projects: the construction of a water park and a children's zoo. Plans for this latter initiative call for the creation of a farm with small animals, such as rabbits, guinea pigs, sheep and goats, with an adjacent playground.

4.4 Sports facilities

This concerns a large area that includes about a dozen initiatives between projects carried out and those still in the planning stage. A few of the most important ones to be pointed out are the biotope lake, swimming pool, practice rock wall, children's playground, cross-country ski trail, indoor tennis, golf and ice arena. Then to be added to this list is the progressive completion of a network of paths for hiking and walking and mountain bike trails that unwind along Alta Badia in a multitude of itineraries. The various routes then lead to the numerous high altitude shelters. Each year a new path is built or renovated.

[19] "A large number of the customers can leave their cars all week since the hotels are close to the lifts, or they can be reached by the skibus that we introduced in several resorts such as, for example, in Corvara. In order to link up with the Pescosa resort, which has a considerable number of beds, there are presently 3 skibuses that shuttle between this resort and the major communication systems. For the remainder, all five towns are linked to each other and the distance between the lift and accommodation facility inside each town is not such as to require use of the private car" (Paolo Vanzi).

[20] "Last year we tried to expand flight connections and we set up a free transport service from Bolzano to Corvara in the attempt to develop the customer base coming from Düsseldorf. In fact, this city has a huge hinterland totaling about 20 million. We also receive some contributions from the province, which believed in this service, but within just a short time we had to abandon it because the buses were traveling empty" (Damiano Da Punt).

[21] This is how Damiano Da Punt answers the question, "What is missing the most in Corvara and Alta Badia?" "As far as Corvara is concerned, a town center, without a doubt. We started developing the town 40 or 50 years ago without a town planning scheme, so the houses sprung up in a rather random manner without worrying about creating a center, a natural meeting point, where it would be possible to stroll and shop. But we are trying to take measures."

Here a brief description is needed of the process that led to the development of two sports facilities, the biotope lake and golf course. Construction of the biotope lake required ITL 1.75 billion, ITL 1.5 billion of which was paid for by AATC (which in turn asked for a visitor's tax increase that the general annual meeting of members approved), and the remainder was borne by other bodies. The idea came up after reading a specialized magazine. The director of the association proposed the initiative to the executive council, which however did not express a solid assessment. In view of the financial commitment required, it was therefore decided to ask the annual general meeting its opinion, and it approved the project. During the last summer season the artificial lake, which does not use chemical substances for cleaning the water, met with the widespread approval of the customers. Moreover, a small refreshment establishment that ensures the area's cleanliness and an assistance service is located next to the lake. The frozen surface of the lake is used in the winter for playing skittles. On the whole, the initiative finances itself and generates a small margin.

Creation of the nine-hole golf course came out of the Corvara hotelkeepers' enterprise. The project immediately ran into a dangerous enemy: the inadequate information that golfers are snobs. At the onset the province opposed the project, and only the careful mediation of Corvara's mayor permitted the numerous interruptions to be overcome. Several environmentalist groups mysteriously opposed the project that instead assures ecological protection to an area covering 26 hectares. But the golfers' unwavering willpower countered these obstacles[22]. In this case as well the project met with the customers' approval once it was completed and is able to finance itself thanks to the contribution of the members and "green" customers[23]. Moreover, by coming up with unofficial competitions (the course has nine holes and is therefore excluded from "official" international and national competitions), tourist influxes – although limited – are created even in the off-season periods (above all at the beginning and end of the summer season).

5. PRIVATE INFRASTRUCTURES AND SERVICES

Three groups of activities belong to this area: i) the lifts; ii) the accommodation facilities; and iii) retail trade.

5.1 Ski area

This is an intervention area of primary importance due to the predominant wintertime vocation of Alta Badia and the strong concurrence between winter tourist and skier. The considerable investments made can be concisely traced to the following activities:

- ✓ Completion of the artificial snow systems.

[22] "We were fined three or four times, we were at a standstill for 15 days, the mayor adjusted things and we started up again. With these premises, we completed the works with poor scheduling and practically without a plan. All of this had consequences on our budget. What was expected was ITL 1.8 billion, and upon completion the construction costs amount to ITL 4 billion. Once the bureaucracy with the municipality and province of Bolzano was sorted out, we had to also cope with the Greens' protests" (Giorgio Mertz).

[23] Access to a golf course normally requires joining the course, which in Corvara's case totals ITL 1,200,000. It is unlikely that summer tourists will pay this sum to play during the limited time of a vacation. So the "green" service was set up. By paying a fee, the customer can play for a certain amount of time on the course. The green service is similar to a skipass.

- ✓ Modernization of the lines of transportation.
- ✓ Preparation of the trails.
- ✓ Collateral activities.
- ✓ Completion of the connections within the district.

Development of the *artificial snow systems* was spurred by the poor amount of snowfall recorded towards the end of the 1980's and by the customers' demand for perfect snow coverage of the trails and they do not intend to take on the snow risk. These latter two dynamics require a few clarifications. The decline of average stay time recorded by Corvara, and more in general by Alta Badia, tends to increase the daily meters of difference in level made by a skier on the average. In fact, those who stay for a long time tend to approach skiing according to a soft dynamics. On the other hand, those who stay only a few days tend to maximize the time they devote to sports activities. It is clear that as the average difference in level increases, the snow that is "consumed" and/or transported downhill increases, so there is the need to increase production of artificial snow[24].

The escalation of snow production also becomes a fundamental service for protecting the customer from the snow risk. This trend as well is partially worsened by the shrinkage of stays. The shorter amount of time the customer devotes to his vacation, the more he wants to be sure he can ski in perfect snow conditions.

On the whole, the investments tied to the construction of artificial snow systems prove particularly oppressive and made worse by the need to build water collection tanks and pumping stations. By way of example, the Skicarosello company of Corvara, actually operating throughout the Alta Badia basin, carried out as many as thirty projects linked to artificial snow production in the 1990's. In terms of percentages, the efforts made by the other companies are no less significant. The magnitude of the investments required has also grown in time so as to try to automate all of the process's management stages. In fact, it is difficult to find personnel willing to work in uncomfortable atmospheric conditions. This area of investment will certainly still require enormous resources over the next few years so as to take the snow-covered surface up to 70-80% of that which can be skied on.

The analysis of the investments made in the 1990's describes an intense *modernization of the lines of transportation* activity. The evolution of the clientele has also required growth of energies to be devoted to *preparing the trails*. As the CEO of Impianti Colfosco S.p.A. stressed, "if in the past all that was needed was a snow-covered trail, today the customers simply demand that the run be perfect, and this further increases investments and management costs" (Otto Verginer).

A fourth area of investment is connected with *completion of collateral infrastructures*, mainly represented by the high altitude shelters and garages located near the lifts.

The investments aimed at creating *circuits or carousels* were largely made during the previous decades. Only completion activities were recorded during the 1990's, as in the

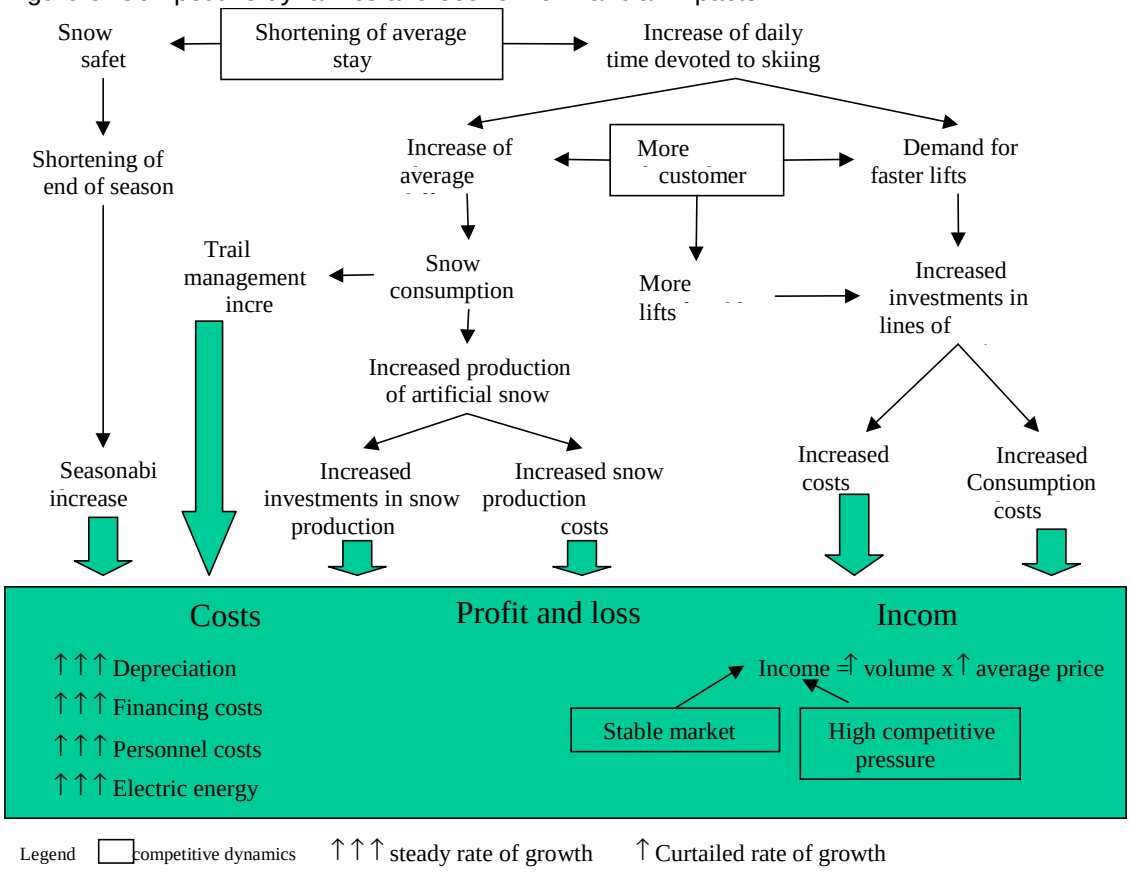
[24] Sir Erich Kostner describes this phenomenon quite well: "The characteristic of Alta Badia is that the customer can cover various itineraries using the transportation systems. When he shortens the length of his stay, the customer wants to ski a great deal during that time. That is why we have to increase the speed of ordinary transportation. This means escalation of skiers on the trail, and consequently an additional consumption of snow. The steeper the slope, the more snow that is consumed. Therefore, the production of snow is greater, and the costs are higher".

case of linking Colfosco and Corvara, carried out in 1992, and above all development activities.

5.1.1 The economic equilibrium of the companies

The competitive changes taking place and their impacts on corporate strategies and policies are harbingers of remarkable implications on the economic-financial equilibrium of the cableway companies. In succinct terms, we are witnessing a strong downturn of market opportunities and a need to carefully manage the economic-financial equilibrium. Figure 3 sums up the primary relationships existing between competitive dynamics, economic quantities and profit and loss account. The increased investments and boosted management costs tend to considerably reduce corporate margins, also due to a difficulty in transferring the higher costs onto the prices. We are also witnessing a progressive tightening of the costs structure and hence a greater sensitivity to the operational levels[25]. This is where concern starts for the progressive bringing forward of the end of the season and, more in general, by the stagnation of the ski market.

Figure 3. Competitive dynamics and economic-financial impacts.



Source: Own analysis.

These dynamics are partially confirmed in the data relating to the main competitive and economic quantities of the cableway companies (appendix II), which document:

[25] The working lever or volumes lever compares the contribution margin to the operating profit and measures the sensitivity of a company or of one of its SBAs to the levels of operativeness.

- ✓ A 79.2% growth of the decade's turnover.
- ✓ A 13% increase of average prices.
- ✓ A 58.6% rise of volumes.

Note the good graphic correlation between the turnover's progress and the dynamics of the transitions and, above all, of the average price. On the other hand, a reverse correlation between the transitions and average price is recorded, again in graphic terms, in support of the high sensitivity to the price of supply.

5.2 Accommodation facilities

Accommodation facility management showed a lively upgrading and partial expansion of number of beds process during the 1990's.

The first phenomenon is based on those customer changes already fully described in previous sections. As often happens, renovations go hand in hand with growth of the measures of volume, as modest as it may be, and generally document an overall qualitative improvement of the facilities. The Province of Bolzano in any case introduced rather pressing obligations for volumetry increases in order to prevent the creation of divergences between tourism demand and supply. A law that provides for the deductibility of modernization costs also encouraged the opening of building yards. Competitive uncertainties and increased management costs do not seem to frighten local entrepreneurs, who are willing to truly look to the long term when they decide to tackle substantial investments[26].

Development of new accommodation facilities shows a certain amount of liveliness, especially concerning family-run non-hotel facilities. These enterprises in fact enjoy a great deal of flexibility guaranteed by low personnel costs, the level of depreciation and the type of service supplied (bed and breakfast service). The province's pronouncements clearly indicate its intention to not encourage further growth of beds, also because of the elevated sizes of linked activities generated, which risks creating high ratios between outside workers and residents.

As regards the tourism trends under way, and the shortening of the seasons in particular, hotel operators are watching the development of relationships with middlemen with a certain amount of skepticism. The chief drawbacks are ascribable to the brokerage cost, to the poor credit-worthiness of the tourism operators, to the existence of a broad loyal customer base, and to the small sizes of the facilities[27].

An indirect consequence of the shortening of the seasons in progress concerns personnel management, above all for the three- or four-star facilities that have to offer good service. It is the summer season that poses the biggest problems, and in particular specialized labor is hard to find, especially chefs. The resort is currently evaluating a twin-city project with the resort of Capri so as to guarantee the winter personnel the interesting prospect of moving to the Campania island in the summer to then supply their services to Corvara in the winter. The two resorts are presently working on the

[26] "They have a far-reaching view and are willing to make a hotel facility for one generation. The children of the old hotelkeepers are willing to stay here and manage hotels and houses this way, thereby investing a lot" (Andy Pertot).

[27] "Our facilities are small. The average is 40-60 beds. Playing with the travel offices today is difficult. We have to pay them a commission of 20-22% of the prices and the profit margin gets smaller and smaller" (Hubert Dal Ponte).

development stage[28]. According to the results of the customer satisfaction analysis made in the summer of 1998, the accommodation service largely meets the customers' needs, with the partial exception of the price level, which is judged excessive (appendix VI).

5.3 Retailing

Alta Badia has a great tradition in the handicrafts sector, and particularly in woodcarving. Tourism is therefore an important opportunity for guaranteeing an outlet market for these products. As pointed out previously, it is not by chance that the tradespeople and craftsmen are represented on the Executive Council and contribute to ATCC's financing.

6. NEW PRODUCT DEVELOPMENT

New product development is divided into two types of activities:

- ✓ Creation of tourism offers, meaning mini-packages studied to reach specific customer targets or to deseasonalize the presences in certain time spans.
- ✓ Organization of sporting events.

6.1 Tourism offers

Alta Badia's good competitive positioning and high degree of customer loyalty has in the past limited development of new products[29]. Recently the market uncertainties that took shape during the 1990's fostered the development of numerous offers, which can be summed up this way: i) special for kids, ii) air travel offer, iii) tourist card, iv) offer for motorcyclists, and v) first snow offer.

It clearly emerges from the 1998 customer satisfaction analysis that the customer focuses on the overall resort product (global product) rather than on the individual service components (specific product). On the other hand, the large number of required services makes the packages to be created quite complex (appendix VI).

Special for kids is a biseasonal (winter and summer) program that offers a series of activities for those children who choose an Alta Badia resort. In the winter the offer is aimed at building the number of presences in the last part of the season and the promotional period starts on March 10th and ends on April 1st. The offer includes a set of discounted or free services provided the child stays at least one week at a business concern taking part in the promotion. In brief, the services are: i) free lodging from children up to the age of 8, ii) 50% discount for children up to the age of 12, iii) free skipass for children up to the age of 8 and 50% off for those aged 8-12, and iv) ski school discounts. During the summer season the special for kids includes an entertainment package for children. The parents, by paying a modest figure, can enroll their children in a weekly program that envisages games and recreation (appendix VI).

Mention has already been made of the creation of a "mobility" package proposed for Düsseldorf customers that includes free transportation by bus to Corvara from the

[28] "This is a certainly a great opportunity that would let us solve two problems at the same time: the quality of personnel for the guest and the guarantee of a comfortable place for the employees" (Andy Pertot).

[29] As regards this topic, refer to the summarized data in appendix IV; new customers represent only 18%.

Bolzano airport. Actually, the limited number of users recorded required the service that was partly financed by the Autonomous Province of Bolzano to be suspended.

The *tourist card* is issued only to guests staying in Alta Badia and that allows them to obtain discounts on the major services used by the customers by paying a reasonable cost. Presently the initiative was tested during the summer season, but there are plans to extend it to the winter period as well[30].

A promotional offer set aside for the *motorcyclist target* has been created. It lasts from the beginning of the summer season until July 15th and from September 1st to the end of the season. This very simple package offers a series of motorcycling itineraries that guarantees a discount off the price of the accommodation facilities. The discounts tend to reward stays of at least 4-5 days.

The first snow offers a series of discounted services for those who decide to spend a vacation in Alta Badia between December 1st and 23rd, staying at least four nights. The discounts are structured in the "four at the price of three" formula, and include the accommodation service, skipass, ski school and rental. The offer is summarized inside a catalog containing all the accommodation facilities that back the initiative and a single price (and not a price bracket) is quoted for each one of them, informing the customer of the precise cost for the stay.

6.2 Sporting events

The main sporting events can be summed up as: i) world cup competition, ii) marathon, and iii) golfing events.

For obvious reasons of importance, we wish to describe how the decision to take part in the world cup competitions was made.

The process was started by a former athlete on the Italian national team, Marcello Varallo, who is today chairman of the Alta Badia Tourism Consortium and manager of an accommodation facility at the La Villa resort[31]. In taking the its first steps towards the world event, Alta Badia started organizing FIS competitions in the early 1980's. There are no particular requisites required to gain access to these competitions, except for having courses that are able to comply with a set of indicators defined by the International Federation based on its past experience. Alta Badia hosted the first world competition in 1984.

In its long militancy, Alta Badia was able to create an actual organization machine able to involve between 700 and 800 people. The spin-offs for the resorts are above all indirect, meaning they do not concern the number of presences created by the event as much as they do the promotion it assures, especially in terms of image[32]. For this reason

[30] "We have a *tourist card*. Cardholders who want to use the biotope lake pay ITL 5,000 if they stay in a hotel facility (full price of the ticket is ITL 9,000). This attraction was created just recently, so it is still in the development stage. We are planning to make a lift card for families for next summer (10 rides at the price of 8). In Val Gardena they have the Gardena card that costs ITL 80,000, and it includes all the buses and lifts" (Damiano Da Punt).

[31] "My personal goal was always to bring a world cup race to Alta Badia since I was on the national team for seven years" (Marcello Varallo).

[32] "The effects generated by the world cup races are not so many in terms of overnight stays. We never get a complete sell-out. Only on the evening before the race athletes and journalists number about 2,000 people who stay on for two or three days. The benefit assured by this event is in promotional terms. All of the TV networks talk about us, and the customers see our snow, our trails and our people. In the past everything was amplified by the impact made by Tomba who, among other things, often won here" (Carlo Declara).

preparation of the runs has always required special attention, and the course was equipped with a double artificial snowmaking system – one that is low-pressure and another that is high-pressure – so as to guarantee good snow coverage in only three or four days. The competition has always been held. It cancelled only one year because of poor snow coverage, but it was only postponed until the next day. On one occasion, snow was even brought in with helicopters in order to guarantee good snow coverage. The competition has also given life to a sort of town festival. A big dinner with more than 800 participants is set up on the evening before the race. This gastronomic event generates extremely low costs since the buffet is organized by the local hotelkeepers and restaurateurs who also provide their personnel for waiting the tables.

As already mentioned, the competition absorbs considerable energy and generates costs totaling about ITL one billion, mainly covered by sponsorship activities and tailor-made contributions. The liberalization of television rights significantly contributed to covering the management costs. The organizing committee avails itself of the contribution given by many volunteers and fans[33].

The sporting event has always used the Alta Badia trademark, and this has significantly contributed to building the renown of this part of the Alps, above all with Italian customers who are used to seeing their champion – Alberto Tomba – win on the Badia runs.

7. PROMOTIONAL STRATEGY

7.1 Strategic marketing

Before we analyze the various promotional initiatives in detail, we wish to briefly call to mind the underlying philosophy of promotional strategy, which has the following fundamental principles:

- ✓ Identify reference targets for long-term development.
- ✓ Identify highly targeted promotional activities.
- ✓ Carry out promotion in the area.
- ✓ Develop organized tourism.
- ✓ Develop and consolidate foreign tourism.

7.1.1 Identify reference targets

As previously specified, the Alta Badia Tourism Consortium set up a work group put in charge of drawing up a development plan. It is precisely stated in this document that the tourism strategy starts with identifying promising customer targets for the valley's future positioning, and then adopts a system of decisions and actions able to ferry the current product system (globally understood) across to the standards and requirements demanded by the identified targets[34]. Based on a very careful analysis of the demand

[33] "The world cup in Val Badia is a non-profit event. Nobody is paid, except the secretary who performs her duties throughout the year. It is volunteer work, and this lets us use any surpluses between the revenues and expenses for advertising and taking the name of Alta Badia and of the race itself around the world" (Marcello Varallo).

[34] "The project's aim is to supply the leadership with a guideline and policy document that concretely indicates the initiatives to be undertaken so as to be able to carry out effective and profit-making tourism. […] Once the market and type of customer to be addressed are determined, the strategies and policies to

and several tourism trends in progress, the work group singled out three promising reference targets: families with children, couples over 50, and pure mountain lovers. Also a distinction between active and passive tourists on a seasonal basis is presented in the tourism development plan.

7.1.2 Carry out targeted marketing

The limited spendable economic resources for the promotional activity, together with the need to reverse a recessive trend under way, especially in the wintertime, have forced the Tourism Consortium work group to define a basic principle in formulating promotional strategy, and that is to customize the promotional offers to the targets one wants to reach. This fundamental strategic marketing principle implies careful work in segmenting the customers and a thorough study of the seasonalities.

7.1.3 Carry out promotion in the area

Customers in Alta Badia, and in Corvara in particular, present a high degree of loyalty. This objective was reached by enhancing the valley's charm with functional infrastructures and by dispensing a friendly and welcoming service. The presence of these important resources, together with the valley's many years of tourism tradition, have often prompted the resort's management to prefer field marketing rather than dubious promotional investments in mass media[35]. This does not mean that the resort does not devote significant energy to PR activity. The Tourism Consortium has, in fact, set up a press office. It instead has to do with an underlying strategic choice that dictates a direction concerning the criteria to be observed when local resources are allocated. It is not by chance that the tool most greatly utilized by the press office is editorials rather than simple advertising.

7.1.4 Develop organized tourism

Alta Badia's current customers are, to a great extent, tourists who arrive at the resort through a personal relationship or mediation by the local Tourism Associations that are able to increase margins, gain the customers' confidence and generate word by mouth circuits. Operators greatly appreciate these benefits and, in fact, the tourism development plan notes "provide incentives for individual/regular tourism" under the first section as one of the strategies on the demand side. The need to fill the facilities also during the low season periods and the progressive shortening of the winter seasons have driven many operators to look upon organized tourism with greater confidence.

7.1.5 Develop foreign presences

Corvara was able to build a customer mix by nationality that is particularly open to foreign customers[36] in both the winter and summer periods (appendix I). Over the years

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be adopted in order to attain the set objectives were decided on. These are tangible interventions that should be executed based on an executive project" (Tourism Development Plan).

[35] "With our budget, we try to do promotion above all in the field. One good example is the summer children's program, the management costs of which are transferred to the families in only a minimum portion. The deficit, which is however low, is covered by the association. We prefer to invest in the area rather than spend hundreds of millions of liras to promote ourselves in the press" (Damiano Da Punt).

[36] Remember that in 1980 Italian customers made up only 27% of overall annual presences.

Alta Badia's international attraction has strongly dropped, above all during the summer season, which is also due to the development of substitute products such as lakes and the sea. Strong orientation towards the Northern European markets is observed among those segments planned to be developed.

7.2 Operative marketing

Corvara's promotional strategy is linked to the actions of ATCC and above all of the Alta Badia Tourism Consortium, the primary activities of which can be summed up this way: i) Alta Badia trademark, ii) PR activities, iii) price list, iv) fax booking service, v) promo-marketing, vi) media and the issue of informative material, and vi) taking part in trade fairs.

7.2.1 The Alta Badia trademark

The cultural unity of the tourism operators and, in a more general sense, of the population of Alta Badia has fostered the creation and shrewd use of its trademark, which was created in the days of the Local Tourist Board way back in 1963. Since then the trademark has always accompanied all promotional material, events and press releases issued by the five rural wards, finding in the world cup competitions an extraordinary tool for propagation. World champion Tomba in fact wore "Alta Badia" written on his front sash. Former Italian national team skier Marcello Varallo, the world cup competition organizer in Badia, identifies the trademark's management as the most important result obtained from the international competitions. "The most important thing was certainly the creation of the Alta Badia trademark, which has always remained the same over the past twenty years. There is a small change in our winter emblem as a sign of the world cup. Everything circulating around the tourist is marked by the Alta Badia writing".

7.2.2 PR activity

As has already been mentioned, Alta Badia's promotional philosophy tends to show a preference for promotion in the field compared to large investments in mass media, although it dedicates considerable resources to PR activity, especially through the editorial instrument. For years now there has been a press office service within the consortium, which assures a multitude of contacts with print and television journalists. The world cup competition event undoubtedly depicts a privileged occasion for handling and building up these contacts.

The need to avail itself of the advice of a communications agency is emphasized in the tourism development plan. Moreover, completion of the Internet will allow the distribution of press releases to be strengthened. The six-monthly "Alta Badia" magazine also supports the external communications activity. This glossy four-color magazine is published in three languages: Italian, German and English.

7.2.3 The price list

The price list historically depicts the most important tool for informing customers about the resort's accommodations offers. The high degree of cohesion between the various rural wards in the valley fostered the creation of a standardized price list before

the Alta Badia Tourism Consortium was created[37]. The importance of the tool is to establish a connection with its circulation and with the average size of the local accommodation facilities, which often discourages development of a marketing function on the single accommodation facility level[38].

The price list is a useful tool for the customer, especially for those who already know the valley or has heard acquaintances and friends talk about it. In fact, the catalog is quite complete and a color photograph is given for each facility. The price list gives the following for each resort: the availability of hotels, guesthouses, bed and breakfasts, apartments and apartment hotels. The various availabilities are then classified according to the star criterion and services available. The prices offered to the customers are broken down into seven periods and are predominantly structured in price brackets that fluctuate between a minimum and maximum cost. The price list is currently being transferred onto the Internet little by little.

7.2.4 The fax booking service

The limitation enforced on tourism associations and consortiums by Italian legislation has strongly restricted development of these organizations' marketing activities. The resort of Corvara, and Alta Badia in general, are no exceptions to the rule. That means that the customer who contacts the Association cannot finalize his booking, but rather has to contact the selected accommodation facility directly. The problems get worse when the customer's preferences are compatible with more than one facility because in that case the Association's operators have to necessarily give out all the addresses. This creates an administrative burden for the organization – which instead of making one booking has to send out ten or twenty names – and the time the customer spends making his choice becomes longer.

The regulatory restriction has partly discouraged the creation of telematic circuits able to communicate hotel availability to the tourism offices in real time. The Corvara Association has however set up a fax booking service. Accommodation facility managers notify their availability on a weekly basis, which is summarized in a database created by the Association. The availabilities are then communicated to the customer based on his requirements. The weaknesses of this stopgap tool are nevertheless obvious. If an accommodation facility significantly changes its availability during the week, the customer who contacts the tourism organization risks receiving information by then old and no longer true. Structurally, the service tends to create a time differential between when the customer receives the information and when he makes his choice, cutting back on the emotional type of choices.

However, in terms of effectiveness the contacts addressed to the Association produce considerable volumes of presences, as the interviews gathered in the field document and as appendix VI partially confirms.

[37] "It is to be observed that the municipalities of Corvara and Badia had in fact already started a consortium, a virtual consortium. We were already publishing the accommodation supplies in a single catalog that carried the Alta Badia trademark" (Damiano Da Punt).

[38] "We are a small structure, and there are many small structures here in Alta Badia. If there weren't any associated activities like the Association or Consortium, we certainly wouldn't be able to do any marketing" (Siglinde Kostner).

7.2.5 Promo-marketing

The realization of the project named TIC requires establishing a computer network that links the various accommodation facilities. The availabilities can be updated on-line in real time, significantly increasing the reliability of the information passed on to the customer. Also the three local tourism associations will have access to the network so as to allow tourists to complete their bookings or purchases by phone.

The cost of the service will be represented by a fee, the entity of which will in any case be much less than what is charged by the agencies. The lower management costs are tied to the critical mass (the Alta Badia district gives rise to approximately 1,600,000 presences annually), to the presence of organizations already operating in tourism and therefore to the potential interrelationships (Consortium and local associations), and to the fame and high number of contacts that the local tourism bodies already have[39].

The tool will also allow development of presences in those more difficult periods to be supported, such as the beginning and end of the winter and summer seasons, by using all the marketing tools. On the other hand, it will leave a large amount of freedom to the accommodation facilities during the middle of the seasons, when a high influx of customers whose confidence is already gained is recorded. In perspective, creation of the network will allow a large limitation of local tourism to be removed, that is, that of having a poor offer depicted by tourism packages[40]. The creation of packages currently requires a complicated process. Once a potential target is identified, it becomes necessary to design the package, create a catalog or other promotional form and circulate it. Any contacts that originate between local tourism bodies (associations or Consortium) and the customers or intermediaries must then be turned over to the individual operators of the accommodation facility. With completion of the centralized booking system, the tourism bodies will be able to immediately complete any contract of sale.

7.2.6 Media and presentation of informative material

In succinct terms, two types of presentation materials can be identified: one having the function of announcing the attractions and services found at the Alta Badia resorts (informative material) and one having a strictly promotional function, set aside for those who still have to choose a vacation resort (promotional material). In this second case, it then becomes necessary to prepare materials intended for the individual tourists or for the commercial intermediaries. Both printed publications are normally published by the Tourism Consortium and bear the red trademark with the writing “Alta Badia” on the front page.

[39] “The Association currently reports only the availability, and then it is the customer who has to contact the establishments directly or on the website. The booking center will require moderate costs, and a commission of 5% is being considered. It is very economic because agency costs exceed 20%. The customer can also buy the entire package including skipass, ski rental and so on” (Carlo Declara).

[40] “We are working on directly producing some packages to offer to the customers through our booking circuit. But the project is still in the execution stage, and first we have to complete the centralized booking and marketing systems” (Carlo Declara).

7.2.7 Participation in trade fairs

The Alta Badia Tourism Consortium takes part in tourism fairs and represents the entire supply in the district, which is then broken down into single local tourist realities. On the whole, the fairs attended are quantitatively limited and amount to six or seven appointments each year. This decision is based on a twofold consideration. On the one hand, participation costs are quite high – and this is why it was decided to often appear together with Val Gardena – and on the other hand, the spin-offs generated are limited since the Consortium technically cannot sell anything. Completion of the telematic center will certainly open up new prospects at these meetings in the near future[41].

8. INTERNAL MARKETING

The primary internal marketing tools can be summed up this way:

- ✓ Shareholders' meeting: as mentioned, the maximum organ of the association is the shareholders' meeting, which currently meets on an annual basis. The work group that drew up the tourism development plan suggested doubling the meetings so as to transform them into two opportunities for assessing the seasons' results. The minutes of the meetings, together with the performance of the tourism program, are published in a six-monthly periodical sent to the tourism operators.
- ✓ Ladin newspaper: in order to make communications between the superordinate management activity on the one hand and the tourism operators and more in general the local population on the other, it was decided to use a page in the local Ladin newspaper. Its wide circulation makes it an effective and economic channel.
- ✓ Ladin television: the television channel is a particularly effective tool for communicating with local operators; the tourism development plan envisages a more incisive use of this tool.
- ✓ Circular letters: these are written communications sent through the regular mail service to the operators. Use of e-mail and the creation of a special area for depositing documents are scheduled with completion of the information technology network. Use of electronic mail in internal relations is rather limited at this time.
- ✓ Informal relationships: the smallness of Corvara and the partial correspondence between council members and tourism operators assures a web of personal relationships that allow two-way communication circuits to be created through the typical word of mouth chain, fostering the gathering of suggestions and observations. Going in this direction, also a proposal to organize periodic soccer games has been proposed. They would offer an opportunity for everyone to get together and enjoy some healthy competition.

9. TRAINING ACTIVITY

The training activity can be classified to good purpose as training catered to entrepreneurs and employees, according to the recipients.

[41] "We do few fairs because we have nothing to sell. We do 6-7 a year together with Val Gardena to curtail the costs. Moreover, Alto Adige is present at many fairs on the European level and in various tourism consortiums" (Damiano Da Punt).

9.1 Training catered to entrepreneurs

Training catered to entrepreneurs is an area of enormous interest as regards attaining the goals set out by the development plan, and particularly that of consolidating and developing tourism knowledge. For this reason it was decided to propose two annual training periods. The subjects scheduled for development are focused on the importance of reception and hospitality, leading elements that distinguish Alta Badia's tourism[42]. Young entrepreneurs are another area where training is invested.

Recently also a discussion meeting dealing with the care to be had in relating with a target of children was organized. Remember that one of the three reference targets for future development is families with children. Also a training moment focused on economic-financial problems was scheduled, and it will certainly play an important role in developing tourism packages. Accommodation facility operators will in fact have to know how to precisely and preventively calculate their management costs in order to single out, in some cases, the marginal and breakeven costs of their facilities[43].

Then numerous seminars organized by the Provincial Hotelkeepers' Association join these initiatives.

9.2 Training catered to employees

The training devoted to employees is to a large extent left to the initiative and responsiveness of the individual accommodation facility entrepreneurs. In any case, several binding elements traced to the high turnover and declining profitability of the accommodation facilities are being noticed. In order to guarantee that adequate professional standards are reached and maintained, the tourism operators have mainly appealed to two organizational levers. On the one hand, wherever possible, they have resorted to the family model by entrusting the responsibility of certain activities or certain areas of operations to a family member. This organizational method guarantees that the know-how remains in the company and fosters on-the-job training provided by the family members themselves. On the other hand, we are witnessing growth of the practical functions taken on directly by the entrepreneur. Obviously these solutions are negotiable in the smaller facilities, which however represent the fundamental model of local economy.

10. RESEARCH ACTIVITY

The research activity backing both public and private strategic decisions is mainly linked to the collaboration between the Consortium and several research centers, or the

[42] "We rely on the hospitality and cordiality of the family-run establishments. We would also like to hold seminars of an economic-financial nature as there are still those who are unable to manage their own internal budgets" (Damiano Da Punt).

[43] Question: "Often the individual entrepreneurs find defining the costs of their services extremely complex in this process of creating packages made up of services supplied by various operators. How are you tackling this problem?" "The problem exists here as well, and since it is not easy to solve, we organized a conference on the subject that will be held soon. However, the price actually tends to be set by the market, so the problem is rather whether the price is profitable or not and if it isn't, how to make it so" (Carlo Declara).

allocation of appropriate internal resources for that purpose. Here we wish to point out the following activities:

- ✓ Market research: a combination of studies aimed at tracing the customers' profiles in an attempt to judge their degree of satisfaction. Currently occasional research studies are being observed (such as the one carried out in the summer of 1998, the main results of which are given in appendix VI). Nonetheless, one of the signs emerging from the Tourism Consortium's work group suggests the need to systematically carry out "marketing activities to detect market changes".
- ✓ 2000-03 Tourism Development Plan: this is an extremely thick document that proposes detailed deliberation regarding Alta Badia's tourism prospects. The document is the fruit of work undertaken by a group of professionals involved in the tourism business in various capacities.

11. THE STRATEGIC PROCESS: A CONCISE OUTLOOK

This closing section sets out to depict the complex operation of the strategic management process of the Corvara resort.

11.1 The control mechanisms

The control mechanisms can be usefully separated into two large groups: the control mechanisms linked to use of the land, and the control mechanisms linked to observance of the economic orientations.

A vast group of tools having the nature of permits falls within the first group. They regulate businesses such as the accommodation facilities, the skilifts and, more in general, all those services that require the construction of infrastructures. The competent body is normally the municipality, but they nevertheless comply with provincial, regional and national guidelines and regulations[44]. Often the jurisdiction of ad hoc organs or commissions is important for building specific facilities, such as is the case of the lifts. As has already been mentioned, the definition of more restrictive criteria during expansion and/or construction of new infrastructures has been perceived, above all starting in the 1990's and especially regarding accommodation facilities.

Falling within the second group are various kinds of tools having the aim of translating the district's guidelines into widespread practice among the individual operators, thus creating the requisites for "implementing" the decided strategy. The enormous tourism knowledge and widespread civic sense have strongly restricted use of taxing practices. Rather widespread forms of social control and, in more general terms, of participatory mechanisms are recorded. A few examples back these conclusions:

- ✓ Visitor's tax: as clarified in §3, the financial framework of the destination management organs is mainly based on the voluntary contribution of its members and represents about 60% of the total resources (on the ATCC level).
- ✓ Participatory model: the shareholders' meeting is the fundamental organ in the operation of the metamanagement structures. It has elective power and is called

[44] "Then there was a setback because we had to deal with new city plans and sector plans revised by the Province of Bolzano (ski trail lift plan). In fact, in 1991 the province called a halt to indiscriminate constructions so as to have a very clear concept of construction of ski infrastructures worked out by experts. In '91-'92 the province started this study and then our projects were submitted to the commissions, losing lots of time" (Otto Verginer).

upon to intervene with decision-making power on projects that are particularly taxing for the resort. By way of example, remember the case of the biotope lake that was approved by the annual general meeting, which then also ruled an increase of the voluntary contributions to make sure the investment was covered.

- ✓ Ski lifts: practices of the taxing type as regards the issue of permits, settling prices and types of investments the companies have to make are not detected. Metamanagement has always left a great deal of freedom to the firms, also due to the far-reaching view that has always distinguished the section, which is intent on promoting integration with other tourism operators, encouraging a smooth development of the entire valley, creating productive relationships with the other valleys, and promptly and courageously meeting the customers' ever-changing demands.

The control mechanisms can be succinctly defined as the participatory or social type.

11.2 Strong and weak points of the superordinate organization model

The major strong points of the organization model pertain to its strong bond with resort operators, its rapidity in perceiving the problems, the council members' good extent of know-how, and its strategic continuity and independence.

As far as the first point is concerned, the decision to involve the local operators above all prevents the tourism body's actions from becoming unglued from the resort's problems. Regarding the second point, the work performed directly by the council members (mainly entrepreneurs) allows real problems perceived in their daily businesses to be taken to the AATC. As regards the third point, the entrepreneurs' capacity ensures that each council member is quite aware of the economic fabric and local tourism, the strengths and weaknesses of the supply system, and the type of demand served, in this way shortening the start-up stages (above all during the periods when the boards of directors are replaced) and giving continuity to the entrepreneurial projects. Regarding the fourth point, the presence of the figure of Director as a professional hired by the ATCC guarantees professionalism and strategic continuity for the tourism body, fostering a long-term stance.

In speaking of the weak points, let us remember the restriction of a strongly participatory and voluntary model, which not always is able to assure proper professionalism in the resources involved. Nevertheless, this limitation is more theoretical that real, and is solved in the high degree of local knowledge, in its long tradition of tourism and in the stability of the director's figure.

11.3 The working of the participatory model

By analyzing the chief processes carried out over the course of the 1990's, we note a concentration of metamanagement resources along three areas of activities:

- ✓ New products, which are necessary for attracting new segments, for consolidating the traditional customers and for managing the growing seasonalities.
- ✓ Sports infrastructures, which allow the resort's attraction to be increased and the development of new products (especially packages) to be sustained.
- ✓ Promotion, which should undergo marked acceleration through the completion of the promo-marketing channel. The Consortium will present the tourism operator's features when, in agreement with the local tourism operators, it is able to create

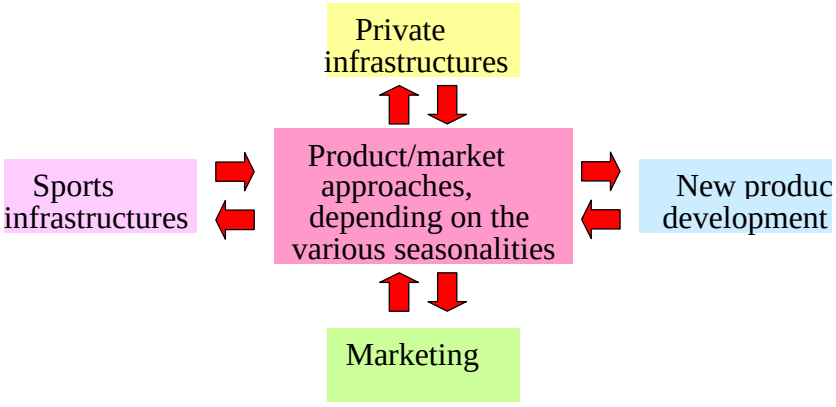
packages according to the segments to be hit and on the seasonalities to be rounded off. But it will also be a sort of agency since it will be able to use its own traditional (telephone, participation in trade fairs and direct mail) and innovative (the Internet above all) channels for selling the resort's services (individually or packaged) to the final users. As a tourism operator, the Consortium will be able to avail itself of the collaboration of other intermediaries, especially when exploring new markets becomes necessary to curtail the entrance charges.

Obviously the overall attraction of the resort also rests on the results of the other processes, among which the significant progress made by the private infrastructures must be mentioned (first of all, hotels and lifts). The success of the district strategy above all plays on the ability to blend together the various elements, customizing them to the customer's requirements. The following prove critical in this process:

- ✓ Knowledge of the market and, in fact, the need to embark on customer satisfaction analyses on a continuing basis is one of the research activities that must be emphasized.
- ✓ Active participation of the operators, who must be timely and flexible in welcoming new customer segments in relation to the different seasonalities.
- ✓ Cooperation capabilities between the various operators, the service of whom becomes increasingly part of a package explicitly sold as such to the customer. The larger internal marketing efforts and several specific training activities move in this direction.

On the whole, the process tends to implement in a widespread manner a strategy hinged on the product/market concept, which is to be broken down according to the various seasonalities. See figure 4 for a concise picture.

Figure 4. Working of the participatory model.



Source: Own analysis.

11.4 The effectiveness conditions

Now we would like to single out the main conditions at the heart of the working of the participatory model in the development of a strategy centered on the district product/market concept broken down by seasonality. Briefly, the conditions can be summed up as follows:

- ✓ *Strategic orientation of shared wealth:* the control mechanisms set aside a limited hierarchical power for the metamanagement organs. The ability to combine the

individual entrepreneurial contributions in packages having a high degree of customization requires that collaboration between the various operators be strongly forced. This inclination can be caused by various factors: a shared culture, a recessive trend and a high market opportunity. Certainly those resorts like Alta Badia that have a culture that is shared and marked by collaboration have an enormous advantage. The meaning of culture that emerges from analysis of the case shows that it is not a static wealth, but rather extremely dynamic.

- ✓ *Clear vision of long-term development:* the metamanagement organs identified several driving segments with reference to the long term and then started up an internal communications and dialectic sharing process with tourism operators in a broad sense.
- ✓ *Seasonal versatility of the packages:* Alta Badia has a significant share of traditional customers that is able to generate significant employment rates and profitability indices. The product/market approach has to be modulated in proportion with the resort's various seasonalities to that effect, according to the embryonic experience that the packages created during the 1990's share (§6.1).
- ✓ *Transparency in the metamanagement processes:* assumption of the assembler and sales broker roles further qualifies the metamanagement structures that, on the other hand, are already busy with numerous processes. A critical aspect of this development is certainly the ability of the Consortium and local associations to guarantee an absolute treatment parity, which is documented by a transparent process.
- ✓ *Time to market*: the product/market approach requires ability in identifying new needs and opportunities on both the demand side and the supply side by preparing the appropriate adjustments for the assembly and marketing activity. Also the research efforts taken on by the Consortium in the tourism development plan go in that direction.
- ✓ *Creation of area standards:* the transition from one purchase model where the customer plays the role of assembler to the sale of a package already assembled by metamanagement organs requires matching the various service components. This risk, which must certainly be managed, is however partially solved in the homogeneity of wealth that distinguishes Corvara's supply and, in more general terms, Alta Badia.

Among the major weaknesses, the following are to be pointed out:

- ✓ A certain stagnation of the commercial supply, in the sense that the winter and summer packages actually put together traditional service components;
- ✓ An average price perceived by the customer as being too high, with possible repercussions on purchasing behavior.
- ✓ A slowness in meeting the customers' altered purchasing behaviors (above all in terms of seasonality) with the consequent worsening of the economic balances of the leading businesses (hotels and lifts).
- ✓ Poor dynamism in public processes (approach routes and local road conditions firstly). The impression gathered is that although certain hardships for the customers are understood, they do not generate adequate interventions.
- ✓ A progressive loss of summer competitiveness with potential negative effects on the hotel facilities, and thus on all the allied industries.

11.5 The competitive results of the Nineties

The competitive results of the 1990's draw a complex and dual picture. In fact, in comparison with a positive growth in presences annually (+18%), a crisis in summer tourism (-20%), which had instead manifested a great deal of vivacity during the previous decade (+158%), is taking shape.

11.5.1 Winter results

Analysis of the winter tourism influx allows us to arrive at the following conclusions:

- ✓ *Winter vocation*: the good performance of winter presences (+43%) puts the average annual balance over the decade at +18%, thus confirming Corvara's predominant winter vocation. The ratio between winter and summer tourism at the end of the 1980's had considerably gone back on an even keel (57% and 43%, respectively). During the 1990's, the gap reopened to push winter tourism up to 64% of the annual tourism influx.
- ✓ *Fall in overnight stays*: the slow though relentless decline of average stay continues, dropping from 8.8 days in 1989/90 to 7.5 days in the last season taken into consideration. The graphic analysis of the twenty-year period however shows how the strategy the resort implemented was able to significantly check the heavy shrinkage rates experienced over the 1980's. The operators are however pessimistic regarding the future, and are increasingly waiting for the "long weekends" to become popular. Containment of this phenomenon represents good competitive success since it allows the resort and operators to undertake those supply system development processes (creation of packages, development of new segments/markets, and preparation of the telematic booking system) starting off from a positive competitive situation and above all from a ceiling of already consolidated customers.
- ✓ *Attraction of the resort:* the performance pointed out by the arrivals (+57%) documents Alta Badia's ability to meet the needs of its winter customers, initiating positive confidence-gaining and word of mouth circuits. Strengthening of the artificial snow systems also cuts down the negative effect of those winters characterized by poor snowfalls.
- ✓ *International vocation*: the 1990's exhibit a reversal of the negative foreign presence trend, which fell to 49% during the previous decade. Even though it did not reach the record levels of the early 1980's[45], the balance of the last decade measured a 49% growth, in line with average winter growth (+43%). The ratio between Italians and foreigners settled at 56% and 44%, respectively. It must be noted that the devaluation of the Italian lira at the end of 1992 favored development of foreign presences.
- ✓ *Italian customers*: this is the leading segment of winter tourism. The northern regions of this segment contribute to the largest extent (with a percentage equivalent to 46%[46]). It is important to emphasize that if domestic tourists stay for a shorter period of time, equivalent to about 6 days (versus the 7.5 days the

[45] Foreign tourists totaled 81% of overall presences in the winter of 1979/80.
[46] The development plan presents national customer segmentation by regions.

foreigners stay), the average stay nevertheless shows more stable dynamics by restricting the decline over the ten-year period to 6%[47].

- ✓ *Seasonality*: the worries that operators point out most often regarding the progressive shrinkage of the winter season are backed by the statistical data: the month of March, depicting about 27-28% of the total tourism influx during the 1980's, was swaying between 21% and 23% at the end of the 1990's. The numbers regarding the month of April are on the other hand alarming. Compared with an average seasonal growth of 43%, it recorded a 60% decline. However, a variability of the time series is pointed out, which shows how the attractiveness often depends on contingent factors such as the temperatures, the snow level and the period in which Easter falls. Data also confirm a good presence performance in the month of December, which increased +38%, even though the last season is quite far away from the levels reached in 1998-99. The time series also presents good stability that documents the presence of a segment devoted to the "first snow".
- ✓ *Employment rates*: this important and succinct indicator documents good utilization of the productive capacity throughout the entire decade. Indeed, a rate lower than 50% was never recorded, as compared to the stagnant values recorded at the end of the 1980's (44% in 1989 and 39% in 1990). Remember that the profitability assured by winter tourism is particularly meaningful for the accommodation facilities, which on the average can quote prices considerably higher than the summer period[48].

11.5.2 Summer results

Analysis of the summer tourism influx allows us to draw the following conclusions:

- ✓ *Presences*: development of the summer tourism influx recorded an average ten-year decline equivalent to 11%. The presences show good performance up to 1995 (although with a negative gap during the 1993 season), to then spin out strong drops in the two-year period of 1996 and 1997 and a stagnant trend in the last three-year period.
- ✓ *Number of customers*: the summer season attracts a growing number of tourists, bringing the decade's balance to the rate of +11%.
- ✓ *Average stay*: the length of stay is the weak point of summer tourism, which falls another 11% (the decline was equivalent to 16% during the 1980's). The drop in presences during the 1996-97 two-year period solely originated from the reduction of stay. In more general terms, we observe a partial coincidence between the graphic evolution of presences and the average stay, a symptom that the shorter stay is not compensated (as took place during the 1980's) by a growth of arrivals. The break of this balance is cause for the operators' alarmism, who in fact are asking for a broader program for relaunching the season.
- ✓ *Italian customers*: despite the good holding of foreign customers, which actually slightly increases its weight, summer tourism remains anchored to domestic

[47] This result is particularly meaningful owing to the consistency of the production mix in terms of nationality.

[48] "The prices in the summer are much lower than in the winter. The four-star hotels ask up to half a million liras per person during the winter season, and they do good business. It think that winter sports befit a medium/high customer bracket, and it is also for this reason that fewer and fewer young people are coming to the mountains" (Damiano Da Punt).

vacationers, the weight of which totals 78% of all presences. The production mix of the early 1980's, when foreigners reached a 38% value, therefore seems unattainable. This data as well documents the meager attractiveness of summer mountain tourism, which increasingly has to correspond with an improved attractiveness of alternative products.

- ✓ *Seasonality*: revealing changes are not recorded: more than 80% of the presences continues to be generated by the months of August (about 50%) and July (about 30%). The drop of presences is distributed in a sufficiently homogeneous way over June, July and August, where a decline swaying between 6% and 10% during the last season was recorded. The reductions in the month of September were equivalent to about 20-23%, thus causing a fall of the percentage weight of this month, which drops from 16% in 1990 to 13% in 2000.
- ✓ *Employment rates*: the decline recorded by the presences reflects on the employment rates that, after running at more than 40% during the first part of the 1990's, settled in at 34-36%. The reduced saturation level of the productive capacity in turn generates quite a few problems for hotel profitability.

Figure 5. Corvara: Competitive results (1990-00).

Winter season	Summer season
Weekly tourism (LS 2000: 6,5 days)	Weekly tourism (LS 2000: 6,1 days)
% weight of winter season: 53% (90), 64% (00)	% weight of summer season: 47% (90), 36% (00)
OS: +43% (mean annual increase: 18%)	OS: -11% (mean annual increase: 18%)
A: +57%	A: +11%
LS: -9%	LS: -20%
Foreigners	**Foreigners**
% weight of foreigners: 43% (90), 44% (00)	% weight of foreigners: 20% (90), 22% (00)
OS: +49% (mean winter increase: 43%)	OS: -1% (mean summer increase: -11%)
A: +75%	A: +32%
LS: -15% (OS 2000: 7,5 days)	LS: -25% (OS 2000: 4,6 days)
Italians	**Italians**
% weight of Italians: 57% (90), 56% (00)	% weight of Italians: 80% (90), 78% (00)
OS: +39% (mean winter increase: 43%)	OS: -13% (mean summer increase: -11%)
A: +48%	A: +4%
LS: -6% (OS 2000: 5,9 days)	LS: -17% (OS 2000: 6,8 days)

Legend: OS (Overnight Stays), A (arrivals), LS (Length of Stays)

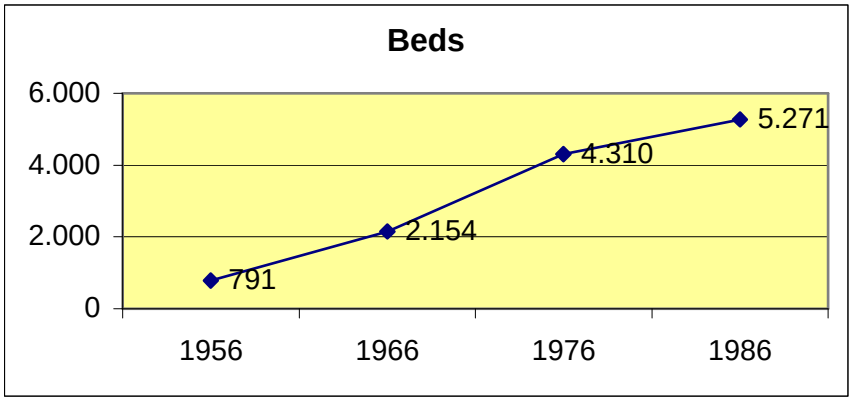
Source: Own analysis on ATCC 's data.

12. APPENDIX I – ACCOMMODATION STRUCTURE

12.1 Hotel

Figure 6. Hotel's evolution – perceptual figures.

	1956	1966	1976	1986
Beds				
Hotellerie	503	1.374	2.630	4.356
Para Hotellerie	288	780	1.680	915
Total	791	2.154	4.310	5.271
Index				
Hotellerie	100	273	523	866
Para Hotellerie	100	271	583	318
Total	100	272	545	666
Per cent composition				
Hotellerie	64%	64%	61%	83%
Para Hotellerie	36%	36%	39%	17%
Total	100%	100%	100%	100%
Per cent variation				
Hotellerie	0%	173%	91%	66%
Para Hotellerie	0%	171%	115%	-46%
Total	0%	172%	100%	22%



Source: Own analysis on ATCC 'S data.

12.2Annual tourism data

Figure 7. Evolution of Italian and Foreign annual overnight stays.

	Overnight stays										
Years	**Italians**				**Foreigners**				**Total**		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	175.887	100		27%	467.978	100		73%	643.865	100	
1981	213.991	122		37%	361.852	77		63%	575.843	89	
1982	289.465	165		45%	348.049	74		55%	637.514	99	
1983	367.418	209		48%	394.281	84		52%	761.699	118	
1984	320.392	182		46%	378.430	81		54%	698.822	109	
1985	351.017	200		48%	384.269	82		52%	735.286	114	
1986	353.800	201		50%	360.471	77		50%	714.271	111	
1987	374.698	213		53%	336.845	72		47%	711.543	111	
1988	419.796	239		54%	358.427	77		46%	778.223	121	
1989	408.685	232		62%	254.510	54		38%	663.195	103	
1990	441.677	251	100	68%	206.427	44	100	32%	648.104	101	100
1991	529.484	301	120	66%	270.606	58	131	34%	800.090	124	123
1992	540.380	307	122	70%	233.128	50	113	30%	773.508	120	119
1993	503.455	286	114	69%	229.926	49	111	31%	733.381	114	113
1994	521.067	296	118	65%	282.258	60	137	35%	803.325	125	124
1995	507.494	289	115	64%	283.693	61	137	36%	791.187	123	122
1996	502.188	286	114	61%	319.637	68	155	39%	821.825	128	127
1997	469.304	267	106	61%	302.871	65	147	39%	772.175	120	119
1998	486.306	276	110	63%	283.838	61	138	37%	770.144	120	119
1999	495.824	282	112	64%	274.656	59	133	36%	770.480	120	119
2000	486.696	277	110	64%	277.195	59	134	36%	763.891	119	118

Source: Own analysis on ATCC 'S data.

Figure 8. Evolution of Italian and Foreign annual arrivals.

Years	Arrivals										
	Italians				Foreigners				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	20.111	100		31%	45.675	100		69%	65.786	100	
1981	24.883	124		41%	35.914	79		59%	60.797	92	
1982	35.809	178		50%	35.865	79		50%	71.674	109	
1983	42.047	209		53%	37.696	83		47%	79.743	121	
1984	42.697	212		55%	35.491	78		45%	78.188	119	
1985	44.544	221		53%	38.917	85		47%	83.461	127	
1986	46.377	231		53%	40.447	89		47%	86.824	132	
1987	50.880	253		57%	38.004	83		43%	88.884	135	
1988	57.827	288		57%	43.348	95		43%	101.175	154	
1989	57.547	286		64%	32.068	70		36%	89.615	136	
1990	61.749	307	100	70%	26.474	58	100	30%	88.223	134	100
1991	74.105	368	120	68%	35.670	78	135	32%	109.775	167	124
1992	77.688	386	126	72%	30.348	66	115	28%	108.036	164	122
1993	75.901	377	123	72%	28.997	63	110	28%	104.898	159	119
1994	77.648	386	126	68%	36.132	79	136	32%	113.780	173	129
1995	73.089	363	118	67%	36.761	80	139	33%	109.850	167	125
1996	75.800	377	123	65%	40.477	89	153	35%	116.277	177	132
1997	70.992	353	115	63%	41.638	91	157	37%	112.630	171	128
1998	76.874	382	124	66%	40.318	88	152	34%	117.192	178	133
1999	79.188	394	128	67%	39.868	87	151	33%	119.056	181	135
2000	78.046	388	126	65%	42.173	92	159	35%	120.219	183	136

Source: Own analysis on ATCC 'S data.

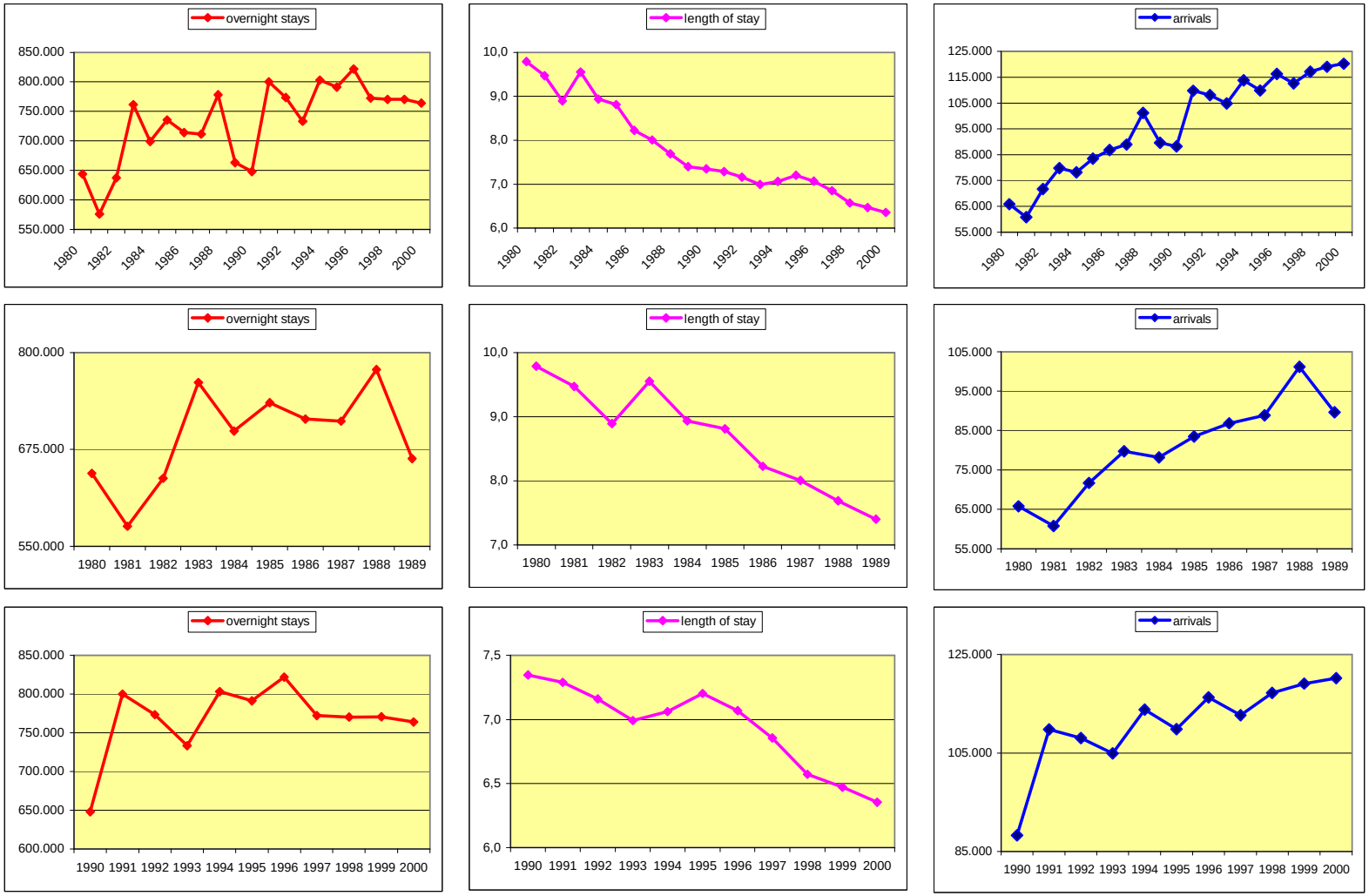
Figure 9. Evolution of Italian and foreign annual length of stays.

Length of stays

Years	Italians				Foreigners				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	8,7	100		89%	10,2	100		105%	9,8	100	
1981	8,6	98		91%	10,1	98		106%	9,5	97	
1982	8,1	92		91%	9,7	95		109%	8,9	91	
1983	8,7	100		91%	10,5	102		110%	9,6	98	
1984	7,5	86		84%	10,7	104		119%	8,9	91	
1985	7,9	90		89%	9,9	96		112%	8,8	90	
1986	7,6	87		93%	8,9	87		108%	8,2	84	
1987	7,4	84		92%	8,9	87		111%	8,0	82	
1988	7,3	83		94%	8,3	81		107%	7,7	79	
1989	7,1	81		96%	7,9	77		107%	7,4	76	
1990	7,2	82	100	97%	7,8	76	100	106%	7,3	75	100
1991	7,1	82	100	98%	7,6	74	97	104%	7,3	74	99
1992	7,0	80	97	97%	7,7	75	99	107%	7,2	73	97
1993	6,6	76	93	95%	7,9	77	102	113%	7,0	71	95
1994	6,7	77	94	95%	7,8	76	100	111%	7,1	72	96
1995	6,9	79	97	96%	7,7	75	99	107%	7,2	74	98
1996	6,6	76	93	94%	7,9	77	101	112%	7,1	72	96
1997	6,6	76	92	96%	7,3	71	93	106%	6,9	70	93
1998	6,3	72	88	96%	7,0	69	90	107%	6,6	67	89
1999	6,3	72	88	97%	6,9	67	88	106%	6,5	66	88
2000	6,2	71	87	98%	6,6	64	84	103%	6,4	65	86

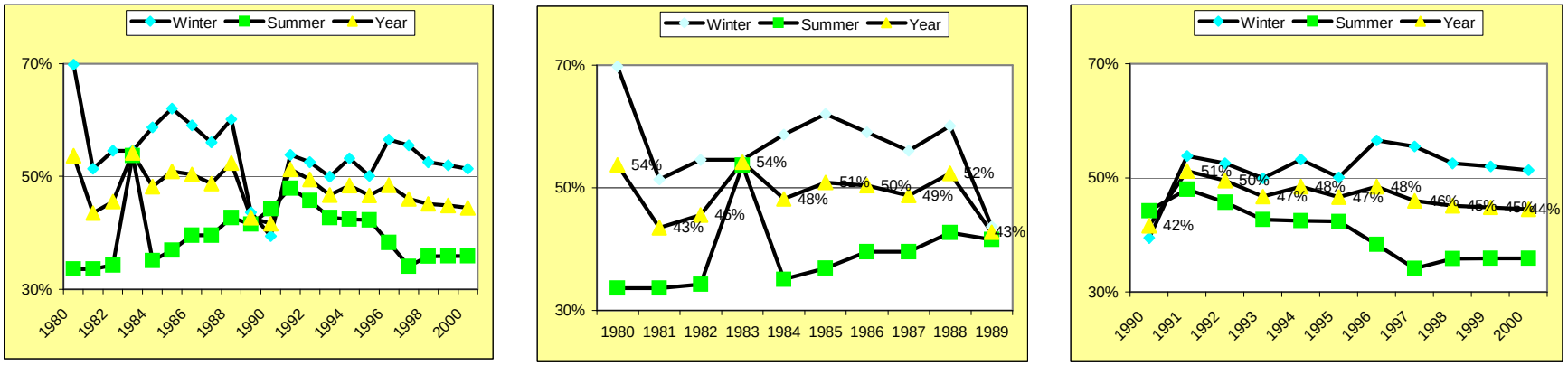
Source: Own analysis on ATCC 'S data.

Figure 10. Summary's annual tourism data.



Source: Own analysis on ATCC 'S data.

Figure 11. Annual ratio of gross occupation.



Source: Own analysis on ATCC 'S data.

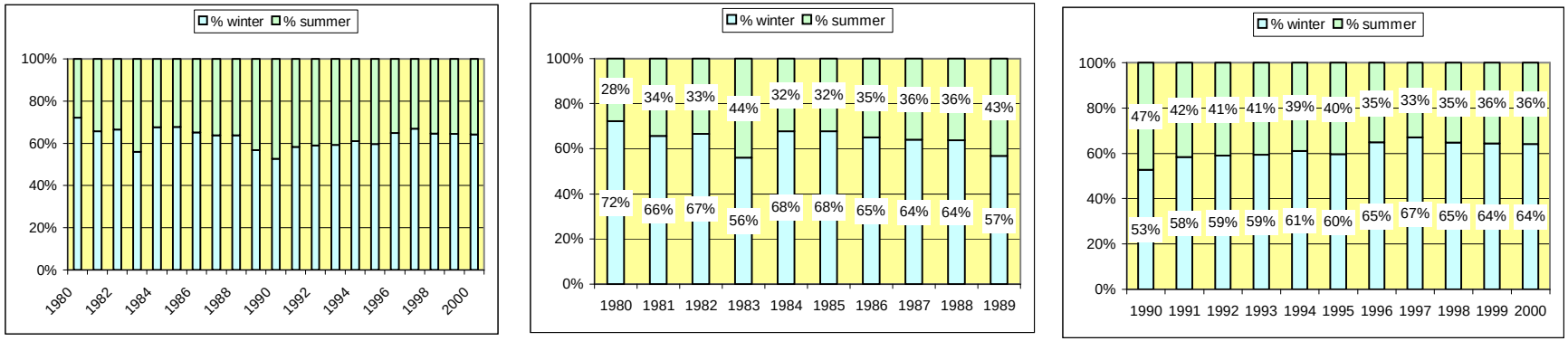
Figure 12. Annual ratio of gross occupation.

	Ratio of gross occupation																				
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Italians	13%	12%	19%	19%	22%	22%	21%	22%	25%	21%	23%	30%	32%	30%	29%	27%	29%	29%	28%	29%	29%
Foreigners	57%	39%	36%	36%	37%	40%	38%	34%	35%	22%	17%	24%	21%	20%	24%	23%	27%	27%	24%	23%	23%
Winter	**70%**	**51%**	**55%**	**55%**	**59%**	**62%**	**59%**	**56%**	**60%**	**44%**	**39%**	**54%**	**53%**	**50%**	**53%**	**50%**	**57%**	**56%**	**53%**	**52%**	**51%**
Italians	16%	21%	23%	35%	22%	27%	30%	30%	32%	33%	36%	39%	38%	35%	34%	34%	30%	27%	29%	29%	28%
Foreigners	17%	13%	11%	18%	13%	10%	10%	9%	10%	9%	9%	9%	8%	8%	9%	8%	8%	7%	7%	7%	8%
Summer	**34%**	**34%**	**34%**	**54%**	**35%**	**37%**	**40%**	**40%**	**43%**	**42%**	**44%**	**48%**	**46%**	**43%**	**42%**	**42%**	**38%**	**34%**	**36%**	**36%**	**36%**
Year	**54%**	**43%**	**46%**	**54%**	**48%**	**51%**	**50%**	**49%**	**52%**	**43%**	**42%**	**51%**	**50%**	**47%**	**48%**	**47%**	**48%**	**46%**	**45%**	**45%**	**44%**

Source: Own analysis on ATCC 'S data.

12.3 Winter tourism data

Figure 13. Perceptual weight of winter season.



Source: Own analysis on ATCC 'S data.

Figure 14. Evolution of winter Italian and Foreign overnight stays.

Winter	Overnight stays										
	Italians				Foreigners				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1979/80	88.567	100		19%	376.346	100		81%	464.913	100	
1980/81	90.730	102		24%	287.240	76		76%	377.970	81	
1981/82	146.234	165		34%	278.169	74		66%	424.403	91	
1982/83	146.453	165		34%	279.704	74		66%	426.157	92	
1983/84	177.346	200		38%	295.431	78		62%	472.777	102	
1984/85	175.995	199		35%	322.333	86		65%	498.328	107	
1985/86	165.158	186		36%	299.968	80		64%	465.126	100	
1986/87	178.469	202		39%	276.209	73		61%	454.678	98	
1987/88	205.331	232		41%	291.019	77		59%	496.350	107	
1988/89	183.574	207		49%	192.953	51		51%	376.527	81	
1989/90	195.671	221	100	57%	146.077	39	100	43%	341.748	74	100
1990/91	260.675	294	133	56%	206.566	55	141	44%	467.241	101	137
1991/92	276.591	312	141	61%	179.497	48	123	39%	456.088	98	133
1992/93	258.552	292	132	59%	177.055	47	121	41%	435.607	94	127
1993/94	271.326	306	139	55%	219.040	58	150	45%	490.366	105	143
1994/95	251.850	284	129	53%	220.242	59	151	47%	472.092	102	138
1995/96	275.679	311	141	52%	257.496	68	176	48%	533.175	115	156
1996/97	266.065	300	136	51%	251.750	67	172	49%	517.815	111	152
1997/98	266.895	301	136	54%	231.566	62	159	46%	498.461	107	146
1998/99	273.628	309	140	55%	222.868	59	153	45%	496.496	107	145
1999/00	272.675	308	139	56%	217.342	58	149	44%	490.017	105	143

Source: Own analysis on ATCC 'S data.

Figure 15. Evolution of winter Italian and Foreign arrivals.

Winter	Arrivals										
	Italians				Foreigners				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1979/80	10.708	100		23%	35.246	100		77%	45.954	100	
1980/81	13.096	122		33%	27.051	77		67%	40.147	87	
1981/82	19.715	184		42%	27.764	79		58%	47.479	103	
1982/83	23.172	216		44%	29.044	82		56%	52.216	114	
1983/84	23.896	223		47%	27.462	78		53%	51.358	112	
1984/85	23.930	223		44%	31.066	88		56%	54.996	120	
1985/86	23.801	222		42%	32.411	92		58%	56.212	122	
1986/87	27.053	253		47%	30.041	85		53%	57.094	124	
1987/88	30.950	289		49%	32.591	92		51%	63.541	138	
1988/89	29.880	279		58%	21.933	62		42%	51.813	113	
1989/90	31.413	293	100	65%	16.583	47	100	35%	47.996	104	100
1990/91	40.940	382	130	62%	24.632	70	149	38%	65.572	143	137
1991/92	43.348	405	138	68%	20.845	59	126	32%	64.193	140	134
1992/93	43.003	402	137	68%	20.074	57	121	32%	63.077	137	131
1993/94	44.397	415	141	63%	26.138	74	158	37%	70.535	153	147
1994/95	40.465	378	129	60%	26.547	75	160	40%	67.012	146	140
1995/96	45.855	428	146	59%	31.347	89	189	41%	77.202	168	161
1996/97	42.554	397	135	57%	32.505	92	196	43%	75.059	163	156
1997/98	43.885	410	140	59%	30.173	86	182	41%	74.058	161	154
1998/99	46.032	430	147	61%	28.967	82	175	39%	74.999	163	156
1999/00	46.406	433	148	61%	29.101	83	175	39%	75.507	164	157

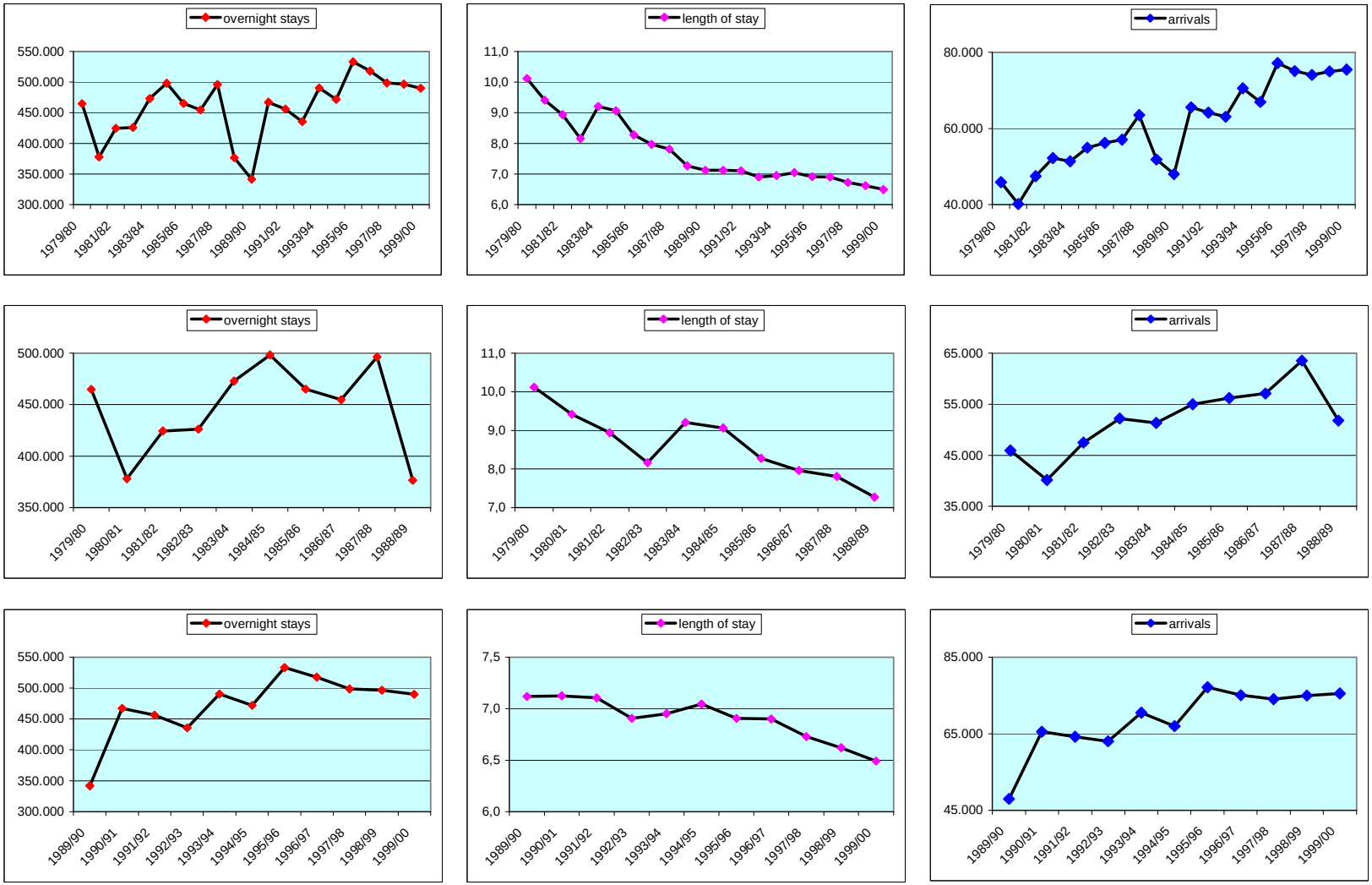
Source: Own analysis on ATCC 'S data.

Figure 16. Evolution of winter Italian and Foreign length of stays.

Winter	**Length of stays**										
	Italians				**Foreigners**				**Total**		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1979/80	8,3	100		82%	10,7	100		106%	10,1	100	
1980/81	6,9	84		74%	10,6	99		113%	9,4	93	
1981/82	7,4	90		83%	10,0	94		112%	8,9	88	
1982/83	6,3	76		77%	9,6	90		118%	8,2	81	
1983/84	7,4	90		81%	10,8	101		117%	9,2	91	
1984/85	7,4	89		81%	10,4	97		115%	9,1	90	
1985/86	6,9	84		84%	9,3	87		112%	8,3	82	
1986/87	6,6	80		83%	9,2	86		115%	8,0	79	
1987/88	6,6	80		85%	8,9	84		114%	7,8	77	
1988/89	6,1	74		85%	8,8	82		121%	7,3	72	
1989/90	6,2	75	100	87%	8,8	82	100	124%	7,1	70	100
1990/91	6,4	77	102	89%	8,4	79	95	118%	7,1	70	100
1991/92	6,4	77	102	90%	8,6	81	98	121%	7,1	70	100
1992/93	6,0	73	97	87%	8,8	83	100	128%	6,9	68	97
1993/94	6,1	74	98	88%	8,4	78	95	121%	7,0	69	98
1994/95	6,2	75	100	88%	8,3	78	94	118%	7,0	70	99
1995/96	6,0	73	97	87%	8,2	77	93	119%	6,9	68	97
1996/97	6,3	76	100	91%	7,7	73	88	112%	6,9	68	97
1997/98	6,1	74	98	90%	7,7	72	87	114%	6,7	67	95
1998/99	5,9	72	95	90%	7,7	72	87	116%	6,6	65	93
1999/00	5,9	71	94	91%	7,5	70	85	115%	6,5	64	91

Source: Own analysis on ATCC 'S data.

Figure 17. Summary's winter tourism data.



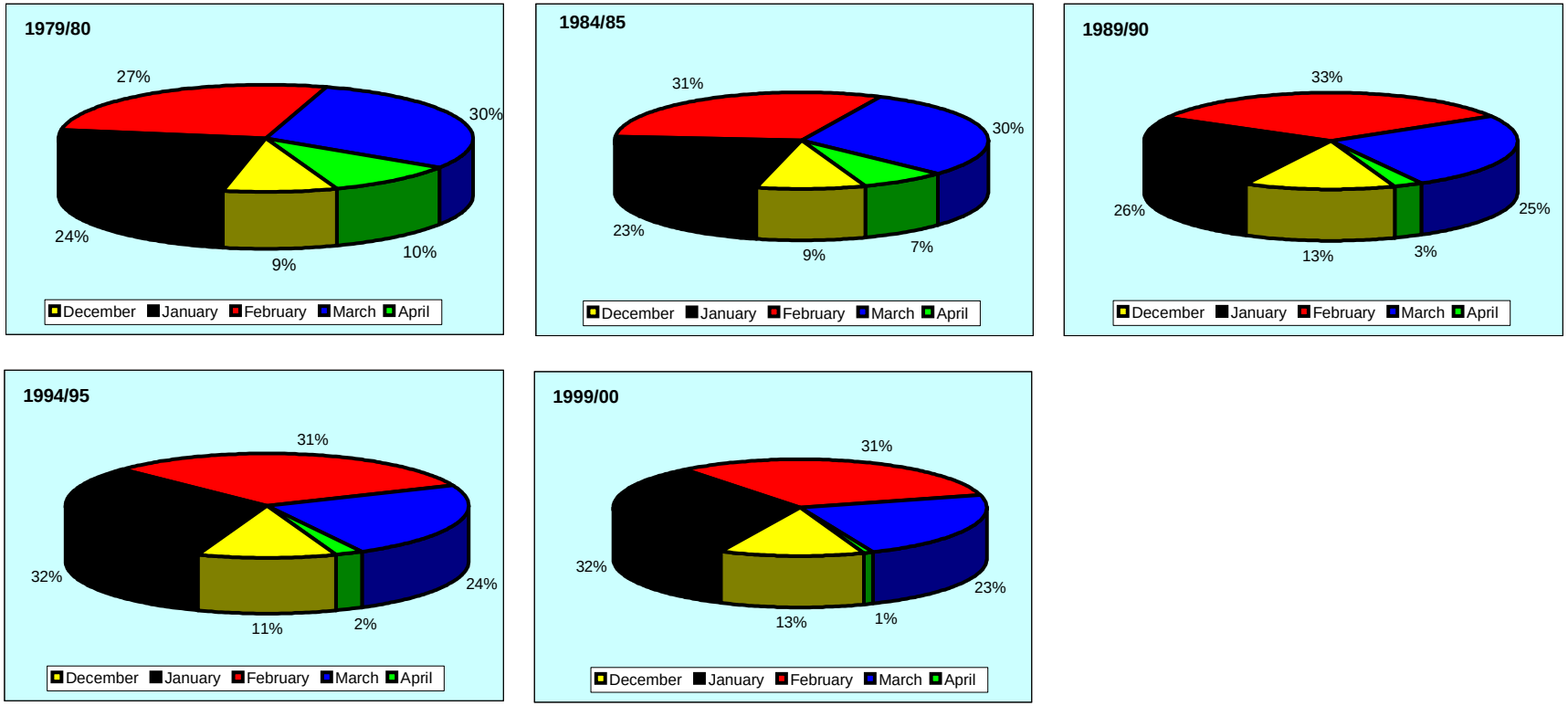
Source: Own analysis on ATCC 'S data.

Figure 18. Monthly perceptual winter overnight stays.

	Overnight stays																				
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
December																					
number	40.997	52.687	55.946	44.915	43.946	46.841	48.194	51.174	51.486	43.399	44.332	56.554	60.723	63.360	60.053	51.802	57.235	60.657	65.409	66.302	61.262
% (winter)	9%	14%	13%	11%	9%	9%	10%	11%	10%	12%	13%	12%	13%	15%	12%	11%	11%	12%	13%	13%	13%
% (1980)	100	129	136	110	107	114	118	125	126	106	108	138	148	155	146	126	140	148	160	162	149
% (1990)											100	128	137	143	135	117	129	137	148	150	138
January																					
number	112.302	116.346	118.057	122.124	128.073	113.016	122.952	111.099	118.661	81.431	87.193	121.794	136.242	141.668	151.708	149.918	157.479	154.174	159.267	159.056	158.792
% (winter)	24%	31%	28%	29%	27%	23%	26%	24%	24%	22%	26%	26%	30%	33%	31%	32%	30%	30%	32%	32%	32%
% (1980)	100	104	105	109	114	101	109	99	106	73	78	108	121	126	135	133	140	137	142	142	141
% (1990)											100	140	156	162	174	172	181	177	183	182	182
February																					
number	127.509	113.481	120.941	124.364	149.675	152.105	123.513	128.549	141.439	122.555	114.742	136.857	144.646	129.294	145.074	148.149	160.329	153.982	154.645	153.230	153.593
% (winter)	27%	30%	28%	29%	32%	31%	27%	28%	28%	33%	34%	29%	32%	30%	30%	31%	30%	30%	31%	31%	31%
% (1980)	100	89	95	98	117	119	97	101	111	96	90	107	113	101	114	116	126	121	121	120	120
% (1990)											100	119	126	113	126	129	140	134	135	134	134
March																					
number	136.246	74.026	90.730	116.636	135.142	149.604	151.005	132.991	151.541	124.887	86.689	136.611	104.226	89.559	121.093	111.231	138.137	142.553	108.777	104.402	112.838
% (winter)	29%	20%	21%	27%	29%	30%	32%	29%	31%	33%	25%	29%	23%	21%	25%	24%	26%	28%	22%	21%	23%
% (1980)	100	54	67	86	99	110	111	98	111	92	64	100	76	66	89	82	101	105	80	77	83
% (1990)											100	158	120	103	140	128	159	164	125	120	130
April																					
number	47.859	21.430	38.729	18.118	15.941	36.762	19.462	30.865	33.223	4.255	8.792	15.425	10.251	11.726	12.438	10.992	19.995	6.449	10.363	13.506	3.532
% (winter)	10%	6%	9%	4%	3%	7%	4%	7%	7%	1%	3%	3%	2%	3%	3%	2%	4%	1%	2%	3%	1%
% (1980)	100	45	81	38	33	77	41	64	69	9	18	32	21	25	26	23	42	13	22	28	7
% (1990)											100	175	117	133	141	125	227	73	118	154	40
Winter	464.913	377.970	424.403	426.157	472.777	498.328	465.126	454.678	496.350	376.527	341.748	467.241	456.088	435.607	490.366	472.092	533.175	517.815	498.461	496.496	490.017

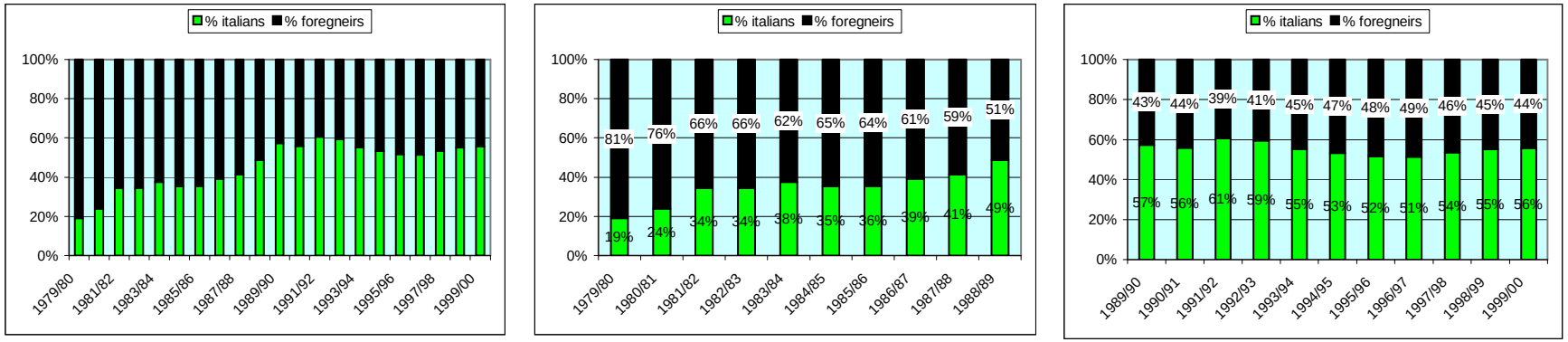
Source: Own analysis on ATCC 'S data.

Figure 19. Monthly perceptual winter overnight stays - graphs.



Source: Own analysis on ATCC 'S data.

Figure 20. Perceptual weight of Italian and Foreign overnight stays.



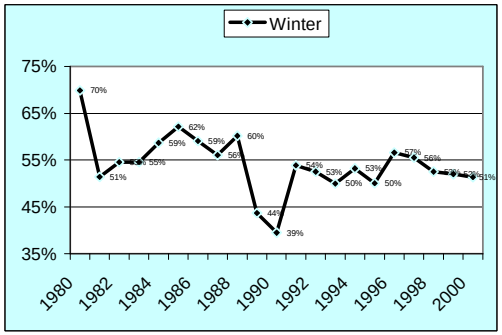
Source: Own analysis on ATCC 'S data.

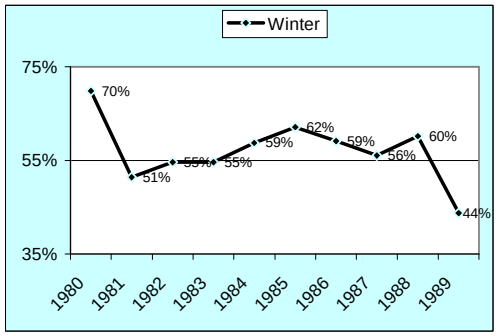
Figure 21. Winter ratio of gross occupation.

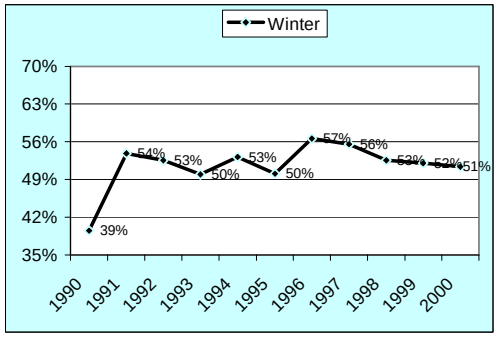
	Ratio of gross occupation																				
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
December	31%	36%	36%	29%	27%	29%	31%	32%	31%	25%	26%	33%	35%	36%	33%	27%	30%	33%	34%	35%	32%
January	84%	79%	76%	78%	80%	70%	78%	68%	72%	47%	50%	70%	79%	81%	82%	80%	84%	83%	84%	83%	83%
February	96%	77%	78%	80%	93%	95%	78%	79%	86%	71%	66%	79%	83%	74%	79%	79%	85%	83%	82%	80%	80%
March	102%	50%	58%	75%	84%	93%	96%	82%	92%	72%	50%	79%	60%	51%	66%	59%	73%	76%	57%	55%	59%
April	36%	15%	25%	12%	10%	23%	12%	19%	20%	2%	5%	9%	6%	7%	7%	6%	11%	3%	5%	7%	2%
Winter	**70%**	**51%**	**55%**	**55%**	**59%**	**62%**	**59%**	**56%**	**60%**	**44%**	**39%**	**54%**	**53%**	**50%**	**53%**	**50%**	**57%**	**56%**	**53%**	**52%**	**51%**

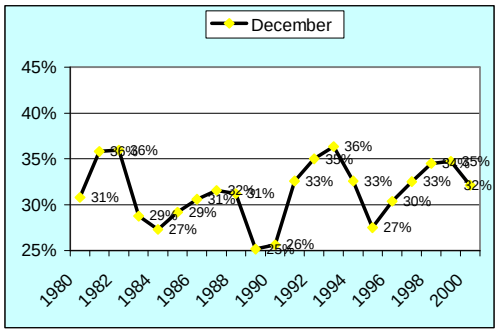
Source: Own analysis on ATCC 'S data.

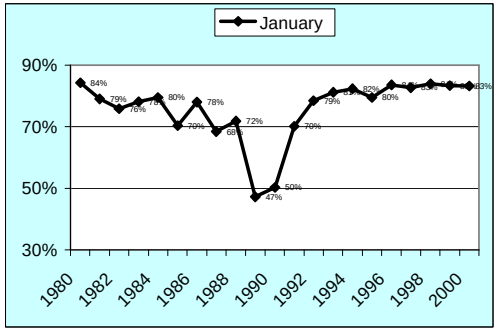
Figure 22. Winter ratio of gross occupation - graphs.

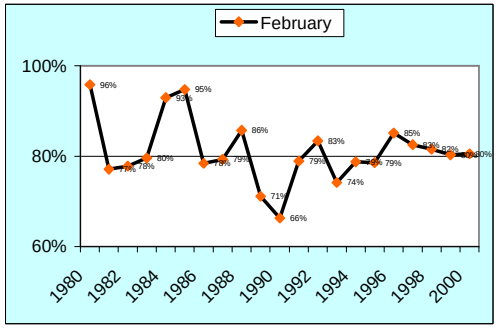


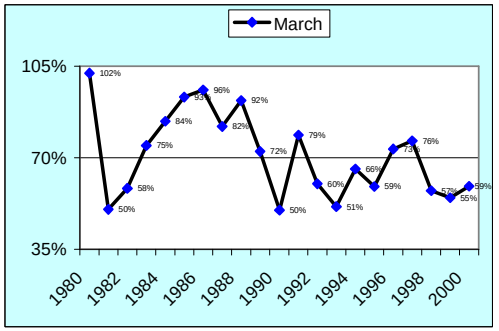


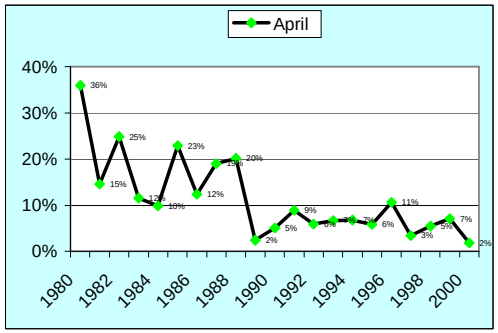








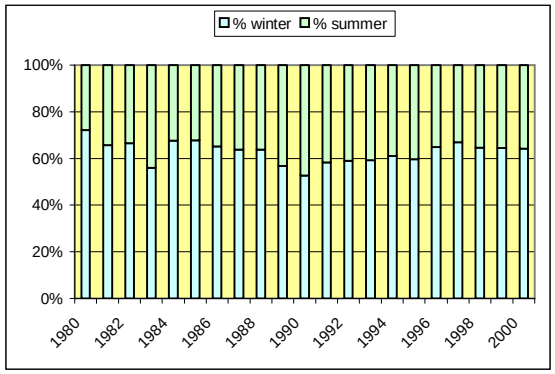


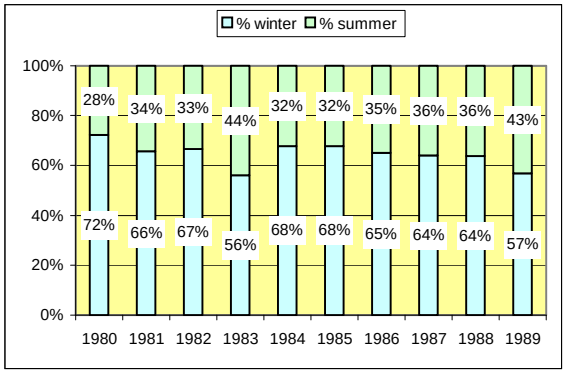


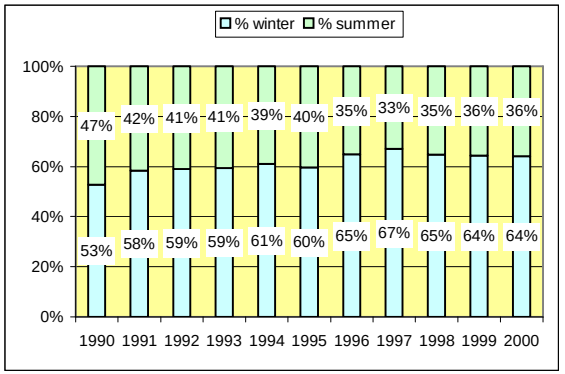
Source: Own analysis on ATCC 'S data.

12.4Summer tourism data

Figure 23. Perceptual weight of summer season.







Source: Own analysis on ATCC 'S data.

Figure 24. Evolution of summer Italian and Foreign overnight stays.

Overnight stays												
Summer	**Italians**				**Foreigners**				**Total**			
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	
1980	87.320	100		49%	91.632	100		51%	178.952	100		
1981	123.261	141		62%	74.612	81		38%	197.873	111		
1982	143.231	164		67%	69.880	76		33%	213.111	119		
1983	220.965	253		66%	114.577	125		34%	335.542	188		
1984	143.046	164		63%	82.999	91		37%	226.045	126		
1985	175.022	200		74%	61.936	68		26%	236.958	132		
1986	188.642	216		76%	60.503	66		24%	249.145	139		
1987	196.229	225		76%	60.636	66		24%	256.865	144		
1988	214.465	246		76%	67.408	74		24%	281.873	158		
1989	225.111	258		79%	61.557	67		21%	286.668	160		
1990	246.006	282	100	80%	60.350	66	100	20%	306.356	171	100	
1991	268.809	308	109	81%	64.040	70	106	19%	332.849	186	109	
1992	263.789	302	107	83%	53.631	59	89	17%	317.420	177	104	
1993	244.903	280	100	82%	52.871	58	88	18%	297.774	166	97	
1994	249.741	286	102	80%	63.218	69	105	20%	312.959	175	102	
1995	255.644	293	104	80%	63.451	69	105	20%	319.095	178	104	
1996	226.509	259	92	78%	62.141	68	103	22%	288.650	161	94	
1997	203.239	233	83	80%	51.121	56	85	20%	254.360	142	83	
1998	219.411	251	89	81%	52.272	57	87	19%	271.683	152	89	
1999	222.196	254	90	81%	51.788	57	86	19%	273.984	153	89	
2000	214.021	245	87	78%	59.853	65	99	22%	273.874	153	89	

Source: Own analysis on ATCC 'S data.

Figure 25. Evolution of summer Italian and Foreign arrivals.

Summer	Arrivals										
	Italians				Foreigners				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	9.403	100		47%	10.429	100		53%	19.832	100	
1981	11.787	125		57%	8.863	85		43%	20.650	104	
1982	16.094	171		67%	8.101	78		33%	24.195	122	
1983	18.875	201		69%	8.652	83		31%	27.527	139	
1984	18.801	200		70%	8.029	77		30%	26.830	135	
1985	20.614	219		72%	7.851	75		28%	28.465	144	
1986	22.576	240		74%	8.036	77		26%	30.612	154	
1987	23.827	253		75%	7.963	76		25%	31.790	160	
1988	26.877	286		71%	10.757	103		29%	37.634	190	
1989	27.667	294		73%	10.135	97		27%	37.802	191	
1990	30.336	323	100	75%	9.891	95	100	25%	40.227	203	100
1991	33.165	353	109	75%	11.038	106	112	25%	44.203	223	110
1992	34.340	365	113	78%	9.503	91	96	22%	43.843	221	109
1993	32.898	350	108	79%	8.923	86	90	21%	41.821	211	104
1994	33.251	354	110	77%	9.994	96	101	23%	43.245	218	108
1995	32.624	347	108	76%	10.214	98	103	24%	42.838	216	106
1996	29.945	318	99	77%	9.130	88	92	23%	39.075	197	97
1997	28.438	302	94	76%	9.133	88	92	24%	37.571	189	93
1998	32.989	351	109	76%	10.145	97	103	24%	43.134	217	107
1999	33.156	353	109	75%	10.901	105	110	25%	44.057	222	110
2000	31.640	336	104	71%	13.072	125	132	29%	44.712	225	111

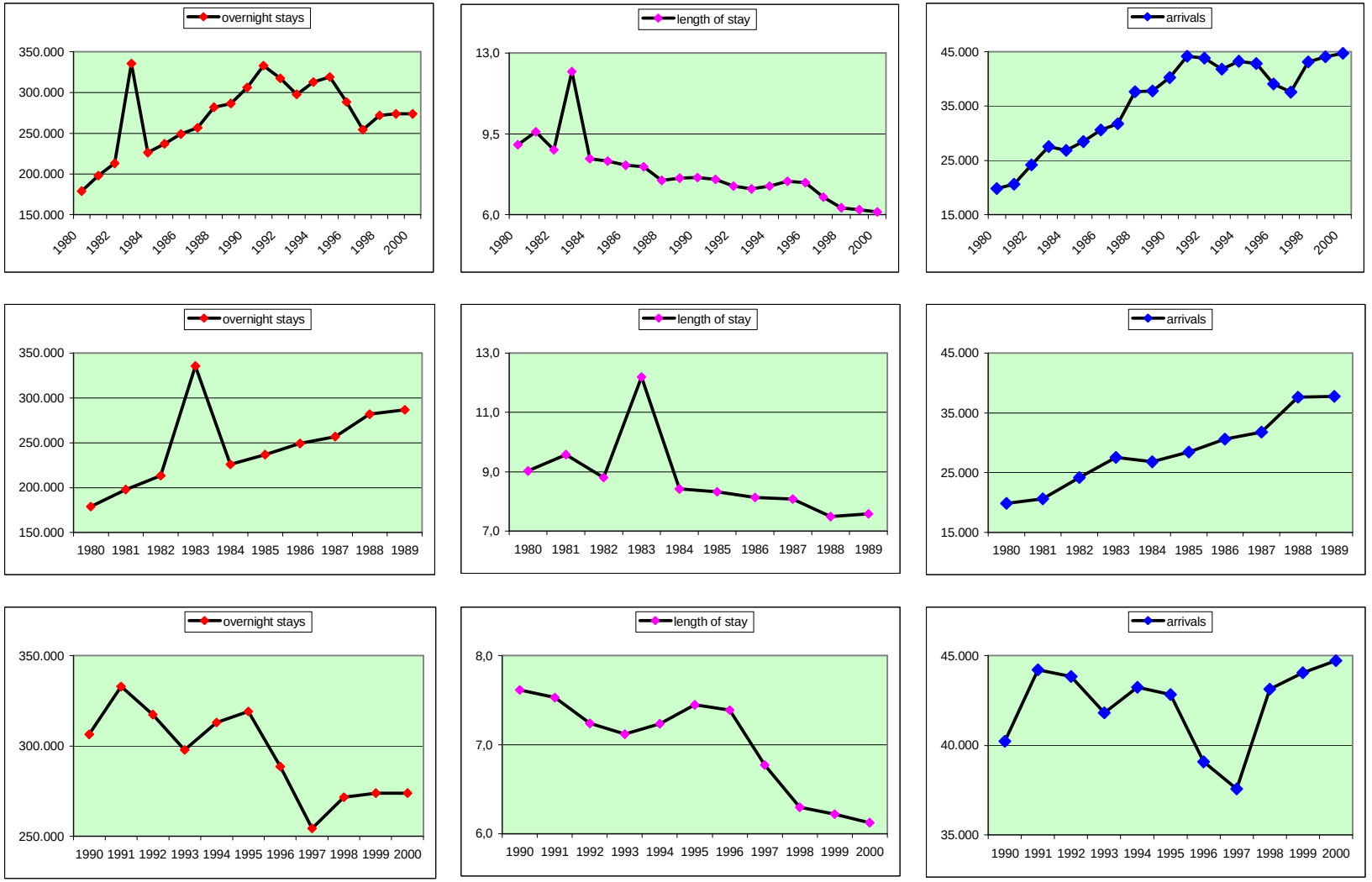
Source: Own analysis on ATCC 'S data.

Figure 26. Evolution of summer Italian and Foreign length of stays.

Summe	**Length of**											
	Italian				**Foreigner**				**Total**			
	numbe	%	%	%	numbe	%	%	%	numbe	%	%	
198	9,3	10		103	8,8	10		97	9,0	10		
198	10,	11		109	8,4	96		88	9,6	10		
198	8,9	96		101	8,6	98		98	8,8	98		
198	11,	12		96	13,	15		109	12,	13		
198	7,6	82		90	10,	11		123	8,4	93		
198	8,5	91		102	7,9	90		95	8,3	92		
198	8,4	90		103	7,5	86		93	8,1	90		
198	8,2	89		102	7,6	87		94	8,1	90		
198	8,0	86		107	6,3	71		84	7,5	83		
198	8,1	88		107	6,1	69		80	7,6	84		
199	8,1	87	10	106	6,1	69	10	80	7,6	84	10	
199	8,1	87	10	108	5,8	66	95	77	7,5	83	99	
199	7,7	83	95	106	5,6	64	92	78	7,2	80	95	
199	7,4	80	92	105	5,9	67	97	83	7,1	79	93	
199	7,5	81	93	104	6,3	72	10	87	7,2	80	95	
199	7,8	84	97	105	6,2	71	10	83	7,4	83	98	
199	7,6	81	93	102	6,8	77	11	92	7,4	82	97	
199	7,1	77	88	106	5,6	64	92	83	6,8	75	89	
199	6,7	72	82	106	5,2	59	84	82	6,3	70	83	
199	6,7	72	83	108	4,8	54	78	76	6,2	69	82	
200	6,8	73	83	110	4,6	52	75	75	6,1	68	80	

Source: Own analysis on ATCC 'S data.

Figure 27. Summary's summer tourism data.



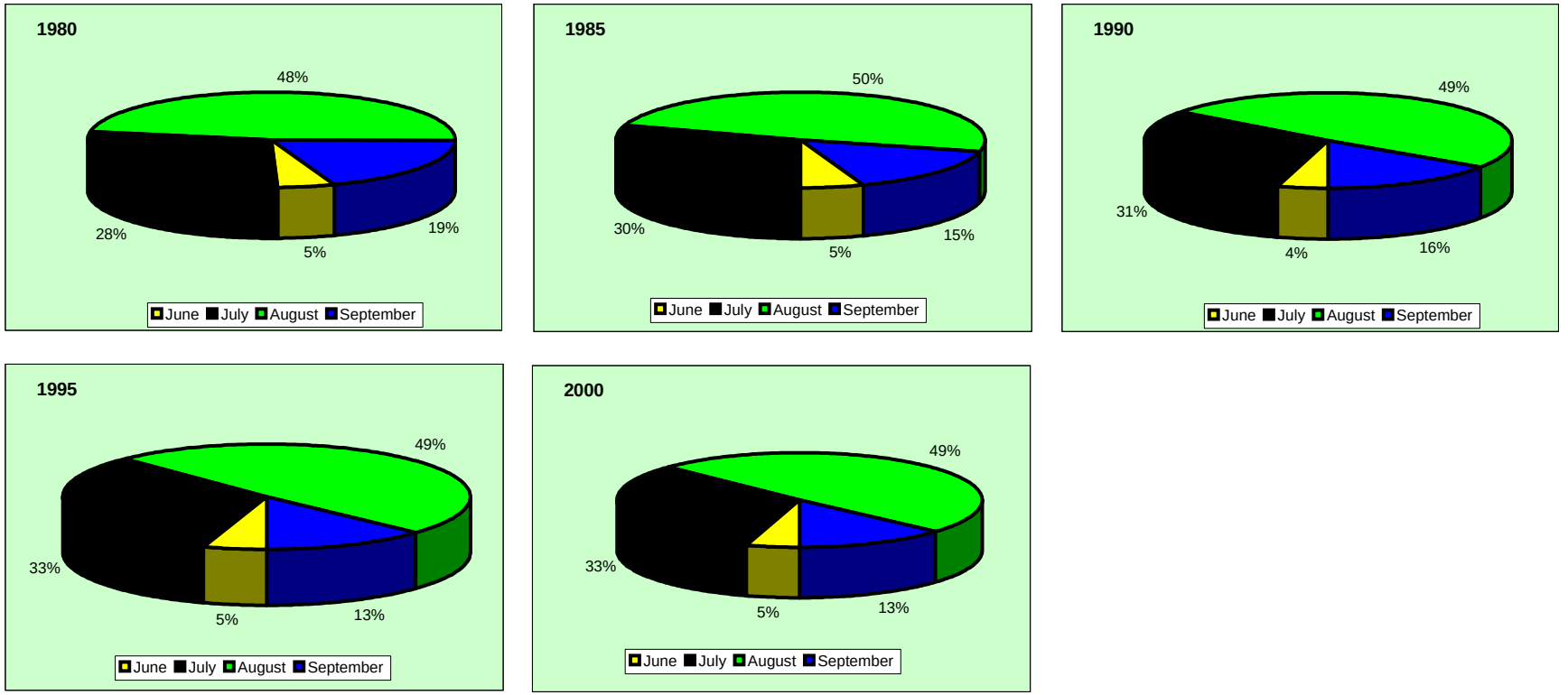
Source: Own analysis on ATCC 'S data.

Figure 28. Monthly perceptual winter overnight stays.

	Overnight stays																				
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
June																					
number	9.128	10.500	10.825	34.919	13.095	12.977	12.007	14.859	12.265	12.015	13.702	14.990	17.063	17.639	14.271	15.987	14.502	13.160	12.414	12.987	12.936
% (summer)	5%	5%	5%	10%	6%	5%	5%	6%	4%	4%	4%	5%	5%	6%	5%	5%	5%	5%	5%	5%	5%
% (1980)	100	115	119	383	143	142	132	163	134	132	150	164	187	193	156	175	159	144	136	142	142
% (1990)											100	109	125	129	104	117	106	96	91	95	94
July																					
number	50.327	51.168	56.921	88.391	63.604	71.194	74.262	78.970	85.906	90.118	94.272	103.358	99.189	89.631	94.358	104.218	99.304	83.280	84.770	85.357	89.030
% (summer)	28%	26%	27%	26%	28%	30%	30%	31%	30%	31%	31%	31%	31%	30%	30%	33%	34%	33%	31%	31%	33%
% (1980)	100	102	113	176	126	141	148	157	171	179	187	205	197	178	187	207	197	165	168	170	177
% (1990)											100	110	105	95	100	111	105	88	90	91	94
August																					
number	85.306	100.683	109.393	147.417	103.467	116.088	126.660	126.616	142.579	144.120	150.759	160.050	155.265	148.624	161.088	157.389	140.543	124.744	142.286	142.565	135.382
% (summer)	48%	51%	51%	44%	46%	49%	51%	49%	51%	50%	49%	48%	49%	50%	51%	49%	49%	49%	52%	52%	49%
% (1980)	100	118	128	173	121	136	148	148	167	169	177	188	182	174	189	184	165	146	167	167	159
% (1990)											100	106	103	99	107	104	93	83	94	95	90
September																					
number	34.191	35.522	35.972	64.815	45.879	36.699	36.216	36.420	41.123	40.415	47.623	54.451	45.903	41.880	43.242	41.501	34.301	33.176	32.213	33.075	36.526
% (summer)	19%	18%	17%	19%	20%	15%	15%	14%	15%	14%	16%	16%	14%	14%	14%	13%	12%	13%	12%	12%	13%
% (1980)	100	104	105	190	134	107	106	107	120	118	139	159	134	122	126	121	100	97	94	97	107
% (1990)											100	114	96	88	91	87	72	70	68	69	77
Summer	178.952	197.873	213.111	335.542	226.045	236.958	249.145	256.865	281.873	286.668	306.356	332.849	317.420	297.774	312.959	319.095	288.650	254.360	271.683	273.984	273.874

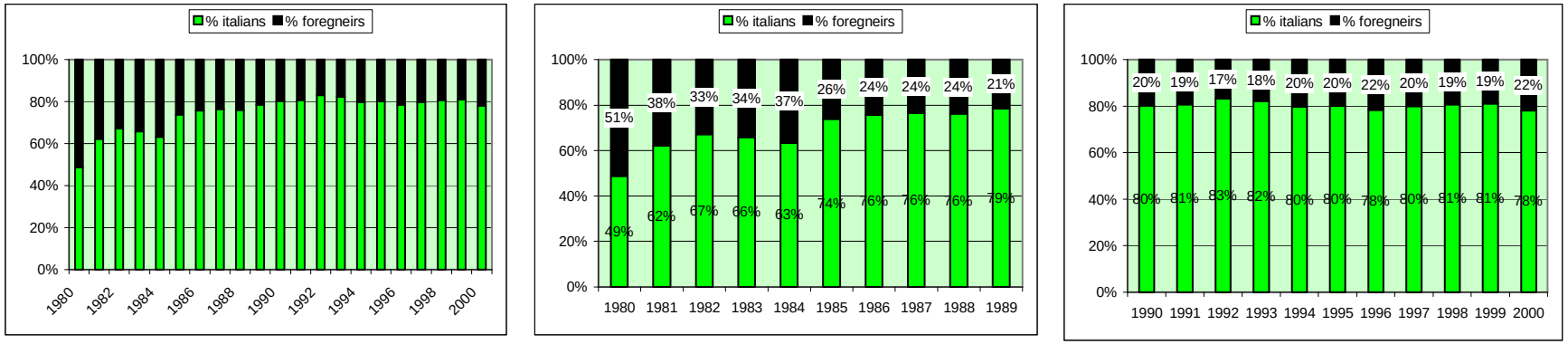
Source: Own analysis on ATCC 'S data.

Figure 29. Monthly perceptual summer overnight stays – graphs.



Source: Own analysis on ATCC 'S data.

Figure 30. Perceptual weight of Italian and Foreign overnight stays.



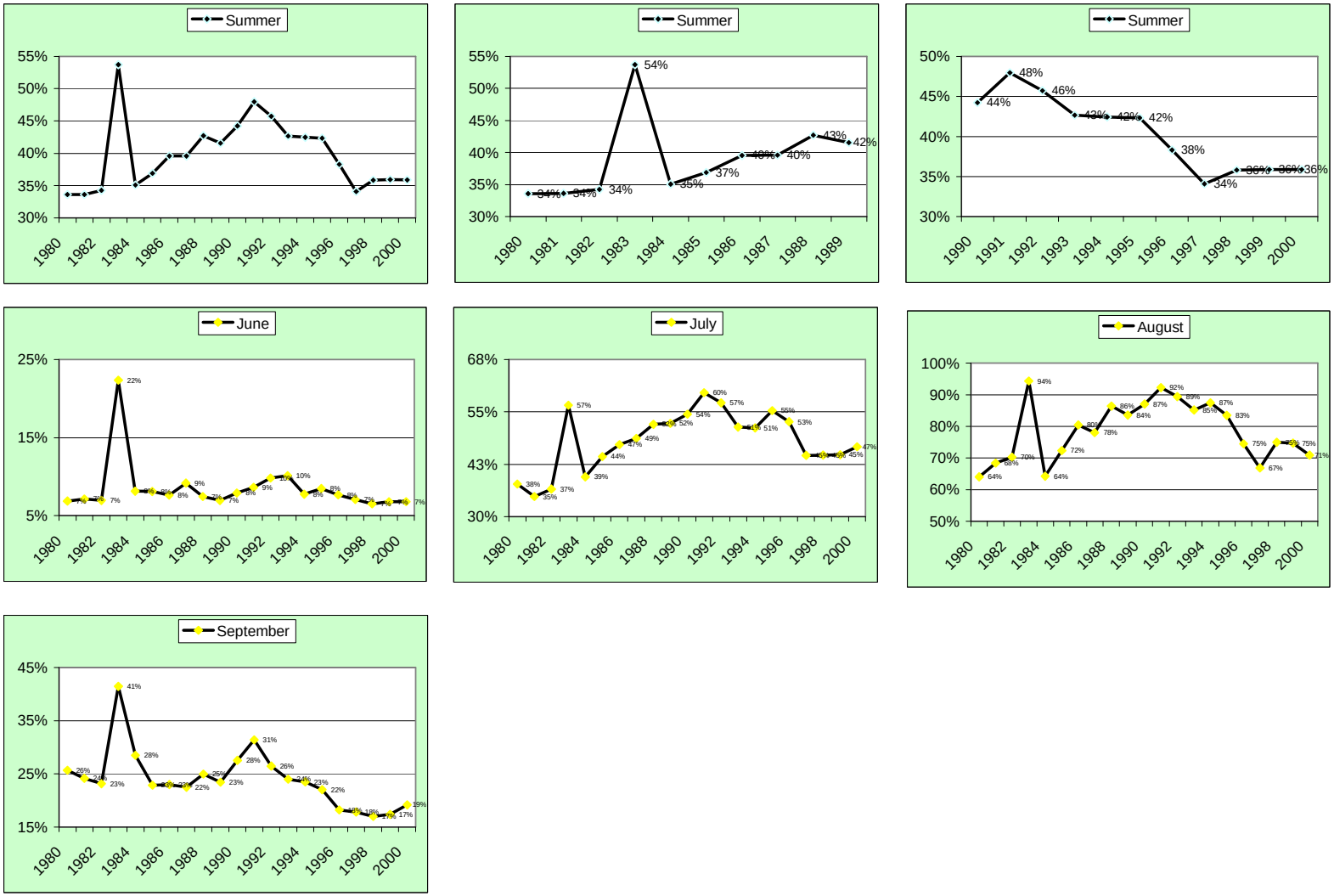
Source: Own analysis on ATCC 'S data.

Figure 31. Summer ratio of gross occupation.

	Ratio of gross occupation																				
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
June	7%	7%	7%	22%	8%	8%	8%	9%	7%	7%	8%	9%	10%	10%	8%	8%	8%	7%	7%	7%	7%
July	38%	35%	37%	57%	39%	44%	47%	49%	52%	52%	54%	60%	57%	51%	51%	55%	53%	45%	45%	45%	47%
August	64%	68%	70%	94%	64%	72%	80%	78%	86%	84%	87%	92%	89%	85%	87%	83%	75%	67%	75%	75%	71%
September	26%	24%	23%	41%	28%	23%	23%	22%	25%	23%	28%	31%	26%	24%	23%	22%	18%	18%	17%	17%	19%
Summer	**34%**	**34%**	**34%**	**54%**	**35%**	**37%**	**40%**	**40%**	**43%**	**42%**	**44%**	**48%**	**46%**	**43%**	**42%**	**42%**	**38%**	**34%**	**36%**	**36%**	**36%**
Year	**54%**	**43%**	**46%**	**54%**	**48%**	**51%**	**50%**	**49%**	**52%**	**43%**	**42%**	**51%**	**50%**	**47%**	**48%**	**47%**	**48%**	**46%**	**45%**	**45%**	**44%**

Source: Own analysis on ATCC 'S data.

Figure 32. Summer ratio of gross occupation - graphs.



Source: Own analysis on ATCC 'S data.

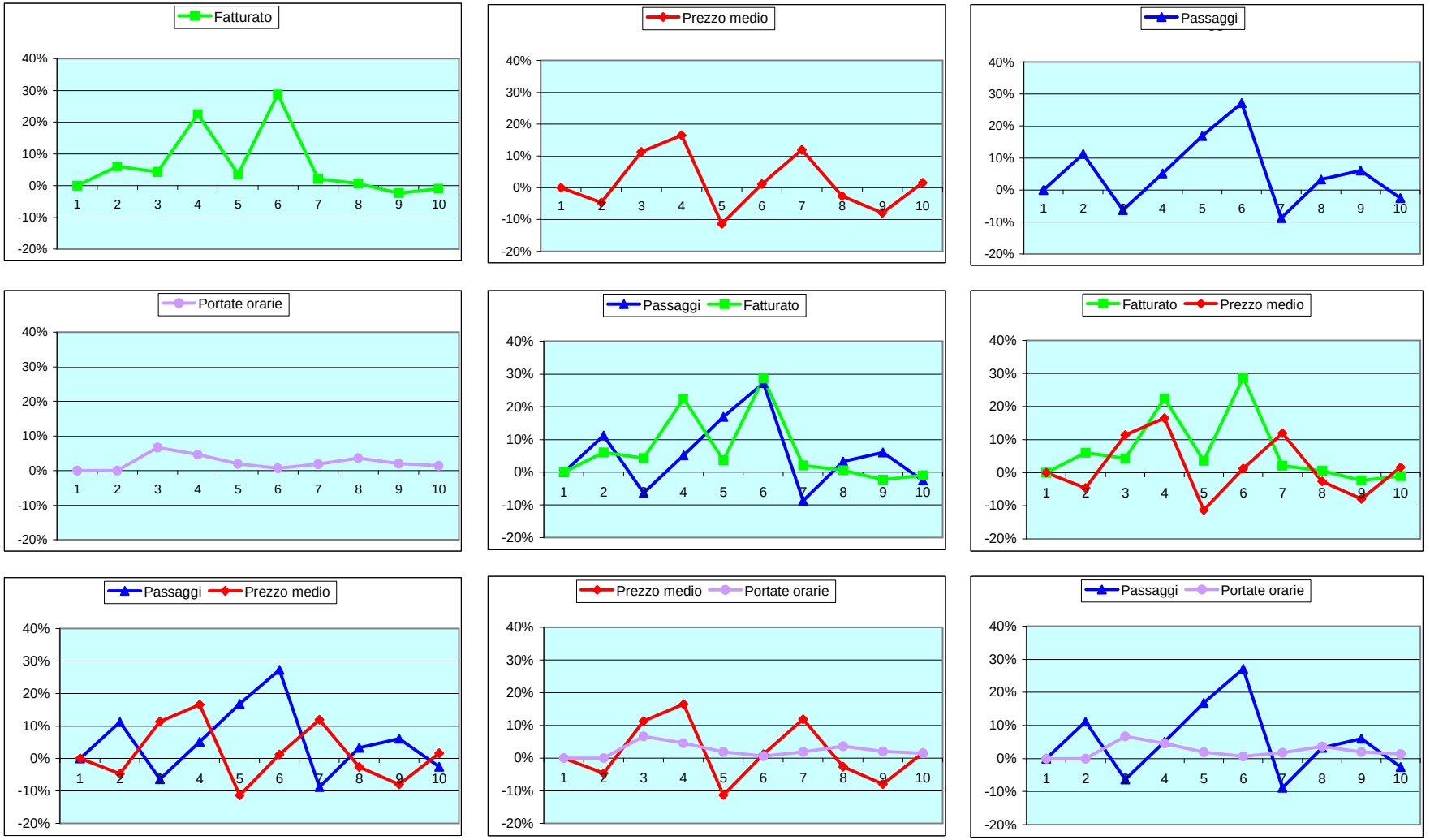
13. APPENDIX II – SKI AREA

Figure 33. Ski area's data.

Season	Alta Badia Passings	Variation %	Alta Badia Turnover (ITL millions)	Variation %	Alta Badia Average Price (ITL)	Variation %	Hourly Capacities	Variation %
1990/91	1.690.244	-	22.505	-	13.315	-	56.900	-
1991/92	1.879.519	11,2%	23.857	6,0%	12.693	-4,7%	56.900	0,0%
1992/93	1.761.083	-6,3%	24.889	4,3%	14.133	11,3%	60.700	6,7%
1993/94	1.851.339	5,1%	30.482	22,5%	16.465	16,5%	63.500	4,6%
1994/95	2.163.536	16,9%	31.575	3,6%	14.594	-11,4%	64.700	1,9%
1995/96	2.751.771	27,2%	40.640	28,7%	14.769	1,2%	65.100	0,6%
1996/97	2.509.546	-8,8%	41.479	2,1%	16.528	11,9%	66.300	1,8%
1997/98	2.591.542	3,3%	41.714	0,6%	16.096	-2,6%	68.700	3,6%
1998/99	2.749.383	6,1%	40.725	-2,4%	14.812	-8,0%	70.100	2,0%
1999/00	2.680.559	-2,5%	40.328	-1,0%	15.045	1,6%	71.100	1,4%
Ten-year variation	**990.315**	**58,6%**	**17.823**	**79,2%**	**1.730**	**13,0%**	**14.200**	**25,0%**

Source: Own analysis on ATCC 'S data.

Figure 34. Ski area's competitive results.



Source: Own analysis on ATCC 'S data.

Figure 35. Investments in infrastructures built by the Skicarosello Company during the 1990's

Area	Skicarosello Corvara: main infrastructures 1990-2000
1. Cable systems	10 system replacements
	2 new systems
	12 interventions
2. Artificial snow systems	1 extension
	12 new artificial snow systems
	1 reconversion (from low to high pressure)
	10 new water collection tanks
	6 water transport interventions (pumping, pipes, etc.)
	30 interventions
3. Ski trails	21 trail layout interventions
	18 trail leveling and/or drainage interventions
	2 underpass layout interventions
	3 improvement/widening interventions
	44 interventions
4. Miscellaneous	4 new underground garages
	4 interventions

Source: Own analysis on Skicarosello's data.

14. APPENDIX III – CORVARA – COLFOSCO TOURISM ASSOCIATION

Figure 36. Structure of the ATCC's revenues

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 (F)
Entrate											
contributi dei soci	593.993	586.500	591.896	534.500	956.742	987.792	1.045.183	1.124.994	1.132.851	1.197.588	1.422.525
contributi consorzio turistico Alta Badia	0	0	0	0	0	0	0	153.000	183.000	163.000	190.750
contributi provinciali	486.140	464.000	463.500	380.000	332.420	336.030	330.300	381.290	330.730	341.330	411.330
contributo Comune di Corvara	30.000	25.000	0	7.500	0	0	72.000	72.000	72000	72.000	72.000
altri contributi	50.977	60.000	69.623	35.000	0	0	0	0	0	0	0
affitti attivi	0	0	0	0	0	0	0	7.726	20.799	23.615	6.750
entrate da contratti di sponsorizzazioni	0	0	0	0	21.008	102.011	119.496	112.521	29.433	9.000	10.000
entrate da vendita inserzioni	21.568	25.000	3.867	15.000	40.064	61.145	78.052	46.815	79.415	65.157	66.820
entrate da manifestazioni	0	0	0	1.000	10.353	12.093	34.277	38.978	33.280	6.906	15.000
altre entrate	29.735	42.041	25.136	33.000	0	0	0	0	0	0	0
entrate commercio al minuto e skibus	0	45.000	32.227	30.000	70.839	115.641	91.787	115.546	114.296	106.489	155.000
Totale entrate	1.212.413	1.247.541	1.186.249	1.036.000	1.431.426	1.614.712	1.771.095	2.052.870	1.995.804	1.985.085	2.350.175

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 (F)
Entrate											
contributi dei soci	49%	47%	50%	52%	67%	61%	59%	55%	57%	60%	61%
contributi consorzio turistico Alta Badia	0%	0%	0%	0%	0%	0%	0%	7%	9%	8%	8%
contributi provinciali	40%	37%	39%	37%	23%	21%	19%	19%	17%	17%	18%
contributo Comune di Corvara	2%	2%	0%	1%	0%	0%	4%	4%	4%	4%	3%
altri contributi	4%	5%	6%	3%	0%	0%	0%	0%	0%	0%	0%
affitti attivi	0%	0%	0%	0%	0%	0%	0%	0%	1%	1%	0%
entrate da contratti di sponsorizzazioni	0%	0%	0%	0%	1%	6%	7%	5%	1%	0%	0%
entrate da vendita inserzioni	2%	2%	0%	1%	3%	4%	4%	2%	4%	3%	3%
entrate da manifestazioni	0%	0%	0%	0%	1%	1%	2%	2%	2%	0%	1%
altre entrate	2%	3%	2%	3%	0%	0%	0%	0%	0%	0%	0%
entrate commercio al minuto e skibus	0%	4%	3%	3%	5%	7%	5%	6%	6%	5%	7%
Totale entrate	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000 (F)
Entrate											
contributi dei soci	100	99	100	90	161	166	176	189	191	202	239
contributi provinciali	100	95	95	78	68	69	68	78	68	70	85
contributo Comune di Corvara	100	83	0	25	0	0	240	240	240	240	240
entrate commercio al minuto e skibus		100	72	67	157	257	204	257	254	237	344
Totale entrate	100	103	98	85	118	133	146	169	165	164	194

Source: Own analysis on ATCC 'S data.

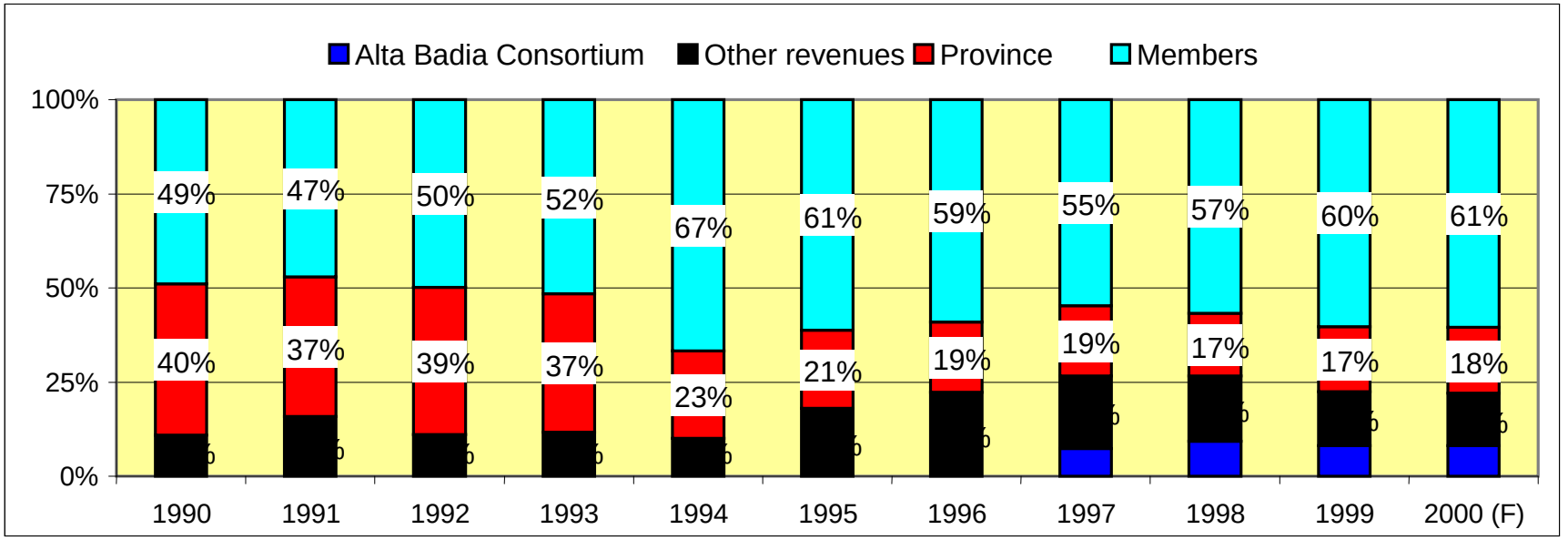
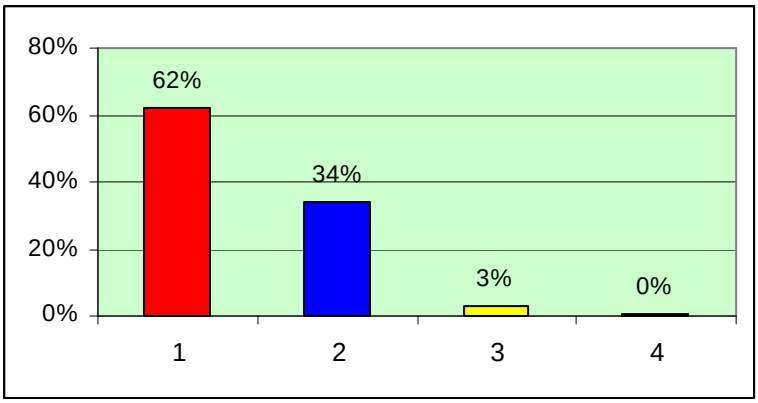


Figure 37. Evolution of the ATCC's revenues, broken down by type of disbursing subjects.
Source: Own analysis on ATCC 'S data.

15. APPENDIX IV – CUSTOMER SATISFACTION ANALYSIS

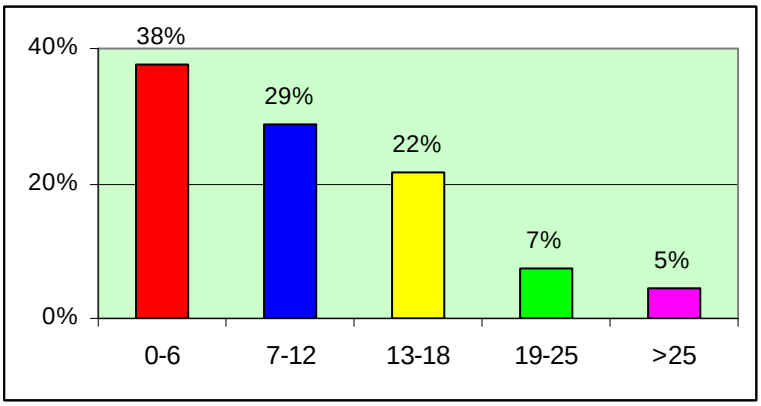
15.1 Summer season

Figure 38. Distribution of families according to number of children.



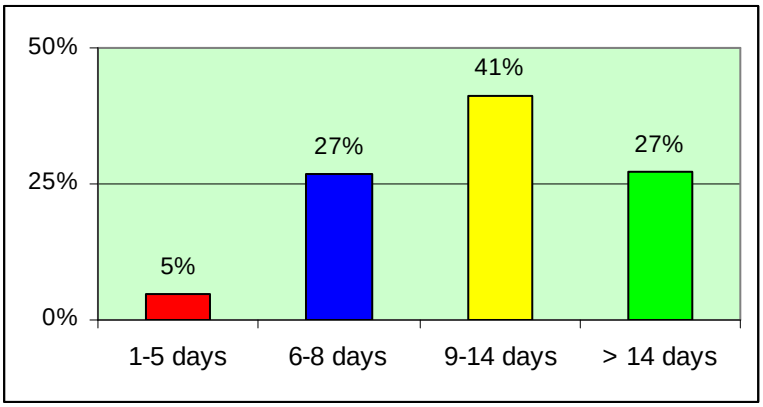
Source: Own analysis of Ricerca di mercato Alta Badia (Alta Badia market research, summer 1998).

Figure 39. Distribution of children by age.



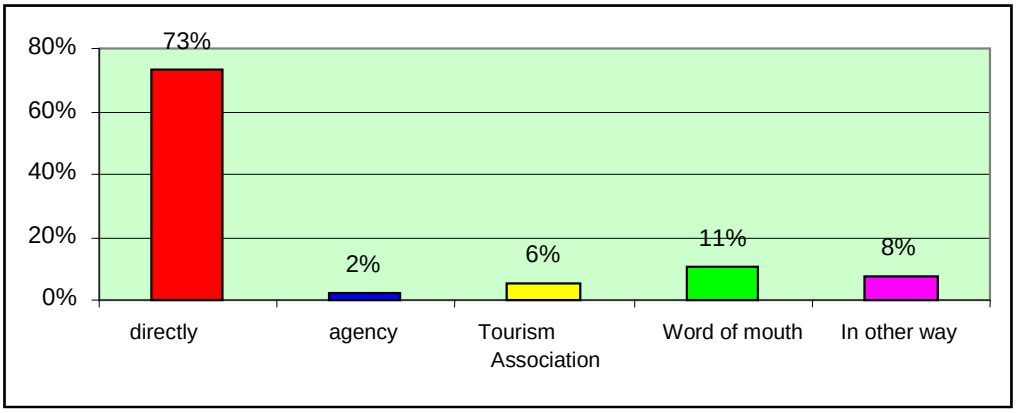
Source: Own analysis of Ricerca di mercato Alta Badia (Alta Badia market research, summer 1998).

Figure 40. Average length of stay.



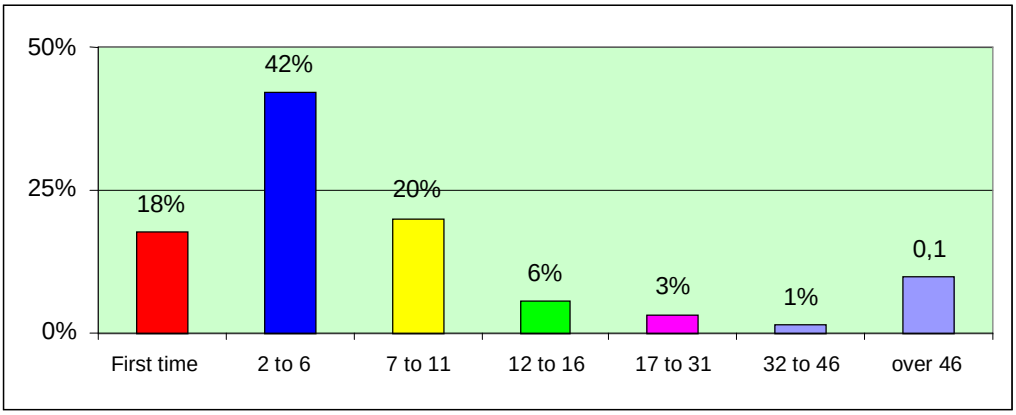
Source: Own analysis of Ricerca di mercato Alta Badia (Alta Badia market research, summer 1998).

Figure 41 Vacation organization methods.



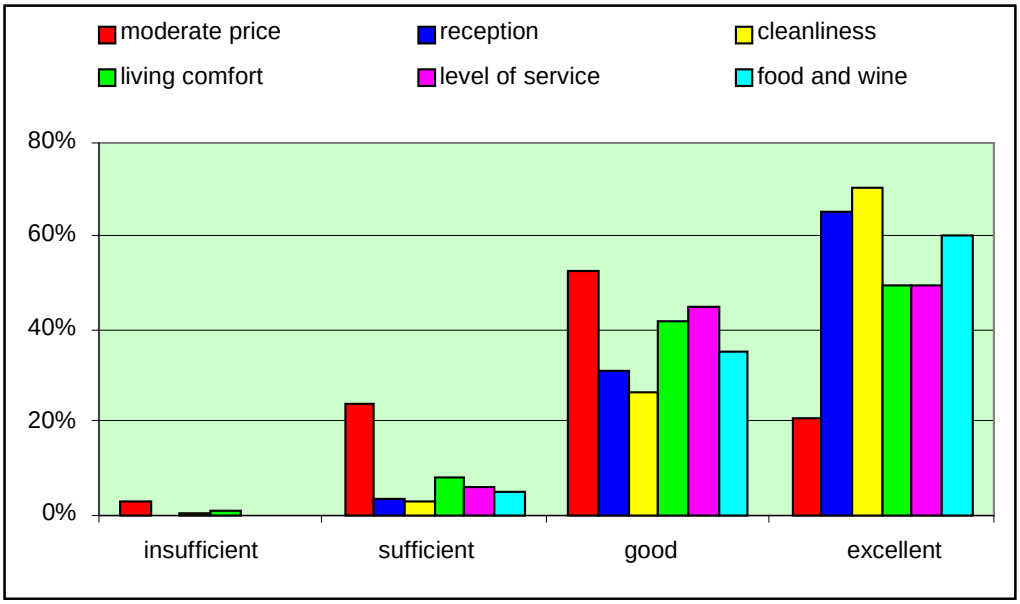
Source: Own analysis of Ricerca di mercato Alta Badia (Alta Badia market research, summer 1998).

Figure 42. Degree of loyalty.



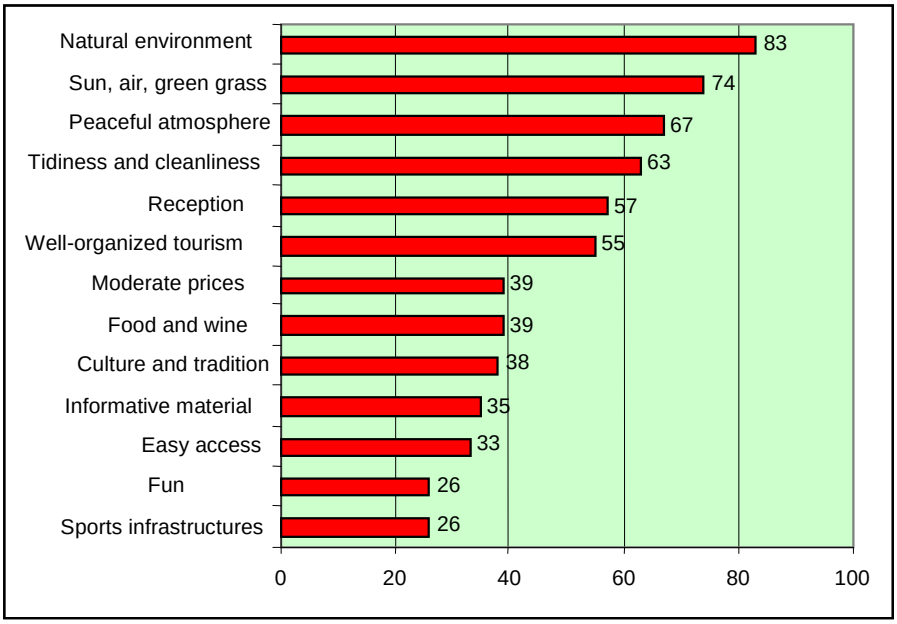
Source: Own analysis of Ricerca di mercato Alta Badia (Alta Badia market research, summer 1998).

Figure 43. Assessment of the accommodation service.



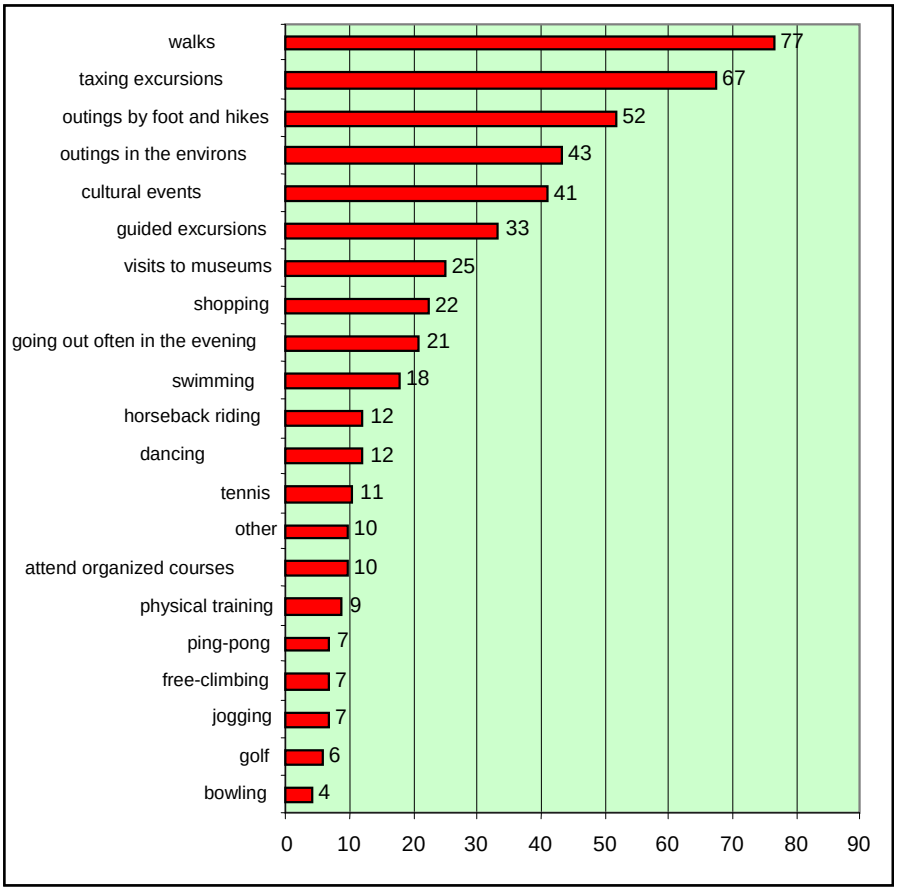
Source: Own analysis of Ricerca di mercato Alta Badia (Alta Badia market research, summer 1998).

Figure 44. Ideal service mix.



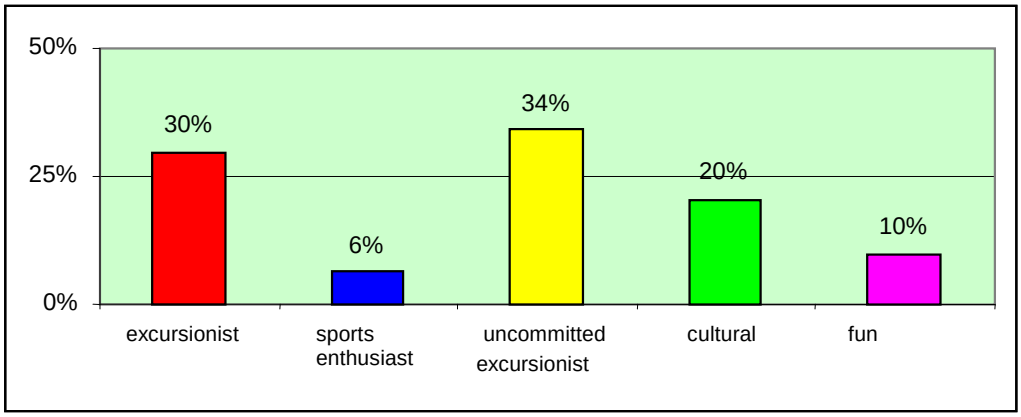
Source: Own analysis of Ricerca di mercato Alta Badia (Alta Badia market research, summer 1998).

Figure 45. Activities done by the customers.



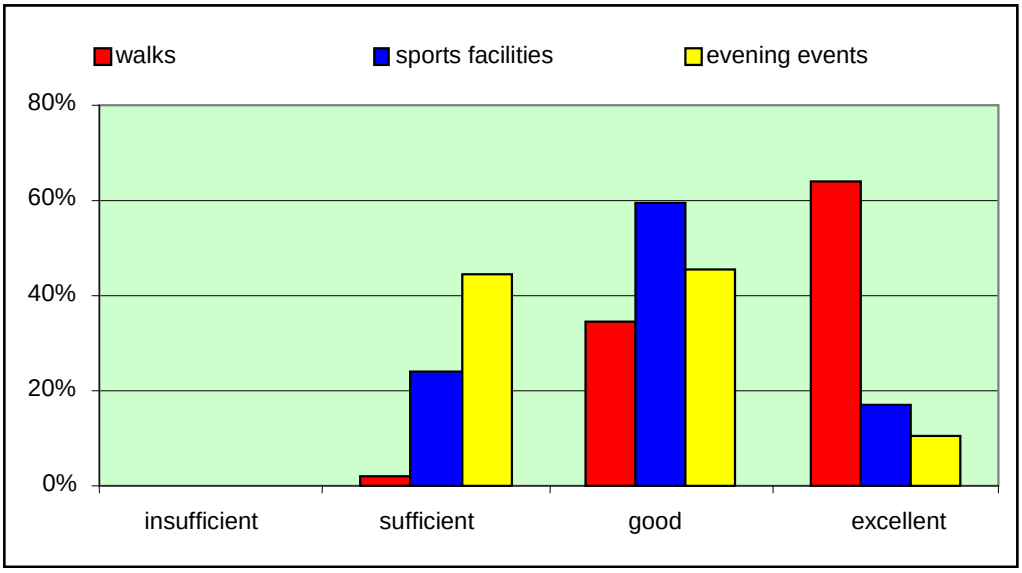
Source: Own analysis of Ricerca di mercato Alta Badia (Alta Badia market research, summer 1998).

Figure 46. Types of customers.



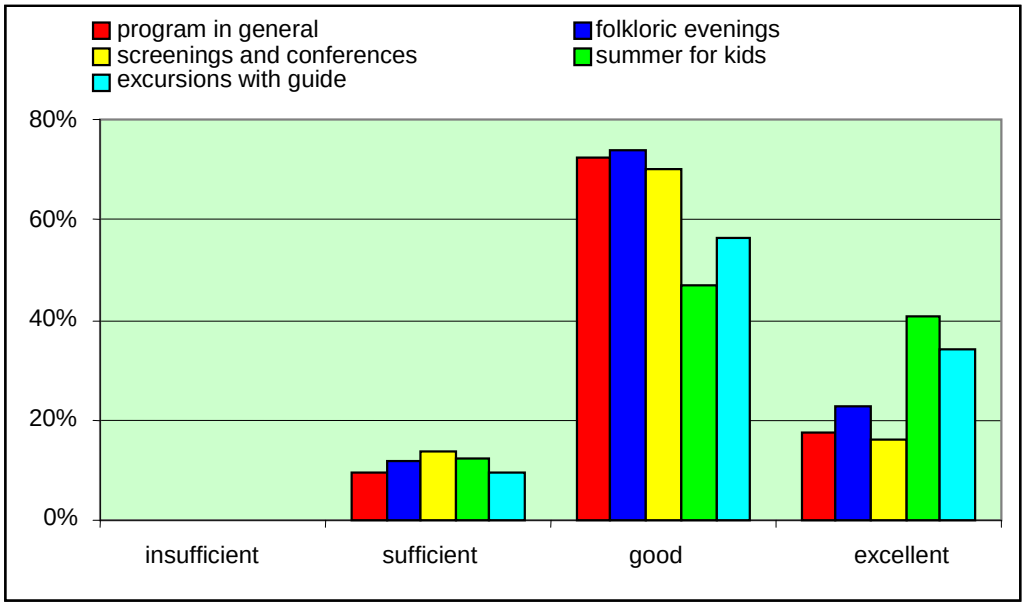
Source: Own analysis of Ricerca di mercato Alta Badia (Alta Badia market research, summer 1998).

Figure 47. Assessment of tourism services.



Source: Own analysis of Ricerca di mercato Alta Badia (Alta Badia market research, summer 1998).

Figure 48. Assessment of the events: detail.



Source: Own analysis of Ricerca di mercato Alta Badia (Alta Badia market research, summer 1998).

Figure 49. Major tourism trends in progress.

- ✓ People who travel are on the increase (above all in Eastern Europe)
- ✓ Reasons for traveling are changing: active trips weigh as much as the passive ones
- ✓ The demand for customized products is strongly increasing
- ✓ The customer is extroverted
- ✓ The tourism operators are offering modular packages able to meet any requirement
- ✓ Travelers are experts, and thus more critical
- ✓ The average length of stay is decreasing
- ✓ The propensity to spend is dropping
- ✓ Bookings are increasingly "spontaneous" and made at the last minute
- ✓ Sensitivity towards the environment is on the rise
- ✓ The importance of the immaterial factors is increasing (hospitality, atmosphere, quality, flexibility, typicalness, tradition, culture, etc.)
- ✓ People are progressively losing interest in the Alps compared to other destinations
- ✓ The European population is growing old

Source: 2000-2003 Tourism Development Plan.

Figure 50. Customer segmentation.

		Seasonality	
		Summer	**Winter**
Needs	**Active customers**	Free climbing, trekking, biking, outdoor sposts, interest in culture, food and wine. Reference target: young families, couples and singles	Skiing, alpine and cross-country skiing and other winter sports. Reference target: families and singles and particularly young people
	Passive customers	The tourist appreciates the natural beauties without doing any activity (walks, evening and folk events, wellness, etc.). Reference target: families, no longer young, elderly, and "soft" nature lovers	The tourist looks for clean air, some skiing, walks and regenerative activities. He wants to rest and feel good. Reference target. Families no longer young, young people and "soft" nature lovers

Source: 2000-2003 Tourism Development Plan.

Figure 51. Customers' suggestions.

- ✓ High price level (66 mentions)
- ✓ High amount of traffic – need for parking lots, a ring road and sidewalks (48 mentions)
- ✓ Stop construction (47 mentions)
- ✓ Develop evening events (45 mentions)
- ✓ Improve the excursion sign system (6 mentions)

Source: Own analysis of Ricerca di mercato Alta Badia (Alta Badia market research, summer 1998).

15.2 Interviews

Dalponte Hubert, Councilman for Tourism – Vice Chairman of the Corvara Tourism Association – Vice Chairman of the Alta Badia Tourism Consortium.

Damiano Da Punt, Director of the Corvara Tourism Association – Secretary of the Alta Badia Tourism Consortium.

Declara Carlo, Vice Chairman of the Hotelkeepers' Association – Entrepreneur, Hotel Gran Ciasa.

Kostner Erich, Entrepreneur, Skicarosello Company.

Kostner Siglinde, Entrepreneur, Hotel Costes.

Mersa Giorgio, Chairman of the Alta Badia Golf Club.

Pertot Andy, Chairman of the Hotelkeepers' Association – Entrepreneur, Ciasa Alexander.

Pizzinini Renata, Entrepreneur, Cappella Hotel and Residence.

Vanzi Paolo, Manager of the Alta Badia Cable Consortium.

Varallo Marcello, Chairman of the Alta Badia Consortium – Entrepreneur, Hotel Ladinia.

Verginer Otto, CEO of Impianti Colfosco S.p.A.

Chapter 6
The case of St. Moritz

1. THE CHALLENGE OF THE NINETIES

The history of St. Moritz marks its beginning in 1500 B.C., when the Celts occupied the area of the present-day Engadine, leaving traces of druid stone formations in "Tshavaretschas" (the present day Kulmpark). In the year 1139 A.D. St. Moritz was mentioned in an official document concerning the sale of the Upper Engadine to the bishop of Coira by the Count of Camertigen. Aurelius Theophrastus Bombastus of Hohenheim, also known as Paracelsus, mentioned the spring of St. Moritz for the very first time in 1535. The development of spa facilities began in 1831 with the building of a health resort with a spring water bathhouse and changing rooms, but without accommodation for guests. In 1855 Johannes Badrutt purchased the Faller guesthouse, refurbished it and in 1859 the "Engadiner Kulm" hotel was opened. In 1859 the arrival of the first skier was met with the disapproval of the Engadine community. A few years later, following a wager, J. Badrutt brought a group of Anglo-Saxons to St. Moritz, thus giving impetus to the development of winter tourism. The offer of this pioneer was based on a money-refund formula: if the guests from London did not enjoy their winter vacation, the businessman was ready to refund the money for their transfer and stay. The initiative proved to be highly successful: the tourists stayed in St. Moritz from Christmas to Easter.

The White Town has hosted numerous sports events: the first skating competition in 1872, the first European curling match in 1880 and between 1884/85 the Skeleton run "Cresta Run" was built. Furthermore, the town has embraced technological progress: in 1878 electric lamps were lit at the Kulm Hotel (first case in Switzerland), while in 1891 the first telephone rang in the Graubünden canton.

In 1928 St. Moritz hosted the first winter Olympic Games and the Corviglia cableway came into operation. This list of dates could be extended considerably to include the many novelties introduced in St. Moritz.

1.1 St. Moritz at the onset of the Nineties

I will now briefly describe the tourism conditions in the area at the onset of the nineties and then make a detailed analysis of the strategic process based on this initial scenario. This description will be split essentially into two levels: on the one hand, I will describe the conditions of tourist facilities in St. Moritz, and on the other, I will analyze the main competitive indicators.

1.2 Tourist facilities

I will now analyze in detail the conditions of four groups of activity: accommodation structures, ski areas, public facilities and communication ways.

1.3 Accommodation structures

St. Moritz became a tourist resort towards the second half of the 19th century. In 1920 the location had approximately 4,500 hotel beds, compared with the present-day 6,000. The accommodation mix is made up mostly of high-quality structures, with over 50% of beds in the four and five-star hotel group. During the sixties, new hotels are developed in the destination leading to an increase in the number of beds equal to about

25%[1], thereby just exceeding a total 6,000 beds. During the seventies the number of beds rose slightly, but then dropped during the eighties below the 6,000 mark. Moreover, hotels have had some difficulties in maintaining the quality levels of the past. Refurbishing costs are often compounded by the constraints of old structures or the need to preserve some historical features. Overall, hotel structures may be described as "mature".

The trend of non-hotel structures is however quite different. In 1960 St. Moritz had about 1,000 beds, which rose to about 3,000 in 1970, exceeded 5,000 in 1980 and reached almost the 7,000 towards the end of the decade.

1.4 Ski area

The ski area of St. Moritz is developed mainly around three areas: Corviglia, Corvatsch-Furtschellas and Pontresina-Diavolezza (Lagalb). Corviglia is the largest area, in terms of ski lifts, runs and number of tourists and encompasses four ski areas: Corviglia, Marguns, Suvretta and Piz Nair.

From a historical point of view, the Engadine region became established in the world of alpine skiing as of 1948 following the Winter Olympics. The first ski lifts of Corviglia were built in those years. The Chantarella rack railway has existed since 1913, but it was used almost exclusively to serve the customers of the hotel having its same name. As evidenced by the growth of winter tourists, there has been a boom in winter vacations especially in the course of the seventies. Growing demand has led to the gradual enlargement of the Corviglia, followed by the building of the Diavolezza and lastly the Corvatsch, completed between 1975-76.

In this period of expansion in St. Moritz, development has been very steady: ski lifts, runs, the number of skiers transported uphill per hour and above all the potential and reference markets have grown. These conditions extend well into the mid-eighties, until the growth of the skiing market reached a stalemate.

The entrepreneurial development of the fourteen companies operating in the three ski areas is tied mainly to local capital, due also to the large stake held by the Municipality. The legal status of the companies has often favored the inflow of foreign capital (chiefly German and Italian), although generally in the form of minority stakes. The only two exceptions are the ski lifts of Corvatsch owned by the Greek family Jacobs and the Corviglia-Piz Nair section.

At the onset of the nineties, the infrastructure basically consists of second generation ski lifts, scarcely functional with respect to the changed needs of skiers. In addition to the aforementioned downward trends, customers increasingly seek integrated offers and have shortened their average length of stay. Furthermore, growing international competition has reduced the possibility of transferring rising operating costs on the price of sale.

1.5 Public facilities

The long tourist history of this destination is mirrored by significant infrastructure, which includes investments in both public (such as the underground parkhouse) and sports facilities. The latter require, in some cases, investment in infrastructure (e.g. the

[1] To this regard, see the figures shown in the "Jahresbericht" (1992/93, p.92).

bob run, Cresta Run or the Olympic ski jump) or the need to meet equipping costs (cross-country ski tracks, horse racing on the iced lake).

The operation of these facilities, especially tourist and sports facilities, falls under the competence of either KVV or the Municipality. Operating costs are often high, as are the investments needed to adapt infrastructure to the changed needs of customers or ensure routine and extraordinary maintenance. Co-ordination between the tourist board and the Municipality is limited and sometimes conflicts arise that have a negative impact on operating costs.

1.6 Communication ways

The communication ways of this tourist location make it necessary to consider road, railway and air links.

1.6.1 Road Links

St. Moritz may be reached via the following road links: Julier, Maloja, Bernina, Füelapass and Albula. All the roads, excluding the Albula, can be used both in summer and winter. However, given the altitude, during the winter links may be precarious or require particularly careful driving. The Julier and the Füelapass are the main arteries for foreigners. The Italians, who account for the third segment of the location, mainly use the Maloja or the Bernina. The latter also ensures access to the Diavolezza-Lagalb ski area.

1.6.2 Railway Links

The location is crossed by three main railway lines, namely: i) the St. Moritz-Poschiavo-Tirano (Bernina Express); ii) the St. Moritz-Filisur-Chur line; iii) the St. Moritz-Scuol line (recently upgraded following the opening of the Vereina).

Railway links tend to be scarcely used by local customers, as confirmed by numerous interviews, with the exception of elderly tourists, mostly Swiss nationals. The trains of the Rhaetian railways (hereinafter referred to as Rh.B) are however an important attraction that can capture the interest of a large group of visitors for whom the train itself is the “destination”. This flow of visitors then tends to swarm into St. Moritz, especially during the summer season.

1.6.3 Airline Links

The Samedan airport was built in 1935 prompted by the most important hotel owners of St. Moritz, who believed that in the future, customers would arrive by air rather than by road. Scarce passenger traffic and growing operating costs immediately gave rise to budget difficulties and forced the management to transfer part of the airport to the Swiss army.

Today, the airport handles traffic of about 20,000 passengers per year and is operational only during the two tourist seasons: in winter, from December to Easter and in summer, from July to September. The geographical location, however, makes links uncertain in case of adverse weather conditions and often the airport is closed suddenly. Traffic is concentrated mainly over the weekends and the flights are used almost exclusively by upscale customers staying in five-star hotels or in the most exclusive private villas. The flight mix may be broken down as follows: 35% helicopter flights;

10% jet flights; 5% turboprop flights; and the remaining 50% private flights. Despite the reduced operation of the airport, the customer bracket served is considered strategic to the destination and capable of remunerating the most exclusive structures, with important spin-offs for its brand and exclusiveness. At present, the airport can also serve the so-called "small jumbos" that carry up to 80 passengers or Boeings 737.

1.7 Competitive results

Competitive results are analyzed on the basis of statistical data broken down per season, nationality and type of accommodation structure. The historical series focus on the decade 1980/81-1989/90 (figure 1). However, owing to the long tourist history of St. Moritz this decade should be fitted in the broader context of long-term trends.

1.7.1 Annual competitive results

The tourist flows in St. Moritz include two main offer segments: hotels and non-hotels (para hotellerie). In terms of percentages, the former account for about 80% of overall tourist flows (from the standpoint of the number of visitors), while the latter account for the remaining 20%. The percentage for hotels has risen slightly, but steadily during the eighties.

The number of visitors has diminished throughout the eighties, interrupted in part during the last season. The non-hotel sector has featured a significant drop (-14%), while the hotel sector only a slight decrease (-1%). A review of tourist flows in terms of *arrivals* shows some good dynamism: total structures have increased by 28%. However, in this case, the gap between hotels and non-hotels is even more significant: the former feature a 36% rise in arrivals, while the latter a 14% drop.

The balance of the average length of stay over the decade is negative: the length of stay has decreased from 5.4 days (1980) to 4.0 days (1989). Customers tend to spend a longer period of time in non-hotel structures where the average length of stay has remained virtually unchanged throughout the decade. Hotels, instead, have featured a significant decrease (-28%).

1.7.2 Winter competitive results

St. Moritz is an alpine resort, visited chiefly in winter, with a weight of winter flows amounting to approximately 60% of the total. During the eighties, the number of tourists in winter has fallen by 13%. If the total is broken down according to the nature of the offer, then we will see that the hotel sector decreased 12%, while the non-hotel sector by 19%.

As far as *arrivals* are concerned, the winter season features good dynamism (+10%), thanks to the excellent performance of hotels (+13%) that have managed to offset the drop in arrivals of non-hotels (-10%). The arrival mix is characterized by the sizeable share of hotels, which account for 87% of overall accommodation. Differently, the *average length of stay* has diminished considerably (-21%), due to the reduction of both non-hotels (-10%) and hotels (-22%). The shortening of the length of stay seems to span across the entire time series and become more significant towards the second half of the decade.

Figure 1. St. Moritz: Competitive results.

Winter season	Summer season
Hotellerie & Parahotellerie	
LS 1989: 6,9 days (1980: 5,5 days)	LS 1989: 3,0 days (1980: 4,0 days)
% weight of winter season: 63% (80), 58% (89)	% weight of summer season: 37% (80), 42% (89)
OS: -13% (annual decrease: -4%)	OS: +11% (mean annual decrease: -4%)
A: +10%	A: +47%
LS: -21%	LS: -24%
Hotellerie	
% weight of hotellerie: 79% (80), 80% (89)	% weight of hotellerie: 74% (80), 79% (89)
OS: -12% (mean winter decrease: -13%)	OS: +18% (mean summer increase: +11%)
A: +13%	A: +59%
LS: -22% (OS 1989: 5,1 days)	LS: -26% (OS 1989: 2,6 days)
Foreigners (only hotellerie)	**Foreigners (only hotellerie)**
% weight of hotellerie: 71% (80), 70% (89)	% weight of hotellerie: 63% (80), 63% (89)
OS: -13% (mean winter decrease: -12%)	OS: +18% (mean summer increase: +18%)
A: +11%	A: +61%
LS: -22% (OS 1989: 5,4 days)	LS: -26% (OS 1989: 2,3 days)
Italians (only hotellerie)	**Italians (only hotellerie)**
% weight of Swiss: 29% (80), 30% (89)	% weight of Swiss: 37% (80), 37% (89)
OS: -8% (mean winter decrease: -12%)	OS: +17% (mean summer increase: 18%)
A: +17%	A: +54%
LS: -22% (OS 1989: 4,4 days)	LS: -24% (OS 1989: 3,1 days)
Legend: OS (Overnight Stays), A (arrivals), LS (Length of Stays)	

Source: Own analysis of KKV data.

1.7.3 Summer competitive results

The percentage weight of the summer season has featured a significant rise in the course of the decade, up from 37% to 42%. This result is tied to the excellent performance of the summer season and the slight drop in the winter season.

As far as the *number of tourists* is concerned, there has been an overall 11% increase, favored by the rise in the number of tourists staying at hotels (+18%) which offset the drop in the non-hotel sector (-7%). In this case too, the mix highlights the significant weight of hotels which host 80% of all tourists.

As to *arrivals*, there has been a considerable overall growth (+47%) driven by hotels (+59%) but weighed down by the decrease of the non-hotel sector (-19%). Lastly, regarding trends in the *average length of stay* there has been a considerable overall decline (-24%), although the non-hotel sector rose by 14%, while hotels decreased by 26%.

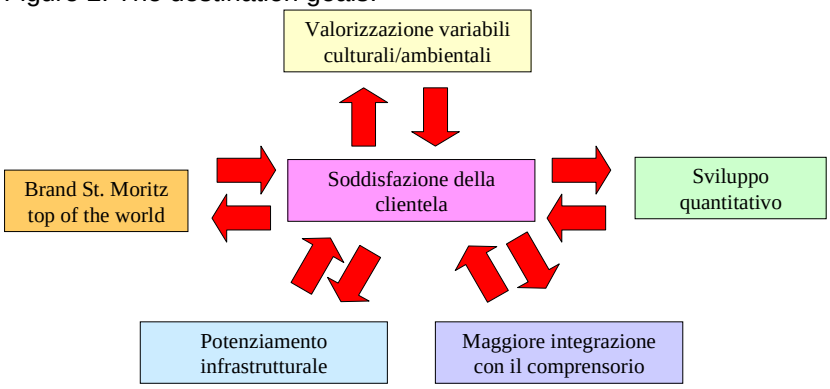
2. ACTION LINES

Following this overview, figure 2 shows the key goals of St. Moritz, taking into due consideration both the information collected on the field, internal documents and quantitative sources.

2.1.1 Customer Satisfaction

One of the first basic aims is the satisfaction of customers who already come to this tourist location. Although this goal may seem obvious, it entails many consequences and has therefore been placed in the middle of the figure below. Customer satisfaction means initiating customer retention and word-of-mouth processes, with repercussions on both repeaters and the attraction of new customers that can be easily understood. Moreover, customer satisfaction means managing the complex product system of the destination from all points of view.

Figure 2. The destination goals.



Source: Own analysis.

2.1.2 The St. Moritz brand

The second goal concerns the St. Moritz brand management. As confirmed by some recent marketing surveys, it is the best known destination on both the German and Austrian markets[2]. As will be discussed in further detail later on, its brand is backed by over 70 years of history and a clearly ambitious logo "top of the world". The key aim of this destination is the development and safeguard of its exclusive position; KVV is the institutional player to achieve this aim and the organization of great events the most concrete tool.

[2] The results of the survey have shown that St. Moritz is the best known destination for winter sports by German skiers (11%), followed by Garmisch-Partenkirchen (8%) and Kitzbühel (6%). In a second question, interviewees were asked whether they knew St. Moritz: 90% answered in the affirmative and the main reasons for knowing this destination included its exclusiveness (78%), elegance (76%), the people who go there (76%), its altitude (72%) and its modern facilities (66%). The data are summed up in the brochure "Why do visitors come to St. Moritz?" by the General Manager, which however fails to provide information on interviewees.

2.1.3 Increasing Occupancy Rates

The third goal translates the first two into quantitative terms and concerns setting important occupancy rate targets. According to the president of KVV, St. Moritz should seek to achieve saturation of its accommodation capacity equal to 70%, compared with the current rate of 62%-63%. This goal is then broken down into the consolidation of the winter season and the enhancement of the summer season. It is important to underline that some factors, such as the geographical location (altitude) and competitive setting (exclusiveness) may be considered strengths during the winter, but weaknesses during the summer[3].

2.1.4 Upgrading Infrastructure

The fourth aim, closely related to the previous ones, is the development of the infrastructure of the location. I have already given an overview of the long history of this destination and thus mentioned the need to modernize and rationalize facilities to the changed needs of customers. This process has involved various local supply-side elements during the nineties, however many works have yet to be completed. The organization of the 2003 World Skiing Championships is an excellent opportunity to speed up this process and plan new works. The need for ongoing growth is also tied to the position of St. Moritz and, above all, its brand: defining oneself "top of the world" requires continuous investments and the creation of new products and services.

2.1.5 From destination to district

The fifth goal concerns the gradual opening of the destination to the Upper Engadine (Oberengadin) tourist district. This process is supported by various stimuli: from a purely promotional point of view, to be able to reason in terms of a district, would help significantly reduce the costs of various initiatives, organize more effective activities and make a more attractive and diversified offer. Then there are economic and financial reasons relating to the sharing of the costs of some services provided by St. Moritz but that generate value for the entire area. An example of this, which will be described in further detail later on, is the ski area of Corviglia.

2.1.6 Cultural and Environmental Variables

The sixth aim is to develop an environment-friendly attitude and more generally enhance the local culture, based on ancient history and different cultural stocks[4]. As far as the environment is concerned, it is important to mention the choice of using mainly wood for the building of the new Ludains Ice Arena, in order to reduce the environmental impact of this building located near the lake, and of equipping it with a complex system of photovoltaic cells.

[3] The occupancy rates of the destination are higher in winter than in summer.

[4] Among the strengths of the offer of St. Moritz, Danuser mentions the cosmopolitan nature of the town, which is a melting pot of three different cultures: Swiss-German, Ladin and Italian.

3. THE STAKEHOLDERS

Having described the competitive setting of the destination at the beginning of the nineties, I will now identify the players involved in strategic management. Amongst the many public and private players who have metamanagement roles, the Kur-Verkersverein (hereinafter referred to as KVV), established in the summer of 1864[5], is of particular importance. In the next sections, I will analyze the following: the tasks of this body, its organization, control mechanisms and financial resources.

3.1 The Tasks of KVV

The statutes of KVV lay down, under article one, that the tourist board is an association (and thus regulated by art. 60 of the Swiss Civil Code) based in St. Moritz. Under art. 2, the aim of the board is to attract visitors to the location and make sure they enjoy their stay. This task has to be fulfilled together with the Municipality and other tourism-promoting organizations present both in and out of its territory. In the second part of the article, the aim of KVV is broken down into seven groups of activities; in particular KVV has to:

- ✓ Run a "well documented" information bureau;
- ✓ Make offers to guests, together with other organizations operating within the Municipality, the Region or outside. KVV should also inform people about tourist initiatives, so as to develop "tourist awareness" (Tourismus-Bewussteins der Bevölkerung);
- ✓ Encourage and support the cultural, sports, social and folk life of the town in the interest of tourism;
- ✓ Supervise the activities of the Municipality, agencies, tourist bureaus and more generally all public and private organizations that provide tourist services;
- ✓ Safeguard the interests of members;
- ✓ Oversee the image of town, using and controlling the "St. Moritz top of the world" logo correctly. KVV is also required to check that the symbol of the sun, the logo of the town and other distinctive symbols are not applied on products and services, the image and quality of which are not in line with that of St. Moritz;
- ✓ Collect, manage and check the payment of the tourist tax (in compliance with municipal regulations) and the business tax.

3.2 KVV Members

The role of control authority and administrator played by KVV has its roots in the complex organization of the tourist board. Art. 3 and subsequent articles identify three types of members: i) "active", ii) "passive" and "promoters", iii) "honorary". Both persons and legal entities are eligible to become members in any of the three foregoing categories, providing they undertake to comply with the legislative and statutory duties of the tourist board. The status of member for all three categories is conferred by the General Meeting.

[5] The innumerable factors that account for the logo of St. Moritz "top of the world" include a broad range of activities through which the destination has distinguished itself either as a first mover or because it has achieved excellent results. These activities include KVV as the major tourist board of Switzerland.

3.3 KVV Bodies

Having cleared the aims of KVV and identified the main types of members, I will now describe the various bodies that support its actions. The fourth part of the statutes, namely articles 11-28, introduce six different bodies, of which the most important are: i) the General Meeting (Generalversammlung) and ii) the Board of Directors (Vorstand).

3.3.1 The General Meeting

Article 12 of the statutes lays down that the General Meeting should convene at least twice a year, at the end of the summer season (5th September) and during the winter season (15th January)[6]. The duties of the General Meeting are regulated by article 13 which establishes the following functions: i) approval of the yearly report, ii) approval of the balance sheet and budget, iii) determination of taxes and contributions due by members, iv) appointment of the president and eight members of the board of directors, v) appointment of the members of the supervisory bodies and two members of the management control commission (GPK), vi) assessment of the proposals made by the board of directors, asking for further details if necessary, vii) decisions regarding the admission and withdrawal of members, viii) amendments to the statutes, ix) disbandment of KVV.

The General Meeting adopts decisions with a relative majority and no minimum quorum in attendance is required[7]. Each member is entitled to a single vote; the Municipality of St. Moritz boasts 20 votes in the General Meeting. The president chairs the General Meeting too and, in his absence, is replaced by the vice president. The decisions adopted by the General Meeting are transcribed in a report, which is later recorded, thus becoming an "official document".

The functions attributed to the General Meeting clearly make it an institutional player and thus the body, which the board of directors turns to for approval of its actions. Furthermore, the two ordinary General Meetings are also an important opportunity for informing about, judging and approving the activities of the tourist board

3.3.2 The Board of Directors

The Board of Directors is made up of 12 persons, of which eight members and the president are chosen by the General Meeting, while the remaining three by the Municipality. Article 16 fixes very detailed criteria for the members appointed by the General Meeting, lying down that 5 should represent hotels and 2 non-hotels, retailing and industry. Each member holds office for three years and may be elected for a second term.

The Board of Directors meets when summoned by the president and the general manager of KVV is entitled to participate, even though only in his advisory capacity. The decisions have to be taken with a relative majority of members, providing however that the president or vice president are present.

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[6] The same article establishes that an "extraordinary" General Meeting may be convened on the request of the Board of Directors or of at least one fifth of members, with at least 14 days prior notice, by means of a written summons.

[7] However, a qualified majority of two thirds is required for decisions involving amendments of the statutes or the disbandment of KVV.

Article 19 details the functions of the board of directors; the main duties include the following: i) appointing the presidents and members of the commissions, ii) drawing up the work plan, iii) signing labor contracts and establishing the duties of directors and managers, iv) is a party to all the activities tied to management, v) decides the consideration of the General Manager and each member of staff[8].

3.4 The Financial Structure

KVV funding is based essential on three sources: i) the tourist tax; ii) taxes paid by businesses iii) promotion taxes. Of these, the most important one is undoubtedly the tourist tax, given the high volume of revenues it guarantees.

Figure 3. Tourist tax paid by accommodation structures.

A. Hotels	
5 stars	Fr. 4.10
4 stars	Fr. 2.85
3 stars	Fr. 2.50
2 stars	Fr. 2.10
1 star	Fr. 2.10
B. Non-Hotels	
Holiday homes	Fr. 2.40
Flats	Fr. 2.40
Private rooms	Fr. 2.40
Owners of such facilities	Fr. 2.40
C. Camp sites	
Groups of youths aged between 12 and 20	Fr. 0.85
Youths aged 12+	Fr. 1.20
D. Car parks and tent grounds	Fr. 1.20

Source: Gesetz (1991, art. 7).

The mechanisms used to calculate taxes, the competent bodies and the services that the receipts have to finance are regulated by a regulation issued by the Municipality of St. Moritz on 1st May 1991 (no. 1248) and its relative implementation rules also of 1st May 1991.

Article 1 lays down that health and holiday destinations are subjected to two taxes: i) the tourist tax and ii) the promotion tax. In principle each guest, taking into account the exceptions under art. 4[9], has to pay the tourist tax (art. 2) which is calculated on the basis of the number of visitors (art. 3).

The regulation provides for three different kinds of tourist tax, depending on the nature of the accommodation structure, distinguishing between hotels, non-hotels and camping grounds, as well as car parks and tents. Table 3 shows the relative rates.

As far as the promotion tax is concerned, it is calculated in two different ways depending on the type of business. In the case of structures offering accommodation services, it is always calculated in proportion to the number of guests, whereas in the case of business, as defined under art. 5 c) (retailers, restaurants, services companies, banks, insurance companies, railway companies, cableway-operating companies and

[8] Article 19 lays down other 6 secondary functions.

[9] Under article 4, there are 5 categories of guests exempted from the tourist tax: i) children aged below 12; ii) persons staying to fulfil military duties; iii) persons on school field trips; iv) persons staying with friends; v) press officers, agency staff and bus drivers.

independent professionals such as architects, engineers, physicians and so on), it is calculated in proportion to the number of employees[10].

Given the heterogeneity of the businesses included in this second category (and hence the different product value), art. 9 b) breaks them down into five categories. For each category there is a fixed tax and a variable, progressive tax based on the number of employees. The overall amount collected is shown in the balance sheet under taxes paid by businesses (Betriebsertrag).

The tax collection mechanisms also make it possible to distinguish between taxes paid by customers (tourist tax) and taxes paid by businesses (in the dual form of promotion and business tax).

Figure 4. Criteria to calculate KVV revenues.

A. Type of Business
Distinction between accommodation structures and other businesses
B. Degree to which production capacity is used
Accommodation businesses pay the tourist tax and promotion tax according to the number of beds provided and sold
C. Quality Level
Accommodation businesses of different quality levels pay a different unit tax based on the number of tourists
D. Size of Business
Non-accommodation businesses pay a fixed tax and a variable tax based on the average number of employees
E. Added Value Structure
Non-accommodation businesses pay a different fixed tax and a different levy per bracket of employees depending on the category to which they belong

Source: Own analysis.

Therefore, there is a very broad tax basis, as well as rather complex taxation mechanisms, summed up in the figure above.

3.4.1 Operating Mechanisms

The analysis of the yearly reports has evidenced a planning and control system based on budgeting, reporting and variance analysis. This control has grown over time, as a result of the increased complexity of KVV and the need to improve efficiency and curb operating costs. However, the management and staff salary system of the board is not tied to the fulfillment of competitive or economic and financial targets.

4. THE DESTINATION FACILITIES: PUBLIC INFRASTRUCTURE

After having cleared the competitive setting of St. Moritz in the early nineties, outlined the organizational and financial structure of KVV and identified the goals of the destination, I will now discuss the strategic process in further detail, identifying the

[10] Given the fluctuations in the number of employees during the year, due to seasonality effects, art. 6 provides for an average number of employees per year, calculated as follows:

Number of employees x length of contract in months

decisions and actions that have been taken. This paragraph will focus on management processes relating to public infrastructure and services and, in particular, the following activities : i) communication ways, ii) local viability, iii) urban facilities, iv) sports facilities.

4.1.1 Communication Ways

As mentioned earlier in section 1.6, the destination may be reached via road, railway and air links. During the nineties, the latter two have undergone profound changes.

The *Rhaetian Railway* has built the Vereina railway tunnel to transport cars and buses by rail. The tunnel, the cost of which amounted to approximately CHF 800 million[11], allows customers from the Lower and Upper Engadine to reach their destinations even when adverse weather conditions hinder links by car or make them very risky. The impressions gathered through the interviews reveal that the railway link fails to meet the needs of the customers of St. Moritz, who use the Vereina only when the Julier is closed to traffic. To this regard, the insistence with which the Upper Engadine has asked to keep the Füelapass open (kept closed last winter to "divert" tourists to the railway tunnel) is extremely symptomatic.

As far as *air links* are concerned, towards the end of the nineties the idea of expanding the airport surface to introduce airline and charter flights was put forward[12]. Recently, the management has drawn up a master plan that includes the economic and technical assessments of the enlargement of the runway and hangar. The upgrading of the airport would help develop instrument flight and overcome the problem of adverse weather conditions. The project requires CHF 87 million overall[13], but was set aside in 2000 following the withdrawal of an important private investor. These financial difficulties have been compounded by the opposition of environmentalist groups that call for the shutting of the airport or at least its reduction. The project is instead supported by the local hotel owners who see the creation of airline and charter flight traffic as an important development opportunity.

4.1.2 Local viability

The local viability of the destination does not entail particular problems, excluding those that arise when special events are organized. The building of the large car park near the Corviglia cable railway and the pedestrianization of the town center have greatly improved life in the location. Moreover, these decisions have been backed by the existence of several uphill transportation systems and an efficient public transport service. To encourage residents to use public transport, the Municipality of St. Moritz offers season tickets at a very low price; the difference between operating costs and the

[11] Estimated final costs (price base 1999) approx. CHF 800 mio (www.rhb.ch/Autoverlad/Vereina/medien.html).

[12] In September 2000, the big plans of the destination included the upgrade of the regional airport Engadine-St. Moritz-Samedan.

[13] "In a short period of time, the military will renounce to the Samedan airport and sell the buildings on its property. The Genossenschaft Flugplatz Oberengadin (GFO) is not financially in the position to procure the necessary amount of money to buy the real estate and to finance the buildings which should be newly erected. This task will be taken over by the recently founded Alpine Airport Building Corporation (AABC), which will subsequently lease the real estate to the GFO. The finances should be procured as far as possible by local private investor and businesses" (AABC, 1999, p. 3).

price of the ticket is covered by the local government[14]. Recently the local government has decided to extend the pedestrianization of the town center by closing the "Via dal Vout" to car traffic. The cost of related actions amount to CHF 500,000 and have been entered in the 2004 budget.

4.1.3 Urban facilities

Urban facilities are currently managed exclusively by the local government. These include the casino, the camping grounds and the covered car park. As far as the casino is concerned, the Municipality intends to introduce the "Grand Jeux" at the Parkhotel Kurhaus[15]. Furthermore, the building of a new covered car park, the "Parkhaus Serletta" is being considered[16]. However, the huge investment that the Municipality has to sustain has raised uncertainty as to the time needed to complete the works (to this regard, see the next section which includes some economic and financial considerations about the local government).

4.1.4 Sports facilities

The sports facilities of the destination are broad-ranging and extremely diversified and consist of the following: i) Olympic ski jump; ii) cross-country ski track and network of walks; iii) bob run; iv) cresta run; v) horse-racing infrastructure; vi) ski lifts; vii) horse-riding facilities; viii) ice rink; ix) curling; x) swimming pool; xi) rifle range; xii) golf.

The aim of this section is not to discuss management aspects in detail, but rather to map existing facilities. It is clear that these two aspects are closely related, but the destination has preferred to keep them distinct. Whereas, in the past it was chiefly KVV that identified, assessed, built (and financed) sports facilities, over the years, this task (and related burdens) has been transferred to the Municipality. The growing building and maintenance costs were no longer compatible with the financial resources of the tourist board. The Municipality has accepted this evolution, but has assigned the task of running these facilities to KVV, with a view to increasing the competencies of the tourist board and creating synergy with promotional activities. At present, this organization and management model is being carefully assessed by the local government: the growing costs of maintenance, upgrading and new investment are increasingly incompatible with the financial resources and management capabilities of the Municipality. In order to assess the sustainability of financial commitments, a five-year financial plan has been drawn up (Finanzplannung 2001-2005, appendix IV). The structure of revenues and expenses of the Municipality tends to produce growing operating deficits. The situation is further compounded by the significant commitments of the Municipality in terms of investments, which are incompatible with current self-

[14] "We consider it important to educate and encourage our citizens to use public transport and contribute to avoiding congestion in our town. The Municipality offers a season ticket at a pegged price, covering the difference between the real price of the service and the one charged to residents. On a yearly basis, this benefit requires the appropriation of about CHF 800.000" (Nold).

[15] This is a large hotel, owned by the Municipality that has not been used for several years.

[16] The 2001-05 financial plan estimates the cost of the car park at CHF 31 million; the proceeds of the sale of Villa Serletta, estimated at approximately CHF 10 million, have to be deducted from this figure. The works should begin in 2002 (with a commitment of CHF 2 million) and go on for two years (expenditure of CHF 29 million).

financing levels. The solution adopted involves the massive use of external capital, the cost of which will weigh on the municipal budget, due to the effect of amortization and financial charges.

5. PRIVATE INFRASTRUCTURE AND SERVICES

This area encompasses three main groups of activities: i) ski lifts; ii) accommodation structures; iii) retailing.

5.1 Ski area

As mentioned earlier, at the beginning of the nineties, the ski infrastructure requires thorough upgrading as most of the facilities are now obsolete. Moreover, it is necessary to upgrade infrastructure according to the changed needs of customers and add snowing machines[17]. The rise in uphill transport capacity per hour and thus in the number of skiers has gradually made natural snow-covered runs inadequate. The estimate of investments underscores the significant financial resources needed, despite competitive uncertainty tied to developments in the skiers' market[18] and the decreasing percentage of St. Moritz customers who ski, currently amounting to 35%.

The operators, grouped in the AGOB consortium, have decided to make these investments and CHF 171 million were spent between 1992 and 1999. The most demanding works are the renewal of the transportation lines and the production of artificial snow (CHF 128 million), the improvement of runs and slope-preparation devices (CHF 30 million) and the refurbishing of shelters (CHF 13 million). The large sums in question, generally financed by means of bank loans, have prompted operators to stage major events to attract the attention of the international media and display the new facilities, proudly defined by operators as the most modern in Europe and the world. In order to engage in worldwide promotion, the destination has decided to stage 2001 world cup competitions, held at the beginning of the season. However, the scope of the investments made and planned has prompted administrators to organize an event having a greater impact on the media, namely the 2003 World Championships. Between 2000 and 2005, St. Moritz has planned additional investments amounting to CHF 115 million (see figure 5).

In reality, these figures conceal a number of economic and financial problems that the destination is facing. The profitability of the cableway-operating companies has changed radically during the nineties, owing in particular to the need to produce artificial snow and adopt more efficient facilities (involving higher investment and maintenance costs), and as a result of growing competition which does not allow broad variations in price and proceeds. The situation is particularly critical for ski lifts run by

[17] "The needs of customers have changed radically towards the mid-eighties. Everything has changed. As far as facilities are concerned, skiers demand the utmost efficiency and functionality. Today, T-bar lifts are no longer manufactured and even chair lifts without fairing have become almost demodé. The changes in the tastes of customers require us to review all aspects of our offer, including food. Some customers want to eat quickly to resume skiing immediately, while others seek quality products, and others yet devote more time to lunch. Often the same customer expresses all these needs during his or her stay " (Bruno Giovanoli).

[18] "Our real competitors are not other mountain resorts, but sea resorts. Of course, the growth in the number of beds in the Alps, the birth of new resorts has significantly increased competition, but the real problem are sea resorts" (Bruno Giovanoli).

the local government, where losses amount to CHF 3 million (see figure 6). The new investments underway raise questions about the evolution of this imbalance and, above all, the need to share this cost more fairly between the destinations that benefit from the Corviglia ski area[19].

Figure 5. Investments by the Mountain Railways of the Upper Engadine.

	Transportation installations	**Snow-machines and runs**	**Catering outlets**	**Total**
1992-1999 (invested)	128	30	13	171
2000-2005 (planned)	77	28	10	115
1992-2005	**205**	**58**	**23**	**286**

Source: KVV.

Figure 6. Economic and financial situation of municipal ski lifts.

	1999 Balance sheet	**2000 Budget**	**2001 Budget**
Cost of staff	4,251,378	3,900,020	4,299,155
Consumption	2,876,871	3,166,700	3,520,800
Financial charges	1,448,665	1,575,000	1,485,000
Amortization	4,103,930	4,314,500	4,275,000
Other costs	196,320	186,000	186,000
Total costs	12,877,165	13,142,220	13,765,955
Total proceeds	9,838,269	10,581,700	10,790,500
1992-2005	**-3,038,896**	**-2,560,520**	**-2,975,455**

Source: Budget der Gemeinde St. Moritz (2000, p. 53).

The situation of private companies is characterized by greater economic stability, also because they do not run transportation installations, such as cable railways. According to the president of AGOB, it is necessary to carefully evaluate the economic advantages tied to the merger of the 14 companies in a single entity. This process, however, is greatly hindered by parochialism and rivalry between the various companies.

5.2 Accommodation structures

As mentioned earlier, the destination has had great stability in accommodation over the years, especially in the hotel sector, which has settled at 5,800 beds, slightly below the level reached by St. Moritz in the eighties of just over 6, 000 beds. Differently, the

[19] "The difficulties of municipal ski lifts raise many questions. The first question we asked ourselves is whether this loss could generate value for other tourist activities. This is why we commissioned a study from the Engadine Academy and they confirmed that the value created by the ski lifts exceeds the losses incurred by the Municipality. However, this raises a second question that is to say how can we share this cost amongst the various destinations that benefit from these facilities. I know this is a complex question, but we ought to find an answer because the municipal budget has more and more difficulties in covering these costs " (Nold).

non-hotel sector (para hotellerie), which accounted for 6,800 beds in 1990[20], has grown significantly and reached the 7,300 mark.

This evolution raises some questions regarding the ideal ratio of hotels and non-hotels and more generally, regarding the optimal carrying capacity of the destination. It is important to bear in mind that, compared with hotels, the contribution of non-hotels is greater in terms of beds, but lower in terms of number of visitors[21].

The evolution of the hotel sector in the nineties may be ascribed to the following factors:

- ✓ *Modernizing existing hotels*: many hotels have carried out works to raise standards, thereby bridging the gap between customer expectations and offer. This process is cross-sectional at all quality levels and concerns both "top[22]" and middle-segment hotels;
- ✓ *Maintaining the quality mix*: the offer is based on an accommodation mix consisting mainly of high quality facilities: 5 star hotels account for 22% of overall beds and 4-star hotels for 30%, for a total in excess of 50%[23]. One and two-star hotels account for 13% of beds in St. Moritz. It is important to note that the contribution of four- and five-star hotels in terms of the number of visitors amounts to about 50% and confirms the exclusiveness of the destination;
- ✓ *Reopening of the Kuhrhaus*: a project is being discussed, to renovate and reopen the Kuhrhaus, a large hotel owned by the Municipality. Among the various projects being considered, there is one combining a spa and casino.

5.3 Retailing

The competitive position of the destination has fostered the development and consolidation of upscale retailing. In fact, the outlets of the major fashion designers and exclusive jewelers can be found in St. Moritz. In addition to these exclusive stores, there are others specialized in serving the average customer (accounting for about 50% of hotel guests).

6. NEW PRODUCT DEVELOPMENT

This is one of the most important areas of the destination management of St. Moritz, which in the course of its long history has introduced many innovations later taken up by other resorts too. New products tend to be more and more events, especially sports events, even though in recent years cultural events have taken root very quickly.

[20] To this regard, see the analysis in the "Jahresbericht 1998/99", p. 43.

[21] The hotel sector accounts for a volume of approximately 850,000 visitors (excluding inevitable yearly fluctuations), while the non-hotel sector (considering jointly rentals, estimates and camping) for just over 400,000 visitors.

[22]"The Suvretta House Hotel was renovated during the summer 2000 at a cost of CHF 22 million and will be opening with numerous additional salons, a magnificent indoor pool and a wellness spa. Renovation and construction work has also been undertaken at Badrutt's Palace Hotel, the Kulm Hotel and several others" (Danuser, press release).

[23] Venzin wrote: "Nearly half the hotels in St. Moritz belong to the five-, or four-star category. In comparison to Gstaad with 272, St. Moritz clearly positions itself in the top segment, with 1,214 beds in five-star hotels" (1997, p. 170).

6.1 Analysis of the main products developed

By focusing attention on the development process of new products, it is possible to identify two large families:

- ✓ *Creation of all-inclusive tourist packages*: these include initiatives at local level, at various levels (KVV, AGOB and individual hotel owners) and at regional level (Swissair, Svizzera Turismo, Graubünden Ferien, Best of the Alps);
- ✓ *Organization of events*: these include sports and cultural events.

6.2 All- inclusive Packages

The destination has initiated the development of packages with varying success. The three groups providing such packages are: KVV, AGOB and individual hotel owners. I will know describe the actions undertaken by the first two.

6.2.1 KVV Packages

KVV has set up its own reservation channel. The management has welcomed the idea of creating packages and selling them directly to customers, focusing more on the seasons with the lowest occupancy rates. The direct and indirect marketing of these packages by the tourist board has proved to be an important channel, boosted by the web site too. The results, however, have been quite disappointing. The operational marketing manager, Mr. Salm, believes that this failure should be ascribed to two factors: one tied to the inconsistency between product and target customers and the second tied to the contents of the same package.

As far as the first factor is concerned, it is believed that customers contacting KVV generally have a clear idea of the type of holiday they want and are mainly interested in finding out whether accommodation is available (in hotels and more infrequently in non-hotels) in terms beds. The board has had contacts above all with upscale customers who are scarcely interested in discounted packages at the tail end of the season.

As to the second factor, the marketing manager views the fact that the packages offered concern St. Moritz only ex-post facto negatively. Packages for the entire Upper Engadine district would have been far more attractive. Furthermore, the proposed packages are far too rigid and therefore difficult to adapt to the specific needs of customers.

6.2.2 AGOB Packages

AGOB is a consortium set up, above all, to offer a single ski-pass for all three ski areas to the customers of St. Moritz. Over the years, the association has extended its field of action by developing a booking service and by creating packages. This decision was taken, following the difficulties in developing integrated marketing within the Upper Engadine region, to curb the duplication of facilities. According to the General Manager of AGOB, Mr. Giovanoli, the rivalry between the various destinations is far too high to favor a destination management approach at district level. The consortium has therefore decided to begin developing its own marketing structure. The development of packages has become necessary to meet the needs of customers seeking a global product, rather than individual services (e.g. ski lifts). The market has also suggested extending the scope of the offer from St. Moritz to the rest of the Upper Engadine, in order to meet the needs of those who prefer a less expensive or quieter location. The

excellent commercial success, together with the large financial resources of AGOB for promotion, have gradually extended the network of services provided, now summed up in three catalogues (one in German, one in Italian and one in English). Today the AGOB products include the following valleys: Engadine, Valposchiavo and Bregaglia. The commercial success is tied to the massive work carried out by the association at international tourist exhibitions and fairs and its relations with numerous tour operators and agencies[24]. The private nature of AGOB has also favored great management flexibility with service providers, especially accommodation structures. Some of these merely communicate the number of available beds in the low season, others leave all their beds to the association throughout the entire season, while others only a share. As the General Manager has underlined, to ensure such flexibility *ad hoc* contracts have been drawn up with each operator, in order to make this co-operation all the more useful for accommodation structures too[25].

6.3 Organization of events

As mentioned earlier, St. Moritz boasts a great tradition in the organization of new events. The list shown in Table 7 includes only the main sports events, but could be much longer if cultural events were taken into consideration (Gourmet Festival, St. Moritz Design Award, Jet Set & Power People, Snow & Symphony, just to mention a few).

In this paragraph, I will discuss the process underlying this creativeness. By examining the process in further detail, it is possible to define a sort of development model that may be summed up in the following stages:

- ✓ *Idea*: this is the simplest and yet most important aspect of the process. The experience of the destination has shown that an idea can originate from either the bottom or the top (although historically the former way seems to be more fruitful) and that its generation is generally tied to a passion. Snow & Symphony is the product of the passion of a local pianist, Inline Skating of the curiosity of the General Manager of KVV (Venzin, 1997, pp. 177-179); other ideas stem from the ongoing dialogue between the location and its environment[26];
- ✓ *Development of an idea*: the location, and more specifically KVV, has created a sort of incubator for new ideas, in the form of a committee in charge of developing the idea in the embryo into an event. Given the different choices made according to the specific nature of the idea, the interviews suggest that some important guidelines are followed. One of these concerns the responsibility for the

[24] In 1999/00 AGOB took part in 30 tourist fairs, of which 10 in Germany, 13 in Italy, 5 in Switzerland, 1 in Holland and one in England (Geschäftsbericht, 1999/00, p. 9). This confirms that the association is focusing on the three main segments of St. Moritz and, more generally, of the Upper Engadine.

[25] "We have realized that the needs of operators in the accommodation sector are extremely varied and complex. Traditional tour operators ask for rooms for the entire season and often for all the rooms of a structure (also because it is difficult to have both organized and independent customers). This mechanism is unacceptable to those who have independent customers. So, we understood that one of our strengths could be the ability to fully back this diversity, by customizing the sale of our packages according to the needs of each structure" (Giovanoli).

[26] "One morning, while I was having breakfast at the bar, I ran into a friend from St. Moritz, who had just returned from England where he had tried to play cricket. He was enthusiastic about this experience and believed that we too should organize this event. We started to think about it seriously and then we got the idea of using the iced lake of St. Moritz" (Berthod).

project, which is hardly ever taken by a member of KVV, but rather by the person who had the idea, in collaboration with some entrepreneurs in the tourist sector. A second aspect pertains to the enhancement of the idea from a tourist point of view; on the one hand, the event has to be in line with the overall position of the location and its critical success factors[27] and, on the other, it has to foster the growth and consolidation of the number of visitors during a given season. Some examples will help clarify the importance of these guidelines: the Gourmet Festival helps promote local gastronomy (an extremely important value for customers) and raise the number of tourists in the month of February, when occupancy rates decline. The British Car Meeting increases the exclusiveness of St. Moritz and, from the standpoint of tourism, helps develop the British segment and more generally raise occupancy rates in the month of July;

- ✓ *Launching an event*: once the idea has been developed and finalized from a tourist point of view, the event is launched using the most appropriate marketing tools (to this regard, see the next paragraph). At this stage, KVV backs the development of a communication strategy, albeit always indirectly. The event is not internalized by the tourist board, but rather some members of staff having specific skills are transferred part-time to the working group for the event[28];
- ✓ *Support Period*: the launch of a new event generally entails high costs in the first few years, but gives no certainty as to results (competitive, economic and financial). This is why the tourist board financially supports new products for the first three years. The allocated sum has to be quantified by the organizing committee and cost items justified in detail[29];
- ✓ *Autonomy of the project*: the new product is generally financially supported by the tourist board for three years, after which it has to be able to be self-financed. Often, financial autonomy is achieved through a mix of the proceeds of registration, and above all, advertising, often in the form of sponsorships.

7. PROMOTIONAL STRATEGY

The promotion of a destination may be analyzed thoroughly by distinguishing two levels: strategic and operational marketing.

7.1 Strategic Marketing

Strategic marketing pertains mainly to the management of the competitive position of St. Moritz and falls within the competence of KVV and its General Manager in

[27] Venzin wrote: "The formulation of the idea to market Inline Skating in the form of a marathon event was based on a careful examination of how the key success factors (natural environment, comfort, events, spirit, ambience, culture) might be used. A new product is introduced only if it is built upon one or more key success factors: that is what distinguishes St. Moritz from its competitors" (1997, p. 179).

[28] "Generally, the event attracts the interest of a group of people, who through friends and relations, become a motivated team. To transfer this organizational machine within KVV would mean losing that impetus and adding additional tasks to our already overburdened organization " (Durchletta).

[29] "We prefer to avoid financing formulas whereby KVV allocates 50,000 francs or a certain percentage of overall costs, in order to avoid any form of automatism. The financial participation of the board has to be requested by the team developing the new product, which also has to quantify the sum needed, in addition to documenting it. The amount requested will then be discussed by the board that may either accept, refuse or change it. This procedure tends to increase the efficiency of the committees and restrict financial participation to the bare minimum" (Salm).

particular. This level deals mainly with decisions regarding: i) "top of the world" brand management, ii) the choice of reference segments, iii) the management of relations with other locations in the district.

Figure 7. Key events.

1880	*First Curling Tournament on the Continent*
1882	*First European Ice-Skating Competition*
1885	*First Modern Winter Sport: Cresta (Skeleton)-Run*
1889	*First Golf tournament in the Alps on the Continent*
1890	*First Bob Run*
1906	*First Horse Race on Snow*
1907	*First Horse Race on an iced Frozen Lake*
1928	*First Olympic Games in Switzerland*
1929	*First Ski-School in Switzerland*
1934	*First Alpine Ski World Championship*
1948	*Second Olympic Games in Switzerland*
1948	*Second Alpine Ski World Championship*
1969	*First Engadine Ski Marathon*
1974	*Third Alpine Ski World Championship*
1978	*First Engadine Windsurf Marathon*
1979	*First Golf tournament on a Snow-covered Iced Lake*
1985	*First Polo-tournament on a Snow-covered Iced Lake*
1989	*First Cricket-tournament on a Snow-covered Iced Lake*
1991	*First Bob-run Skating Race*
1994	*First Windsurfing World Cup for Professionals in the Alps*
1994	*First British Classic Car Meeting*
1995	*First Polo World Championships in the Alps*
1996	*First Inline Skating Marathon*
1998	*First World Sports Forum*
2003	*Fourth Alpine Ski World Championships*

Source: KVV (Some highlights, 2000).

7.1.1 St. Moritz top of the world

The distinctive features of the destination are tied to the brand (the sun in the two versions) and logo (St. Moritz top of the world). The brand has its roots in the past, especially the "Brand Use Rules", the first official version of which is dated 1937, with the two versions of the sun, big and small, and the captions (the sun of St. Moritz written in German, English, Italian and French) (Brand Rules, 1999, p. 6).

The logo was created more recently and is tied to the initiative taken by the General Manager of KVV. Fearing that such a challenging slogan would not be met with the full approval of the local community, Danuser decided to put it to the vote during a general meeting and asked participants to suggest possible alternatives. Although many did not agree with the slogan entirely, they were unprepared to find a viable alternative and so Danuser's proposal was approved by the general meeting. To define onself "top of the world" has entailed and still entails a huge responsibility for the destination as a whole and for individual players, because the logo does not allow for any compromise: it presents itself as the best and has to prove that it is the best.

The slogan creates expectations even among habitual customers, who account for two thirds of all visitors, because ongoing innovation is expected from a top of the world resort. An example of this pressure is the list of activities that document the records set by St. Moritz.

Moreover, the nature of the logo restricts possible future variations to it: whatever the change in communication, the effect would be of no longer presenting itself as "St. Moritz top of the world". The registration of the name St. Moritz has also allowed KVV to use the name and logo of the destination on some exclusive product lines or services, creating two positive effects: i) large-scale advertising at no additional cost, ii) licensing agreements tied to the use of the name[30].

7.1.2 Reference Segments

The competitive position of the destination is closely connected to the contents of its logo: St. Moritz intends to propose itself as the "last real Epicurian and hedonistic paradise where beautiful people of a certain standard from all over the world meet" (Danuser). The reference target customers are the jet set and their reference structures are four- and five-star hotels (which account for 22% of the beds of the destination). The remaining customers, in excess of 80%, are the result of this choice of position[31]. The key marketing tools to back this objective (as will be explained later on, when discussing operational marketing in further detail) are events and their development along innovative lines.

7.1.3 Towards a district vision

St. Moritz presents itself increasingly as a destination capable of promoting and boosting the tourist image of the Engadine. This process is based on a number of considerations. Firstly, the district image raises the critical mass of attractions that can be used in external communications[32]. Secondly, there is the delicate issue of assessing the spin-offs for tourism in the Region generated by the activities of St. Moritz. The problem of ski lifts and the losses caused by those owned by the Municipality have already been discussed in the section on private infrastructure (see §5.1). These losses weigh indirectly on the inhabitants of St. Moritz, while the advantages are extended to the whole Engadine region. Similarly, the idea for and organization of major events produce positive externalities in the nearby locations, but their costs fall almost entirely on St. Moritz. This transition is met with problems that are not easy to overcome: cultural resistance inherent in the traditional parochialism between the different villages of the Upper Engadine, differences in the tourist services offered which require different

[30] "In order to protect and perpetuate its good name, St. Moritz has committed patent, top-of-the-line licensing partners: the watchmakers and jewelers Chopard, Geneva; Pommery Champagne, Reims; the German opticians association Marketinggemeinschaft Deutscher Augenoptiker MDA (all since 1987); The Domaines Barons de Rothschild (Lafite), Paris (Bordeaux Cuvée St. Moritz); Forester SA, Milan, for cosmetics. Further licensing agreements are currently in elaboration" (70 Years St. Moritz Sun Logo).

[31] "The St. Moritz superbrand revolves around a customer segment which accounts for approximately 30%-40% of winter tourists, equal to about 20% of total customers. Ordinary people account for the remaining percentage. The contribution of this top segment to the destination is very important: it supports the prestige of St. Moritz and its most famous facilities and is an effective tool to attract other customers. «Top» customers visit us mainly in winter" (Salm).

[32] "In the past, we realized that if we presented ourselves only as St. Moritz, we would have a very small number of visitors in the other villages included in the district" (Wetzel).

kinds of marketing, technical difficulties in estimating the value of positive externalities and their monetization.

7.2 Operational Marketing

Operational marketing tools consist of the following: i) printing and disseminating literature, ii) sales, iii) participating in exhibitions and fairs, iv) external communication.

7.2.1 Printing and disseminating literature

St. Moritz offers customers a unique vacation and a multitude of innovative proposals to choose from[33]. The role played by KVV in disseminating information is therefore very important and based on the printing of *ad hoc* literature and the ongoing meeting with tourists already present in the location through the bureaus open to the public. Within this group, the price list is of particular importance.

The St. Moritz price list does not have anything new compared with the lists produced traditionally by other destinations. From the standpoint of contents, the price list includes hotel accommodation for a given season (winter or summer, while non-hotel structures are not included), main events, communication ways and useful information about the destination (highlights). Graphically, the price list is of a very high standard: beautiful color photographs, glossy paper and a broad array of attractions.

Its real strength, which makes it also an important marketing tool lies in the specific content of each element of the offering. The numerous events and their originality, well documented by pictures, emphasize the exclusiveness and uniqueness of the destination. This feature is set out very clearly in the introductory note written by the General Manager of KVV: "The Telegraph Travel Awards rated St. Moritz as «The Best Ski Resort in the World» - an absolute superlative. But St. Moritz is much more than a ski resort. St. Moritz offers such a wide range of activities, events, exciting things to do and interesting sights to see, that your winter holiday is destined to become an extraordinary experience – as it can only be in St. Moritz".

7.2.2 Sales

I have already mentioned the setting up of a direct sales channel (booking and purchasing of rooms) when discussing the creation of all-inclusive packages (§ 6.2). I would like to stress the importance of this tool with a view to fulfilling quantitative objectives (incremental growth of winter occupancy rates, growth and subsequent increase and consolidation of summer tourism), which serves as a link between promotion in the broad sense of the term and the activity of choosing performed by customers, with significant spin-offs in terms of lower costs and flexibility for accommodation structures. As to lower costs, for this service KVV charges 8% of the price of sale which is far lower than the fee charged by intermediaries (ranging between 20%-25%). As to flexibility, I have already touched on the complex hotel customer structure in terms of both segments and seasonal distribution and that as a result, the traditional services offered by intermediaries are scarcely attractive (often TOs require

[33] "St. Moritz will organize over 150 official events in its 137th winter season. In addition, the large hotels, the neighboring villages and the Engadine valley organize their own events" (St. Moritz events, 2000/01).

all rooms or their promotion throughout the season). On the contrary, this kind of service can support internal sales more effectively, as unsold rooms or seasons that are more difficult to sell are handed over to the KVV network. Furthermore, the close tie created between sales, promotion and planning of events is all the more evident.

Lastly, the setting up of local sales channel is a *conditio sine qua non* to develop a district rationale that would make it possible to present a group of destinations on the market that customers can then easily contact through direct channels and tools.

7.2.3 Participation in exhibitions and fairs

St. Moritz is represented in the major tourist fairs and exhibitions of the world chiefly by KVV and AGOB, often in co-operation with institutional partners, such as Rh.B., Graubünden Ferien or Svizzera Turismo. To avoid duplications, the tourist board and AGOB tend not to attend the same fairs.

7.2.4 External Communication

The strategic marketing guidelines that identify the jet set as the reference target group and major events as the main marketing tool have some important implications from the standpoint of the allocation of resources. After having deducted organization- and staff-related expenses, the KVV budget offers only a limited sum for sales in the strict meaning of the term[34]. The destination has tried to overcome this problem in the following ways: i) partnerships, ii) licensing, iii) editorials; iv) presentations.

As far as partnerships are concerned, I have already underlined that St. Moritz tends to integrate its offerings and communication in the broader area of the Engadine (even though, in fact, it is the Upper Engadine), pooling the budgets of the various local tourist boards and drawing on the resources of the district bodies (such as the Engadine Region, Svizzera Turismo or Graubünden Ferien). This alliance plays a key role, especially in maintaining contacts on traditional markets, especially in Europe.

As to licensing, I have already discussed the "top of the world" brand (§ 7.1.1). Here, it is important to mention that the extent to which selected firms target a customer group that is similar in terms of affinity to that served by St. Moritz increases the benefits for the latter. Moreover, the decision of restricting the number of partners increases the prestige of the sponsorship and thus the resources that can be obtained. The KVV management has also involved a partner in each of the reference markets of the destination: Switzerland, Germany, Italy and France. The proceeds thus collected help meet the expenses for the registration and protection of the brand[35].

Regarding the role of editorials, these are the tool used by the KVV management to monitor mature markets, together with district promotion and important events. Again, this is consistent with the competitive position of the destination: to present onself as the "top of the world" boosts the interest of the press and thus the efficacy of editorials.

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[34] The analysis of the KVV balance sheet confirms that of revenues amounting to approximately CHF 6.5 million, a little more than half a million is spent for promotion in the strict meaning of the term. This sum therefore has to cover the two seasons, the various reference markets and a volume of tourists of about 1.2 million.

[35] "To protect the «St. Moritz top of the world» brand from forgery or unauthorized use, implies considerable legal expenses. Licensing proceeds allow us to finance these costs " (Duschletta).

Their efficacy is strengthened by the relations which the location has with the media, that systematically receive the press releases written by KVV[36].

Concerning presentations, this helps maintain relations with the press, companies and intermediaries. This activity often does not have a short-term commercial spin-off, but in the long run has frequently fostered significant collaboration.

The key weakness in the current promotional strategy is the difficulty in managing sudden changes in the purchases made by customers, often tied to adverse weather conditions (such as a rainy summer or a winter with little snow). According to the marketing manager, in these cases, it would be necessary to have an additional amount of resources to be used promptly on the traditional customer influx markets.

8. INTERNAL MARKETING

The product of the destination revolves around a multitude of players having relative strategic and competitive independence, although customers perceive it in a unitary way. The complexity of this process is further compounded by the existence of diverging interests between the various operators, often competing against each other to acquire customers[37]. In order to favor a convergence of different partial interests relating to some of the major underlying goals of St. Moritz, several internal marketing initiatives have been taken[38]. Here, I would like to focus on i) the tools, ii) the contents, iii) the underlying problems. The first two are analyzed jointly, identifying the main contents delivered for each tool. The third point is a brief, cross-sectional analysis.

8.1.1 Internal marketing tools and contents

Having acknowledged that KVV attaches great importance to internal marketing and that therefore the tools used are numerous, four key information channels may be identified: i) Engadiner Post, ii) KVV – Bulletin, iii) presentations, iv) informal gatherings.

The tourist board of St. Moritz uses this daily newspaper, of which about 8,500 copies are printed and distributed mainly in the Upper Engadine. Every week, KVV has two columns on the second page on Tuesdays, Thursdays and Saturdays. The feature is edited by Claudio Duschletta (PR manager) and sometimes it is the General Manager who writes the texts. The high local circulation of the paper makes it possible to promptly inform the local community of St. Moritz and neighboring communities[39]. As

[36] In writing this case, I have often made reference to these documents. "Often many journalists receive our press release and transcribe it word by word in their respective newspapers or ask us for a brief interview. In this way, we have succeeded in carving out space for ourselves in the major magazines and newspapers of the world and spent very little" (Duschletta).

[37] Consider, for example, the case of ski lifts: within the destination, there are 14 companies and the overall collected proceeds are shared according to the number of skiers recorded by individual systems. If the numbers are equal, different distribution will give rise to a different share. If alternative services are taken into consideration (bob, curling, cross-country skiing and walks) the scope of competition is extended.

[38] "In a hedonistic world it might appear like a miracle to some outsiders that the tourist board manages to mobilize a large part of the community. Yet, Danuser states that in a federalist network it is never possible to get 100% «desirable» behavior. He considers 60% to be acceptable" (Venzin, 1997, p. 170).

[39] "The Engadiner Post is a very effective communication tool, given its good local circulation. Furthermore, almost everybody reads it. At noon I often receive phone calls of appreciation or criticism

to the contents of this column, they tend to be informative, respond to contingent problems or present opportunities that are opening up. The efficacy of this marketing tool is strengthened by the regularity with which it is used.

The KVV – Bulletin is an information leaflet distributed to all KVV members and partners[40] every two months (for a total of 6 issues per year). This publication sums up the figures of the past season, the activities carried out, staff member developments and includes a national and international press review.

The KVV staff organize seminars, on a regular basis with local groups to present activities and projects in the pipeline. For example, a number of seminars have been held by the General Manager and were addressed to the senior citizens of the town (Senioren).

Internal marketing also avails itself of numerous informal communication events. I would just like to mention the following initiatives as a mere example:

- ✓ *Meetings with tourist operators*: at the end of the winter season, the Palace Hotel in St. Moritz organizes an "End of the season party". On this occasion, it is possible to book rooms for 30 people for a buffet at an affordable price (for the 2001 party the overall cost per room is CHF 750). KVV has extended the invitation to its staff, allowing each to bring a friend along. The importance of the event lies in its informality which often allows many tourist operators or ordinary citizens to talk to the KVV management[41];
- ✓ *KVV staff gatherings*: the front-office staff has to do a tough job, dealing with customers continuously in a polite and professional manner. In order to maintain this balance, the management of the tourist board organizes informal gatherings, such as moonlight skiing or mountain biking;
- ✓ *Open doors*: this is an internal marketing initiative that allows all citizens (including tourist operators) to visit the tourist board, where they will find all the doors open, including the door to the office of Mr. Danuser. This initiative is organized occasionally, every two or three years, and allows all those who are interested to see the workings of KVV, meet its managers and assess its technical and organizational structure[42].

8.1.2 The underlying themes of internal marketing

Although internal marketing responds to numerous stimuli and addresses contingent issues, it reflects a number of leitmotivs, namely:

- ✓ *Consolidating the culture of tourism*: the economy of St. Moritz (and more generally of the Upper Engadine) depends on tourism in all its forms. One of the basic aims of internal marketing is to keep this bond in mind and understand its

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for the things written. This shows that readers are interested in our judgements. This interest is also confirmed by the number of phone calls we get when our press releases contain some inaccuracies " (Duschletta).

[40] The January '01 issue was sent to 385 members and 68 partners.

[41] "Often many people feel there is quite a gap between their status and that of our General Manager. These informal gatherings are very important because they help bridge this gap and allows us to receive suggestions or criticism that otherwise we would not have" (Duschletta).

[42] "Many operators and citizens think that the tourists come to St. Moritz because there is snow or because we are world famous and underestimate the work of KVV to support these results. This internal marketing event is important because it helps visitors understand the many things we do. For example, it is important to prepare a video with the highlights of all the things accomplished, because often these are ignored " (Duschletta).

consequences in terms of behavior. This is the purpose of the training courses addressed to the public transport staff (see § 9.2), or the speeches delivered at the beginning of the year by Danuser at the ski schools or the presentations addressed to citizens involved in other economic activities. This cultural consolidation however is often confronted with a perception of tourism at national level that is not always positive;

- ✓ *Developing "soft" variables*: two critical success factors can be identified in meeting staff needs: one tied to the contents of the hard variables (mainly: structures and professionalism of labor) and one tied to the contents of the soft variables (emotional charge and passion of staff). According to those concerned, St. Moritz boasts an undisputed excellency as far as the former are concerned, but much progress has to be made with regard to the latter[43];
- ✓ *Team building*: this goal may be broken down into two levels: at tourist board level, the aim is to build a united team, where, in addition to process efficiency, there are also the personal relations typical of a team; at destination level, the aim is to establish ties and relations between the various tourist operators.

9. TRAINING

The training requirements of the destination may be broken down into two main areas:

- ✓ Training of entrepreneurs in the tourism business;
- ✓ Training of staff.

9.1 Training of Entrepreneurs

The long tourist tradition of St. Moritz (137 winter seasons and an even longer experience in the summer seasons) is reflected in a class of very qualified entrepreneurs, especially in the hotel sector. In-house training is ensured by the fact some hotels belong to major hotel chains. These factors have reduced the need for training of management significantly[44]. I would like to stress the importance of some internal marketing initiatives, that, given their contents, tend to raise the awareness of entrepreneurs.

9.2 Training of Staff

Staff are trained by individual tourist operators, especially hotel owners. However, the seasonality of the destination raises some issues tied to the length of employment and turnover, which does not favor investment in training. The problem concerns above all higher quality structures, which, on the one hand, have to offer the highest service

[43] "In German service derives from two words: dienen (to serve) and Leistung (fulfillment, efficiency). We are very good as far as Leistung is concerned, we have very efficient facilities and know how to keep standards high. We have more shortcomings as far as dienen is concerned. A Swiss waiter, for example, prepares and manages a table efficiently, but is not very talkative with customers, he lacks a little emotional charge " (Duschletta).

[44] "Often our hotel owners have attended internationally renowned schools, such as the one in Lausanne. Our impression is that there is little need for vocational training and that often they help us develop our long-term development vision for the destination" (Duschletta).

standards, but on the other hand, have the highest concentration of visitors, due mainly to a short summer season.

Recently, KVV has been engaged in the training of public service employees and has underlined the importance of their job, as they are often the first to come into contact with customers. The idea has originated from the bottom: the public bus transport company has sought the cooperation of the tourist board to increase staff motivation. KVV was willing to organize a training course, providing it was not restricted to company employees, but extended to all public service employees. The course was held partly in German (through the lectures of Danuser) and partly in Italian (through the lectures of Duschletta). A buffet was held at the end of course, during which many informal relations were established and suggestions and feedback collected.

10. RESEARCH

The tourist board is not engaged in research mainly because it knows its customers very well through operational management activities. Added to this, there is also another reason of an financial nature: the scarce resources of KVV make it difficult to fund major projects, unless of course the organization of major events is reduced. Other players make up for these shortcomings, especially the district tourist boards and the Engadine Academy. The former are more involved in customer satisfaction surveys on traditional markets and in segmentation activities on emerging markets to help them focus on contingent marketing initiatives.

11. THE STRATEGIC PROCESS: BRIEF OVERVIEW

The purpose of this last section is to describe the complex workings of the strategic management process of St. Moritz.

11.1 Control Mechanisms

I would like to focus my attention on control mechanisms, which in this specific case may be classified into two groups: i) land use control; ii) district policy and strategy implementation control.

With regard to the first type of control mechanisms, metamanagement players and the Municipality in particular have several tools to regulate land use, consisting basically of permits. The long tourist tradition of St. Moritz limits the importance of this form of control, as existing infrastructure, especially private infrastructure, requires renewal and upgrading, rather than new constructions.

As to the second type of control mechanisms, these are of great importance, but the players involved are many and often lack specific hierarchical tools. As far as the players are concerned, the table of processes clearly shows that there are innumerable bodies, associations, organizations involved to a varying extent in general supervision; in reality, this complexity is even greater, considering the ties between St. Moritz, other tourist resorts and district bodies. Regarding control mechanisms, these make it possible to monitor only a few of the many variables at stake. This problem mainly concerns the activity of KVV, that is responsible for devising the “St. Moritz tourist strategy” and has found solutions chiefly through the following:

- ✓ *Top of the world*: this is certainly the major control mechanism, albeit indirect, since it constantly juxtaposes the destination and its key players with all other mountain resorts. The centricity of the brand and its strengthening through licensing have transferred this control function to the market, i.e. to customers, that demand a top of the world product. This is why this form of control is referred to as "market-tied";
- ✓ *Charisma of the General Manager of KVV*: the personal and professional skills of the General Manager, together with his thorough knowledge of the destination and the continuity of his office, make him an authoritative figure having a strong hold over local tourist operators. As the town is quite small, it is also possible to discuss the long-term development vision openly, given the network of informal relations;
- ✓ *Internal Marketing*: the high social basis of KVV allows it to come face to face with tourist operators and often the entire community during the two general meetings of the board. There are continuous follow-up to these meetings through the local media which KVV uses regularly to present its projects and ideas, thereby fuelling an ongoing dialogue.

11.2 The functioning of the management model

An empirical analysis highlights the underlying specialization in terms of players/activities: over the years the Municipality has become responsible for infrastructure; KVV for promotion, organization and development of new products, internal marketing, management of the tourist tax and statistics; the associations represent an intermediate level, with the important exception of AGOB which has a dual specialization: ticketing management and the promotion and sale of tourist packages (regional and not merely local).

Within this specialization, KVV is the body that can be best qualified as metamanager, given the importance of the processes it manages. Considering its organizational and financial structure, the tourist board has a high degree of strategic independence compared with the Municipality and its same members (see the creation of the "top of the world" logo). From the standpoint of organization, I have already highlighted the high degree of development of the various KVV structures and great professionalism of its staff[45].

The key metamanagement processes are tied to the following activities:

- ✓ *Development of new products*: they are the engine to maintain and increase the exclusiveness of the destination;
- ✓ *Sports facilities*: they concretely support the staging and creation of major events, especially sports events;
- ✓ *Ski Lifts*: they are the conditio sine qua non for the destination in the winter season and a distinctive element compared with many competitors;
- ✓ *Promotional Strategy*: this is the core of the development model of the winter position of St. Moritz tied to the jet set segment.

[45] For the purposes of this case, I have had the opportunity to interview: the President, the General Manager, the financial manager, the marketing manager, the external relations manager and the statistics manager.

11.3 Strengths and weaknesses of the metamanagement organization model

The KVV organization model has some undisputed strengths which may be summed up as follows:

- ✓ *Financial involvement of all operators*: all the operators of the destination, regardless of their profession, are either directly or indirectly involved in the development of tourism and therefore contribute to a varying extent and with different tools to the KVV budget;
- ✓ *Managerialization*: the complex organization of KVV has its core in the General Manager and his assistants, i.e. in the tourist board. We can therefore speak of the managerialization of KVV, to mean the separation between the activities of operators and the management activities of the tourist board carried out by professionals;
- ✓ *Integration with the grass roots*: the managerialization process does not appear to be alien to real life and the problems of the community (in the broad meaning of the term) since all the activities of the tourist board rest on the guidelines established by the board of directors (expression of the General Meeting) and have to be approved by the General Meeting;
- ✓ *Continuity of metamanagement functions*: in addition to favoring the use of specific skills for the various functions, the managerialization of the tourist board tends to guarantee greater management continuity, thus avoiding sudden changes in staff following elections[46];
- ✓ *Adaptation of interests*: the transparency of the process, the need to obtain broad consensus within the board of directors, the existence of management control commission and the approval of the activities of the tourist board by the General Meeting ensure tight control over the actions of KVV, thus avoiding the exploitation of resources to the advantage of special interests.

Besides these strengths, the organizational model also features some weaknesses, namely:

- ✓ *Bureaucratization*: if on the one hand the complex organization ensures professionalism and continuity of human resources, on the other hand it tends to generate the potential bureaucratization of processes;
- ✓ *Duplications*: although the tourist board has sufficient financial resources (relatively speaking), it is not the sole player called upon to perform metamanagement functions. One of the other major players is the Municipality. In the past, as the town clerk recalls, there has been a certain rivalry between KVV and the Municipality which has led to operational duplications, with consequences that can be easily be imagined in terms of efficiency and costs. This risk has been overcome, in part, by relieving KVV from the task of building infrastructure and transferring existing infrastructure run by the Municipality. The tourist board has been entrusted with the task of *managing* the various activities. Recently, the problem of duplications is arising as a result of the actions of

[46] "The continuity of the directorial team of the tourist board is another essential factor for success. It took H.P. Danuser more than five years to understand the «rules of the game» in St. Moritz. Whereas the colleagues form other tourist board change at a pace comparable to that of coaches of German soccer teams, he started to work for St. Moritz in his early thirties and has a contract until the year 2008" (Venzin, 1997, p. 172).

AGOB, especially those relating to the creation of tourist packages and promotional strategies.

11.3.1 Conditions of efficacy of the management model

A number of efficacy conditions (table 8) of the management model can be identified:

- ✓ *Financial resources*: they are sufficiently high to guarantee the autonomy of KVV and a structured organization (in terms of functions and professionalism). Regarding its autonomy, almost all the financial resources come from taxes and the management of the St. Moritz brand. These taxes are paid mainly by tourists, concern all local players and ensure a certain independence of KVV from hotel owners;
- ✓ *Competitive position*: the decision to be a destination for the jet set has significant consequences on the wealth of citizens and their businesses and, as a result, on the local government. I have already discussed specialization according to function, as a result of which the Town is very active in the field of infrastructure, that is made possible by the high level of municipal taxes[47]. This competitive position guarantees a high sum of tourist taxes;
- ✓ *Critical mass*: although St. Moritz is a resort destination, it has approximately 12,000 beds, mainly for top segment customers. The critical mass of generated resources makes it possible to support events and activities that would be unthinkable in other settings. The costs of some activities raises some issues of financial sustainability and emphasizes the need to increase this critical mass, shifting from the vision of a single destination to that of a district;
- ✓ *Brand*: as mentioned earlier, when discussing control mechanisms, the top of the world brand ensures an ongoing comparison between the offering of St. Moritz and that of competitors, thus generating pressure on all processes and players concerned;
- ✓ *Cultural variables*: the tourist tradition of the destination, together with the training of the class of local entrepreneurs, has favored some degree of opening regarding the need to foster a unitary development vision, taking into due consideration the positions of individual tourist businesses;
- ✓ *Long-term guidelines*: when analyzing the investments made by private operators (ski lifts, accommodation), the Municipality and KVV (in terms, for example, of events that can be repeated in time), long-term guidelines emerge very clearly. These guidelines have often led to trust in area management, for example, in terms of continuity of office.

11.3.2 Conditions of inefficacy

With reference to the analysis made, it is possible to identify a number of potential conditions of inefficacy of the management model:

- ✓ *Coordination problems*: research has helped identify three areas where coordination is lacking. The first concerns the relations between destination and

[47] It is not by chance that the General Manager of KVV is accustomed to proudly documenting the wealth generated by tourism in St. Moritz and showing the high amount of taxes paid by his fellow citizens.

district, the second the relations between the various destination management structures operating within St. Moritz, the third the relations between private structures responsible for the production of specific products. As far as the first case is concerned, it is important to mention, above all, the lack of coordination in the field of marketing, in the development of major events and the lack of convergence between the strategic goals of individual destinations and far-reaching goals relating to the entire Upper Engadine. As to the second aspect (coordination between the various destination management structures), it is important to stress the "conflict" between the Municipality and KVV and, more recently, the duplication of activities carried out by KVV and AGOB. With regard to the third aspect (coordination of private businesses), it is important to stress the situation of ski lifts run by 14 independent companies (AGOB manages only the ticketing and marketing services, but is not involved in the management of ski lifts);

- ✓ *Financial sustainability*: the huge investments tied to the workings of the complex tourism machine of St. Moritz give rise to growing financial difficulties for the local government, but also to positive externalities that benefit the entire Upper Engadine. The widening gap makes it necessary to devise suitable solutions to share tourist costs or to reduce investments;
- ✓ *One-way development*: the tourist model of St. Moritz is tied to a specific choice of position and a territorial marketing policy based essentially on major events capable of increasing the exclusiveness and the tradition of the St. Moritz brand as a top of the world destination.

11.4Competitive results of the nineties

11.4.1 Yearly results

The yearly competitive picture of St. Moritz shows that overall figures are stagnant.

The *hotel sector* has featured a drop in the number of tourists (-7%); however, this figure has been positively influenced by the good trends of the last seasons (especially the 99/00 season). In 1995/96 the destination reached its lowest peak (-17%). This downward trend is tied to a decrease in the number of arrivals, although the average length of stay increased slightly (+2%).

The *parahotellerie* sector has also featured a drop in the number of visitors (-15%), due to the significant decrease in the average length of stay (-38%). The length of stay has shrunk from 8.5 to 5.3 days. As far as arrivals are concerned, the balance of the decade has grown by 36%, despite negative values during the mid-nineties.

In short, the destination seems to have overcome the crisis of the mid-nineties and embarked on a new growth cycle, although it has not reached the levels from which it started off. This thesis is confirmed by figures for the current season (2000/01).

I will now analyze the evolution of winter and summer tourism, highlighting, for each, the weight of the main nationalities. Given the prevailing weight of the hotel sector, which accounts for 80% of visitors throughout the year, the analysis will focus exclusively on this type of accommodation (figure 8).

Figure 8. St. Moritz competitive results (1990-99).

Winter season	Summer season
Hotellerie & Parahotellerie	
LS 2000: 4,9 days (1990: 5,8 days)	LS 1999: 3,0 days (1990: 2,9 days)
% weight of winter season: 56% (90), 59% (99)	% weight of summer season: 44% (90), 41% (99)
OS: -4% (annual decrease: -8%)	OS: -14% (mean annual decrease: -8%)
A: +14%	A: -16%
LS: -15%	LS: +2%
Hotellerie - Winter	**Hotellerie - Summer**
% weight of hotellerie: 79% (90), 80% (00)	% weight of hotellerie: 80% (90), 82% (00)
OS: -3%	OS: -12%
A: +5%	A: -17%
LS: -8% (2000: 4,9 days)	LS: +7% (2000: 2,7 days)
Foreigners (only hotellerie)	**Foreigners (only hotellerie)**
% weight of foreigners 70% (90), 70% (00)	% weight of foreigners: 65% (90), 65% (00)
OS: -3% (mean winter decrease: -3%)	OS: -11% (mean summer decrease: -12%)
A: +3%	A: -23%
LS: -5% (2000: 5,5 days)	LS: +15% (2000: 2,6 days)
Swiss (only hotellerie)	**Swiss (only hotellerie)**
% weight of Swiss: 30% (90), 30% (00)	% weight of Swiss: 35% (90), 35% (00)
OS: -3% (mean winter decrease: -3%)	OS: -12% (mean summer decrease: -12%)
A: +10%	A: -3%
LS: -12% (2000: 3,9 days)	LS: -9% (2000: 2,9 days)
Legend: OS (Overnight Stays), A (arrivals), LS (Length of Stays)	

Source: Own analysis of KKV data.

11.4.2 Winter results

Towards the end of the nineties, the winter season, the strength of the destination, featured a drop in the number of tourists (-3%) despite the rise in the number of arrivals (+5%). This drop may be accounted for by the decrease in the average length of stay (-8%).

Winter tourism is characterized by mainly by foreign customers who account for about 70% of the total visitors, and by national tourists for the remaining 30%. In both cases, there has been a 3% drop in the number of visitors, despite the rise in arrivals, 3% for foreigners and 10% for the Swiss. In this case too, the average length of stay has diminished significantly, by 5% and 12% respectively. It is important to stress that the average length of stay is of 3.9 days in the case of national customers and 5.5 days in the case of foreigners.

11.4.3 Summer results

As to the summer season, which accounts for some 40% of tourists staying in hotels per year, there has been a 12% drop in the hotel sector tied, in this case, to a decrease in arrivals (-17%), which has been offset only in part by the increase in the average length of stay (+7%).

In terms of nationality, there has been a significant contribution of international customers, accounting for about 65% of visitors and this figure has been very stable. The evolution of international tourists appears to be very similar to that of Swiss tourists, as far as the number of visitors is concerned, which has dropped by 11% in the first case and by 12% in the second. However, the underlying reasons are different: the number of arrivals of foreigners has dropped (-23%), while the average length of stay has risen (+15%). While in the case of national customers, there has been a drop both in terms of arrivals (-3%) and average length of stay (-9%).

12. APPENDIX I – ACCOMMODATION STRUCTURES

12.1 Hotellerie and Parahotellerie

12.1.1 Annual tourism data

Figure 9. Evolution of hotellerie and parahotellerie annual overnight stays.

	Overnight											
Year	**Hotelleri**				**Para**				**Tota**			
	number	%(1980)	%(1990)	%(total)	number	%(1980)	%(1990)	%(total)	number	%(1980)	%(1990)	
1980/81	939.064	100		77%	280.325	100		23%	1.219.389	100		
1981/82	941.448	100		78%	271.675	97		22%	1.213.123	99		
1982/83	910.045	97		78%	263.164	94		22%	1.173.209	96		
1983/84	934.769	100		78%	261.537	93		22%	1.196.306	98		
1984/85	980.666	104		80%	250.153	89		20%	1.230.819	101		
1985/86	962.110	102		79%	257.277	92		21%	1.219.387	100		
1986/87	892.695	95		78%	250.529	89		22%	1.143.224	94		
1987/88	874.738	93		78%	250.484	89		22%	1.125.222	92		
1988/89	849.770	90		79%	231.874	83		21%	1.081.644	89		
1989/90	926.627	99		79%	239.855	86		21%	1.166.482	96		
1990/91	934.888	100	100	79%	242.420	86	100	21%	1.177.308	97	100	
1991/92	888.896	95	95	80%	226.437	81	93	20%	1.115.333	91	95	
1992/93	833.834	89	89	78%	234.688	84	97	22%	1.068.522	88	91	
1993/94	891.246	95	95	80%	226.675	81	94	20%	1.117.921	92	95	
1994/95	845.001	90	90	80%	213.986	76	88	20%	1.058.987	87	90	
1995/96	777.680	83	83	80%	196.993	70	81	20%	974.673	80	83	
1996/97	789.621	84	84	80%	193.698	69	80	20%	983.319	81	84	
1997/98	804.716	86	86	80%	195.388	70	81	20%	1.000.104	82	85	
1998/99	836.519	89	89	81%	193.953	69	80	19%	1.030.472	85	88	
1999/00	873.031	93	93	81%	204.981	73	85	19%	1.078.012	88	92	

Source: Own analysis of APTM data.

Figure 10. Evolution of hotellerie and parahotellerie annual arrivals.

Years	Arrivals										
	Hotellerie				Para hotellerie				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980/81	189.610	100		84%	35.202	100		16%	224.812	100	
1981/82	196.859	104		85%	33.781	96		15%	230.640	103	
1982/83	197.195	104		86%	31.053	88		14%	228.248	102	
1983/84	212.155	112		87%	30.471	87		13%	242.626	108	
1984/85	233.042	123		89%	28.835	82		11%	261.877	116	
1985/86	238.239	126		88%	31.673	90		12%	269.912	120	
1986/87	216.131	114		88%	30.606	87		12%	246.737	110	
1987/88	224.544	118		88%	29.651	84		12%	254.195	113	
1988/89	231.407	122		89%	27.769	79		11%	259.176	115	
1989/90	258.391	136		90%	30.191	86		10%	288.582	128	
1990/91	262.985	139	100	90%	28.406	81	100	10%	291.391	130	100
1991/92	233.161	123	89	89%	27.484	78	97	11%	260.645	116	89
1992/93	225.435	119	86	88%	29.768	85	105	12%	255.203	114	88
1993/94	232.013	122	88	90%	26.983	77	95	10%	258.996	115	89
1994/95	228.652	121	87	89%	27.217	77	96	11%	255.869	114	88
1995/96	219.257	116	83	90%	23.351	66	82	10%	242.608	108	83
1996/97	221.037	117	84	90%	25.606	73	90	10%	246.643	110	85
1997/98	230.714	122	88	89%	27.677	79	97	11%	258.391	115	89
1998/99	221.057	117	84	89%	27.986	80	99	11%	249.043	111	85
1999/00	239.767	126	91	86%	38.526	109	136	14%	278.293	124	96

Source: Own analysis of APTM data.

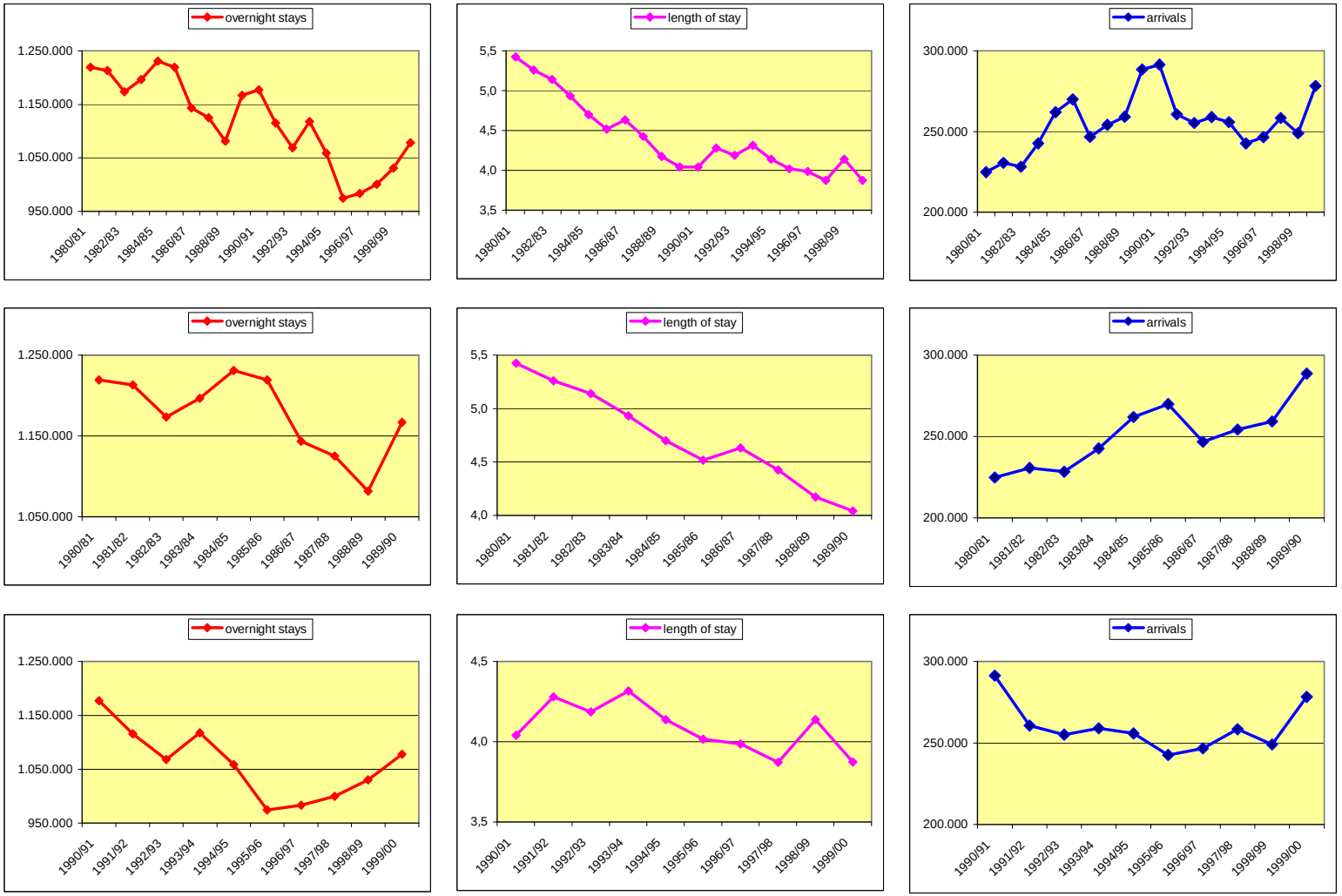
Figure 11. Evolution of hotellerie and parahotellerie annual length of stays.

Length of stays

Years	Hotellerie				Para hotellerie				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980/81	5,0	100		91%	8,0	100		147%	5,4	100	
1981/82	4,8	97		91%	8,0	101		153%	5,3	97	
1982/83	4,6	93		90%	8,5	106		165%	5,1	95	
1983/84	4,4	89		89%	8,6	108		174%	4,9	91	
1984/85	4,2	85		90%	8,7	109		185%	4,7	87	
1985/86	4,0	82		89%	8,1	102		180%	4,5	83	
1986/87	4,1	83		89%	8,2	103		177%	4,6	85	
1987/88	3,9	79		88%	8,4	106		191%	4,4	82	
1988/89	3,7	74		88%	8,4	105		200%	4,2	77	
1989/90	3,6	72		89%	7,9	100		197%	4,0	75	
1990/91	3,6	72	100	88%	8,5	107	100	211%	4,0	74	100
1991/92	3,8	77	107	89%	8,2	103	97	193%	4,3	79	106
1992/93	3,7	75	104	88%	7,9	99	92	188%	4,2	77	104
1993/94	3,8	78	108	89%	8,4	105	98	195%	4,3	80	107
1994/95	3,7	75	104	89%	7,9	99	92	190%	4,1	76	102
1995/96	3,5	72	100	88%	8,4	106	99	210%	4,0	74	99
1996/97	3,6	72	100	90%	7,6	95	89	190%	4,0	74	99
1997/98	3,5	70	98	90%	7,1	89	83	182%	3,9	71	96
1998/99	3,8	76	106	91%	6,9	87	81	167%	4,1	76	102
1999/00	3,6	74	102	94%	5,3	67	62	137%	3,9	71	96

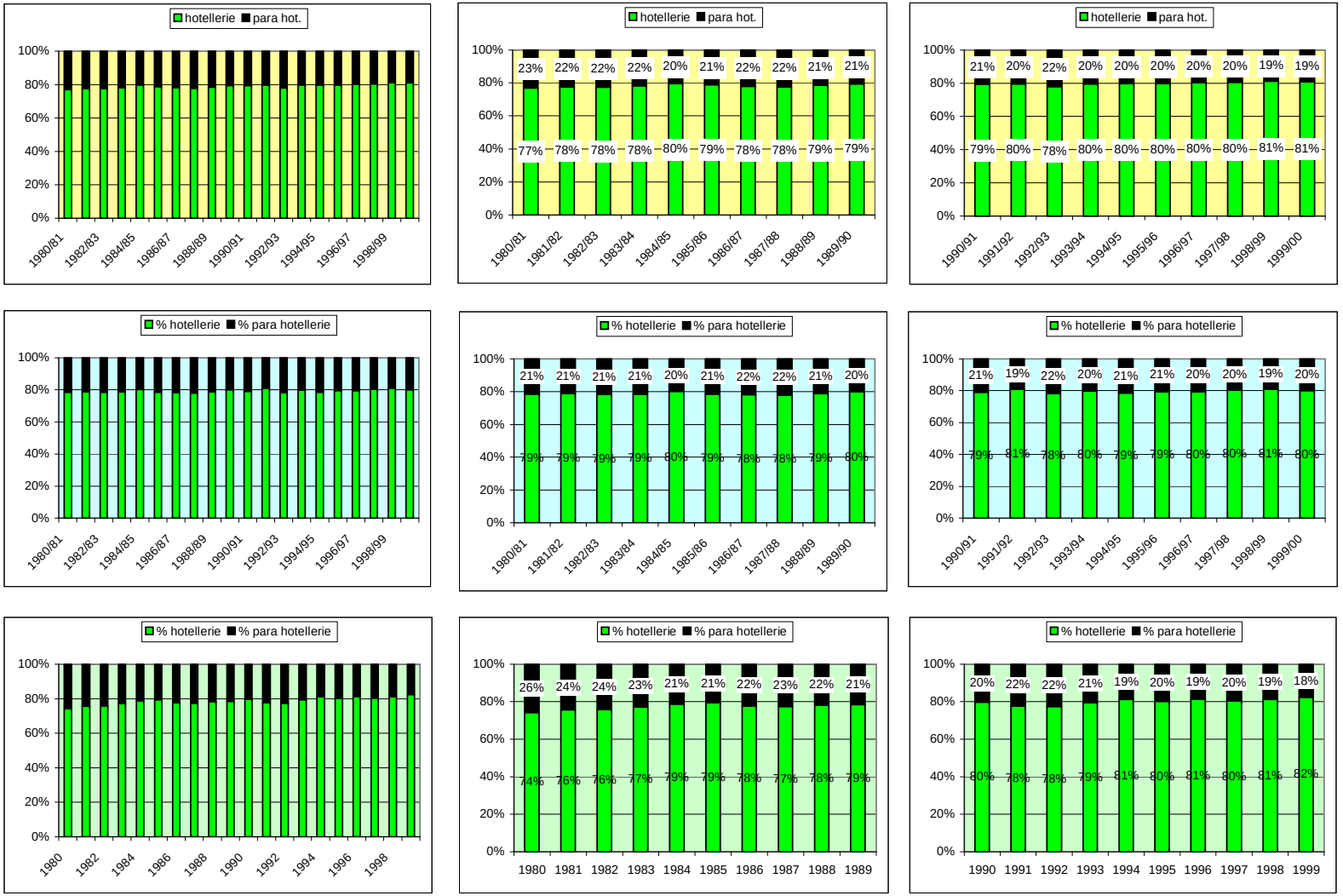
Source: Own analysis of APTM data.

Figure 12. Summary of annual tourism data.



Source: Own analysis of APTM data.

Figure 13. Percentage weight of hotellerie and parahotellerie.



Source: Own analysis of APTM data.

12.1.2 Winter tourism data

Figure 14. Evolution of winter hotellerie and parahotellerie overnight stays.

Winter	**Overnight stays**										
	Hotel				**Para hotellerie**				**Total**		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980/81	608.092	100		79%	165.468	100		21%	773.560	100	
1981/82	587.728	97		79%	158.389	96		21%	746.117	96	
1982/83	590.851	97		79%	161.727	98		21%	752.578	97	
1983/84	584.944	96		79%	158.339	96		21%	743.283	96	
1984/85	615.845	101		80%	152.082	92		20%	767.927	99	
1985/86	577.832	95		79%	158.038	96		21%	735.870	95	
1986/87	525.374	86		78%	145.814	88		22%	671.188	87	
1987/88	500.080	82		78%	141.408	85		22%	641.488	83	
1988/89	476.612	78		79%	128.742	78		21%	605.354	78	
1989/90	537.582	88		80%	133.372	81		20%	670.954	87	
1990/91	523.257	86	100	79%	138.672	84	100	21%	661.929	86	100
1991/92	535.592	88	102	81%	125.339	76	90	19%	660.931	85	100
1992/93	493.063	81	94	78%	135.792	82	98	22%	628.855	81	95
1993/94	510.810	84	98	80%	128.552	78	93	20%	639.362	83	97
1994/95	461.320	76	88	79%	125.634	76	91	21%	586.954	76	89
1995/96	434.780	71	83	79%	112.385	68	81	21%	547.165	71	83
1996/97	459.761	76	88	80%	118.456	72	85	20%	578.217	75	87
1997/98	486.170	80	93	80%	117.992	71	85	20%	604.162	78	91
1998/99	484.524	80	93	81%	112.882	68	81	19%	597.406	77	90
1999/00	508.923	84	97	80%	127.119	77	92	20%	636.042	82	96

Source: Own analysis of APTM data.

Figure 15. Evolution of winter hotellerie and parahotellerie arrivals.

Winter	Arrivals											
	Hotel				Para hotellerie				Total			
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	
1980/81	93.672	100		84%	18.410	100		16%	112.082	100		
1981/82	94.524	101		85%	17.314	94		15%	111.838	100		
1982/83	97.956	105		85%	17.960	98		15%	115.916	103		
1983/84	96.898	103		85%	17.693	96		15%	114.591	102		
1984/85	102.469	109		86%	16.965	92		14%	119.434	107		
1985/86	96.049	103		84%	18.007	98		16%	114.056	102		
1986/87	90.223	96		84%	16.745	91		16%	106.968	95		
1987/88	89.305	95		85%	15.862	86		15%	105.167	94		
1988/89	91.613	98		86%	14.665	80		14%	106.278	95		
1989/90	106.217	113		87%	16.525	90		13%	122.742	110		
1990/91	98.522	105	100	87%	15.204	83	100	13%	113.726	101	100	
1991/92	99.488	106	101	87%	14.790	80	97	13%	114.278	102	100	
1992/93	89.781	96	91	85%	16.457	89	108	15%	106.238	95	93	
1993/94	95.273	102	97	86%	15.193	83	100	14%	110.466	99	97	
1994/95	88.590	95	90	85%	15.231	83	100	15%	103.821	93	91	
1995/96	87.879	94	89	87%	13.547	74	89	13%	101.426	90	89	
1996/97	93.246	100	95	86%	15.339	83	101	14%	108.585	97	95	
1997/98	97.788	104	99	86%	15.933	87	105	14%	113.721	101	100	
1998/99	77.693	83	79	83%	15.999	87	105	17%	93.692	84	82	
1999/00	103.868	111	105	80%	25.427	138	167	20%	129.295	115	114	

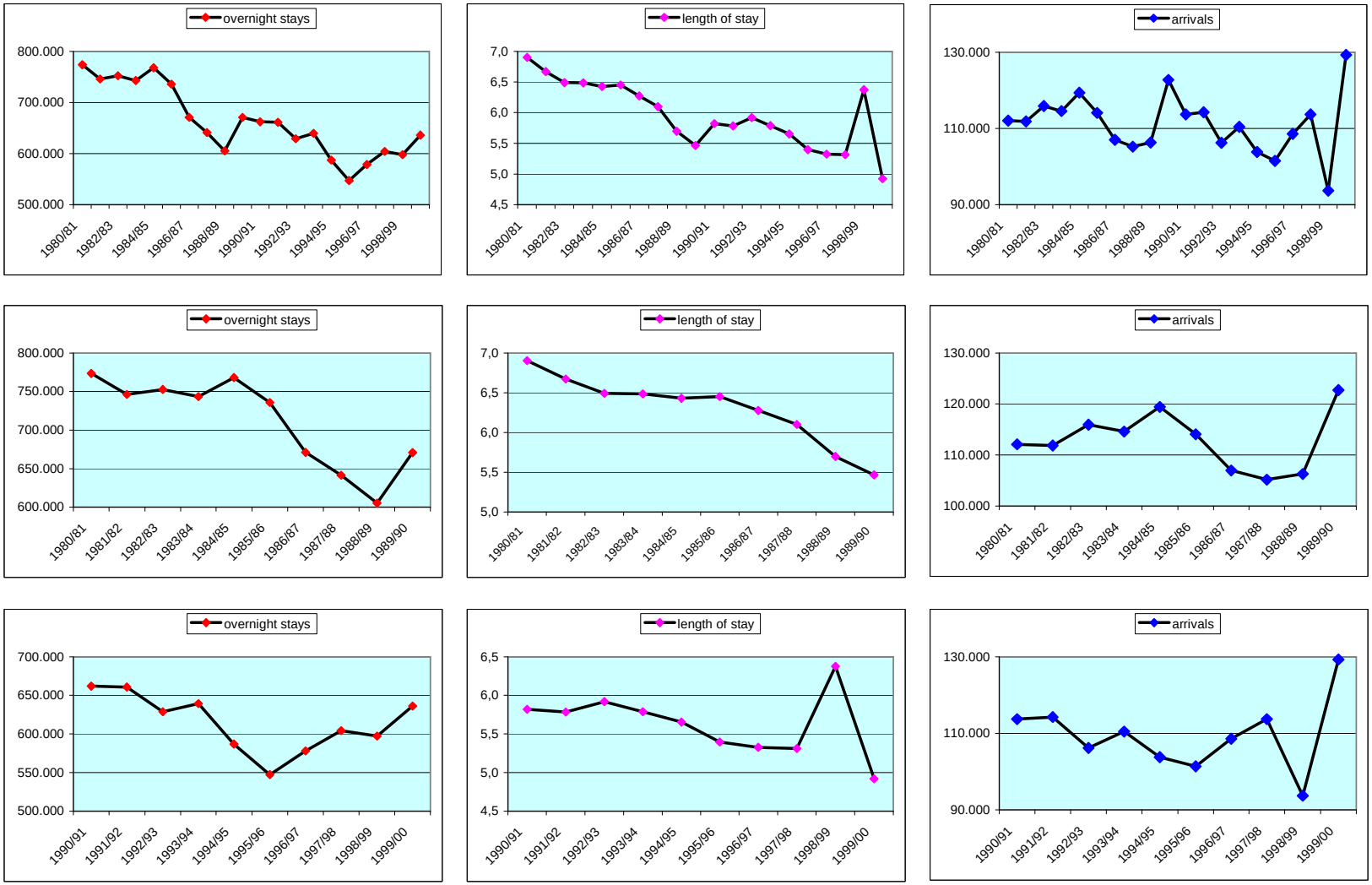
Source: Own analysis of APTM data.

Figure 16. Evolution of winter hotellerie and parahotellerie length of stays.

Winter	**Length of stays**											
	Hotel				**Para hotellerie**				**Total**			
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	
1980/81	6,5	100		94%	9,0	100		130%	6,9	100		
1981/82	6,2	96		93%	9,1	102		137%	6,7	97		
1982/83	6,0	93		93%	9,0	100		139%	6,5	94		
1983/84	6,0	93		93%	8,9	100		138%	6,5	94		
1984/85	6,0	93		93%	9,0	100		139%	6,4	93		
1985/86	6,0	93		93%	8,8	98		136%	6,5	93		
1986/87	5,8	90		93%	8,7	97		139%	6,3	91		
1987/88	5,6	86		92%	8,9	99		146%	6,1	88		
1988/89	5,2	80		91%	8,8	98		154%	5,7	83		
1989/90	5,1	78		93%	8,1	90		148%	5,5	79		
1990/91	5,3	82	100	91%	9,1	101	100	157%	5,8	84	100	
1991/92	5,4	83	101	93%	8,5	94	93	147%	5,8	84	99	
1992/93	5,5	85	103	93%	8,3	92	90	139%	5,9	86	102	
1993/94	5,4	83	101	93%	8,5	94	93	146%	5,8	84	99	
1994/95	5,2	80	98	92%	8,2	92	90	146%	5,7	82	97	
1995/96	4,9	76	93	92%	8,3	92	91	154%	5,4	78	93	
1996/97	4,9	76	93	93%	7,7	86	85	145%	5,3	77	91	
1997/98	5,0	77	94	94%	7,4	82	81	139%	5,3	77	91	
1998/99	6,2	96	117	98%	7,1	79	77	111%	6,4	92	110	
1999/00	4,9	75	92	100%	5,0	56	55	102%	4,9	71	85	

Source: Own analysis of APTM data.

Figure 17. Summary of winter tourism data.



Source: Own analysis of APTM data.

12.1.3 Summer tourism data

Figure 18. Evolution of summer hotellerie and parahotellerie overnight stays.

Summer	Overnight stays										
	Hotellerie				Para Hotellerie				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	330.972	100		74%	114.857	100		26%	445.829	100	
1981	353.720	107		76%	113.286	99		24%	467.006	105	
1982	319.194	96		76%	101.437	88		24%	420.631	94	
1983	349.825	106		77%	103.198	90		23%	453.023	102	
1984	364.821	110		79%	98.071	85		21%	462.892	104	
1985	384.278	116		79%	99.239	86		21%	483.517	108	
1986	367.321	111		78%	104.715	91		22%	472.036	106	
1987	374.658	113		77%	109.076	95		23%	483.734	109	
1988	373.158	113		78%	103.132	90		22%	476.290	107	
1989	389.045	118		79%	106.483	93		21%	495.528	111	
1990	411.631	124	100	80%	103.748	90	100	20%	515.379	116	100
1991	353.304	107	86	78%	101.098	88	97	22%	454.402	102	88
1992	340.771	103	83	78%	98.896	86	95	22%	439.667	99	85
1993	380.436	115	92	79%	98.123	85	95	21%	478.559	107	93
1994	383.681	116	93	81%	88.352	77	85	19%	472.033	106	92
1995	342.900	104	83	80%	84.608	74	82	20%	427.508	96	83
1996	329.860	100	80	81%	75.242	66	73	19%	405.102	91	79
1997	318.546	96	77	80%	77.396	67	75	20%	395.942	89	77
1998	351.995	106	86	81%	81.071	71	78	19%	433.066	97	84
1999	364.108	110	88	82%	77.862	68	75	18%	441.970	99	86

Source: Own analysis of APTM data.

Figure 19. Evolution of summer hotellerie and parahotellerie arrivals.

Summer	Arrivals										
	Hotellerie				Para Hotellerie				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	95.938	100		85%	16.792	100		15%	112.730	100	
1981	102.335	107		86%	16.467	98		14%	118.802	105	
1982	99.239	103		88%	13.093	78		12%	112.332	100	
1983	115.257	120		90%	12.778	76		10%	128.035	114	
1984	130.573	136		92%	11.870	71		8%	142.443	126	
1985	142.190	148		91%	13.666	81		9%	155.856	138	
1986	125.908	131		90%	13.861	83		10%	139.769	124	
1987	135.239	141		91%	13.789	82		9%	149.028	132	
1988	139.794	146		91%	13.104	78		9%	152.898	136	
1989	152.174	159		92%	13.666	81		8%	165.840	147	
1990	164.463	171	100	93%	13.202	79	100	7%	177.665	158	100
1991	133.673	139	81	91%	12.694	76	96	9%	146.367	130	82
1992	135.654	141	82	91%	13.311	79	101	9%	148.965	132	84
1993	136.740	143	83	92%	11.790	70	89	8%	148.530	132	84
1994	140.062	146	85	92%	11.986	71	91	8%	152.048	135	86
1995	131.378	137	80	93%	9.804	58	74	7%	141.182	125	79
1996	127.791	133	78	93%	10.267	61	78	7%	138.058	122	78
1997	132.926	139	81	92%	11.744	70	89	8%	144.670	128	81
1998	143.364	149	87	92%	11.987	71	91	8%	155.351	138	87
1999	135.899	142	83	91%	13.099	78	99	9%	148.998	132	84

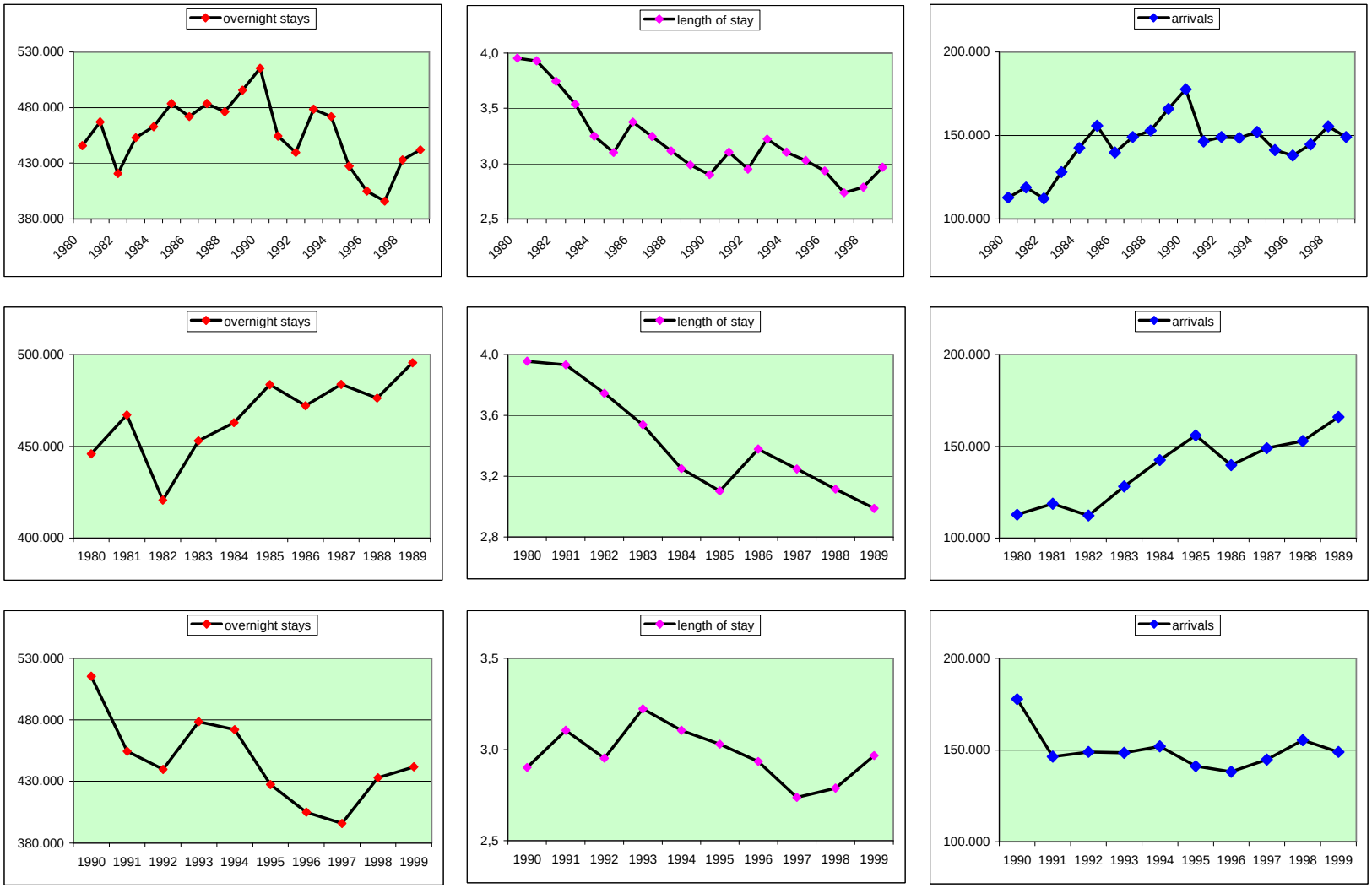
Source: Own analysis of APTM data.

Figure 20. Evolution of summer hotellerie and parahotellerie length of stays.

Summer	**Length of stays**										
	Hotellerie				**Para Hotellerie**				**Total**		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	3,4	100		87%	6,8	100		173%	4,0	100	
1981	3,5	100		88%	6,9	101		175%	3,9	99	
1982	3,2	93		86%	7,7	113		207%	3,7	95	
1983	3,0	88		86%	8,1	118		228%	3,5	89	
1984	2,8	81		86%	8,3	121		254%	3,2	82	
1985	2,7	78		87%	7,3	106		234%	3,1	78	
1986	2,9	85		86%	7,6	110		224%	3,4	85	
1987	2,8	80		85%	7,9	116		244%	3,2	82	
1988	2,7	77		86%	7,9	115		253%	3,1	79	
1989	2,6	74		86%	7,8	114		261%	3,0	76	
1990	2,5	73	100	86%	7,9	115	100	271%	2,9	73	100
1991	2,6	77	106	85%	8,0	116	101	257%	3,1	78	107
1992	2,5	73	100	85%	7,4	109	95	252%	3,0	75	102
1993	2,8	81	111	86%	8,3	122	106	258%	3,2	81	111
1994	2,7	79	109	88%	7,4	108	94	237%	3,1	78	107
1995	2,6	76	104	86%	8,6	126	110	285%	3,0	77	104
1996	2,6	75	103	88%	7,3	107	93	250%	2,9	74	101
1997	2,4	69	96	88%	6,6	96	84	241%	2,7	69	94
1998	2,5	71	98	88%	6,8	99	86	243%	2,8	70	96
1999	2,7	78	107	90%	5,9	87	76	200%	3,0	75	102

Source: Own analysis of APTM data.

Figure 21. Summary of summer tourism data.



Source: Own analysis of APTM data.

12.2 Hotellerie

12.2.1 Annual hotellerie data

Figure 22. Evolution of annual overnight stays of Swiss Tourists and Foreigners.

Overnight stays

Swiss				Foreigners				Total		
number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
297.728	100		32%	641.336	100		68%	939.064	100	
294.280	99		31%	647.168	101		69%	941.448	100	
296.366	100		33%	613.679	96		67%	910.045	97	
298.041	100		32%	636.728	99		68%	934.769	100	
282.035	95		29%	698.631	109		71%	980.666	104	
289.462	97		30%	672.648	105		70%	962.110	102	
281.941	95		32%	610.754	95		68%	892.695	95	
278.094	93		32%	596.644	93		68%	874.738	93	
270.460	91		32%	579.310	90		68%	849.770	90	
303.820	102		33%	622.807	97		67%	926.627	99	
301.132	101	100	32%	633.756	99	100	68%	934.888	100	100
293.774	99	98	33%	595.122	93	94	67%	888.896	95	95
284.685	96	95	34%	549.149	86	87	66%	833.834	89	89
292.278	98	97	33%	598.968	93	95	67%	891.246	95	95
285.917	96	95	34%	559.084	87	88	66%	845.001	90	90
260.553	88	87	34%	517.127	81	82	66%	777.680	83	83
278.020	93	92	35%	511.601	80	81	65%	789.621	84	84
274.264	92	91	34%	530.452	83	84	66%	804.716	86	86
265.387	89	88	32%	571.132	89	90	68%	836.519	89	89
278.997	94	93	32%	594.034	93	94	68%	873.031	93	93

Source: Own analysis of APTM data.

Figure 23. Evolution of annual arrivals of Swiss Tourists and Foreigners.

Arrivals

Swiss				Foreigners				Total		
number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
60.978	100		32%	128.632	100		68%	189.610	100	
63.525	104		32%	133.334	104		68%	196.859	104	
64.636	106		33%	132.559	103		67%	197.195	104	
65.937	108		31%	146.218	114		69%	212.155	112	
61.602	101		26%	171.440	133		74%	233.042	123	
65.153	107		27%	173.086	135		73%	238.239	126	
67.334	110		31%	148.797	116		69%	216.131	114	
67.743	111		30%	156.801	122		70%	224.544	118	
70.572	116		30%	160.835	125		70%	231.407	122	
82.555	135		32%	175.836	137		68%	258.391	136	
80.312	132	100	31%	182.673	142	100	69%	262.985	139	100
79.426	130	99	34%	153.735	120	84	66%	233.161	123	89
75.773	124	94	34%	149.662	116	82	66%	225.435	119	86
74.090	122	92	32%	157.923	123	86	68%	232.013	122	88
85.018	139	106	37%	143.634	112	79	63%	228.652	121	87
81.354	133	101	37%	137.903	107	75	63%	219.257	116	83
84.631	139	105	38%	136.406	106	75	62%	221.037	117	84
81.628	134	102	35%	149.086	116	82	65%	230.714	122	88
80.737	132	101	37%	140.320	109	77	63%	221.057	117	84
82.542	135	103	34%	157.225	122	86	66%	239.767	126	91

Source: Own analysis of APTM data.

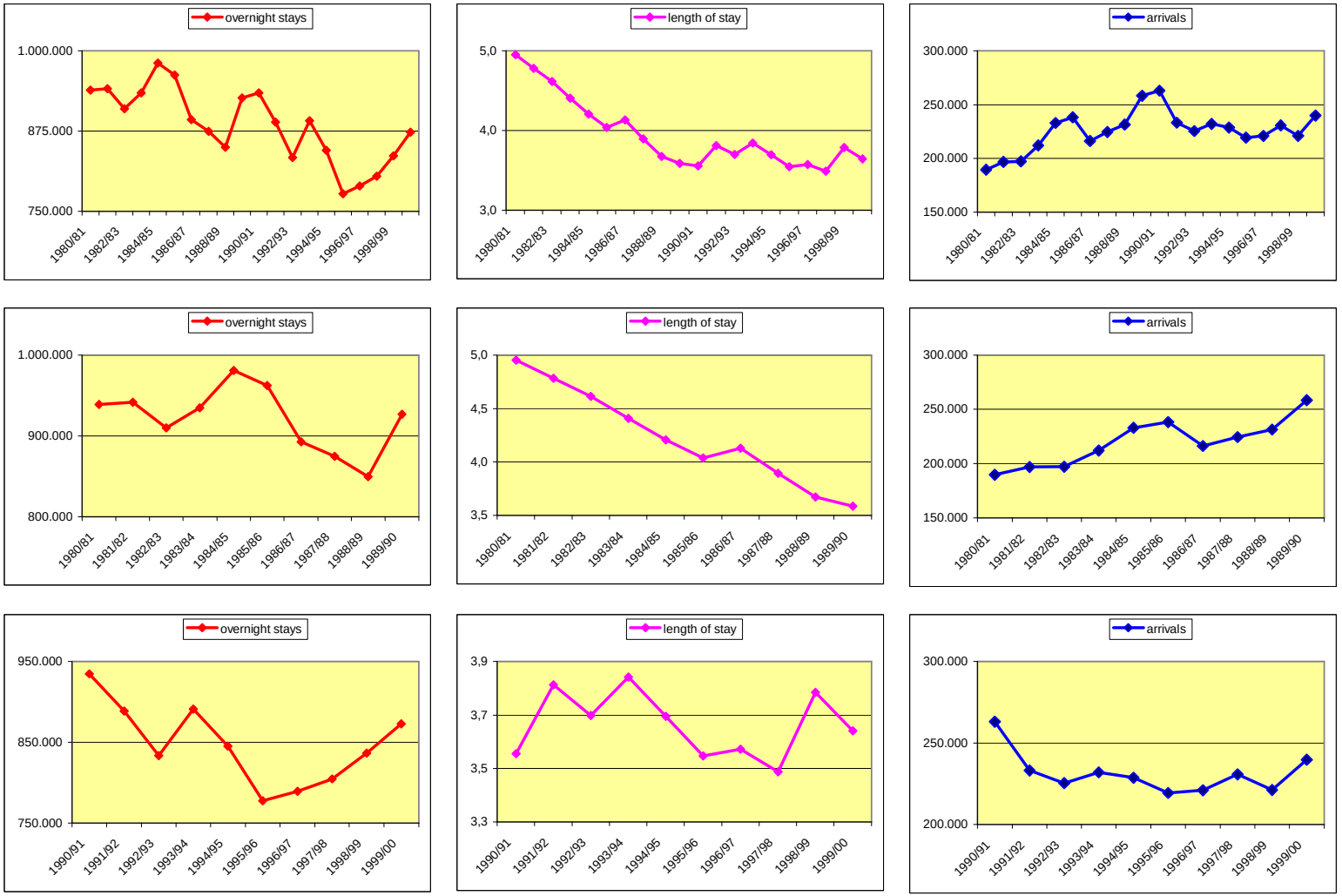
Figure 24. Evolution of annual length of stays of Swiss Tourists and Foreigners.

Length of stays

Swiss				Foreigners				Total		
number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
4,9	100		99%	5,0	100		101%	5,0	100	
4,6	95		97%	4,9	97		101%	4,8	97	
4,6	94		99%	4,6	93		100%	4,6	93	
4,5	93		103%	4,4	87		99%	4,4	89	
4,6	94		109%	4,1	82		97%	4,2	85	
4,4	91		110%	3,9	78		96%	4,0	82	
4,2	86		101%	4,1	82		99%	4,1	83	
4,1	84		105%	3,8	76		98%	3,9	79	
3,8	78		104%	3,6	72		98%	3,7	74	
3,7	75		103%	3,5	71		99%	3,6	72	
3,7	77	100	105%	3,5	70	100	98%	3,6	72	100
3,7	76	99	97%	3,9	78	112	102%	3,8	77	107
3,8	77	100	102%	3,7	74	106	99%	3,7	75	104
3,9	81	105	103%	3,8	76	109	99%	3,8	78	108
3,4	69	90	91%	3,9	78	112	105%	3,7	75	104
3,2	66	85	90%	3,7	75	108	106%	3,5	72	100
3,3	67	88	92%	3,8	75	108	105%	3,6	72	100
3,4	69	90	96%	3,6	71	103	102%	3,5	70	98
3,3	67	88	87%	4,1	82	117	108%	3,8	76	106
3,4	69	90	93%	3,8	76	109	104%	3,6	74	102

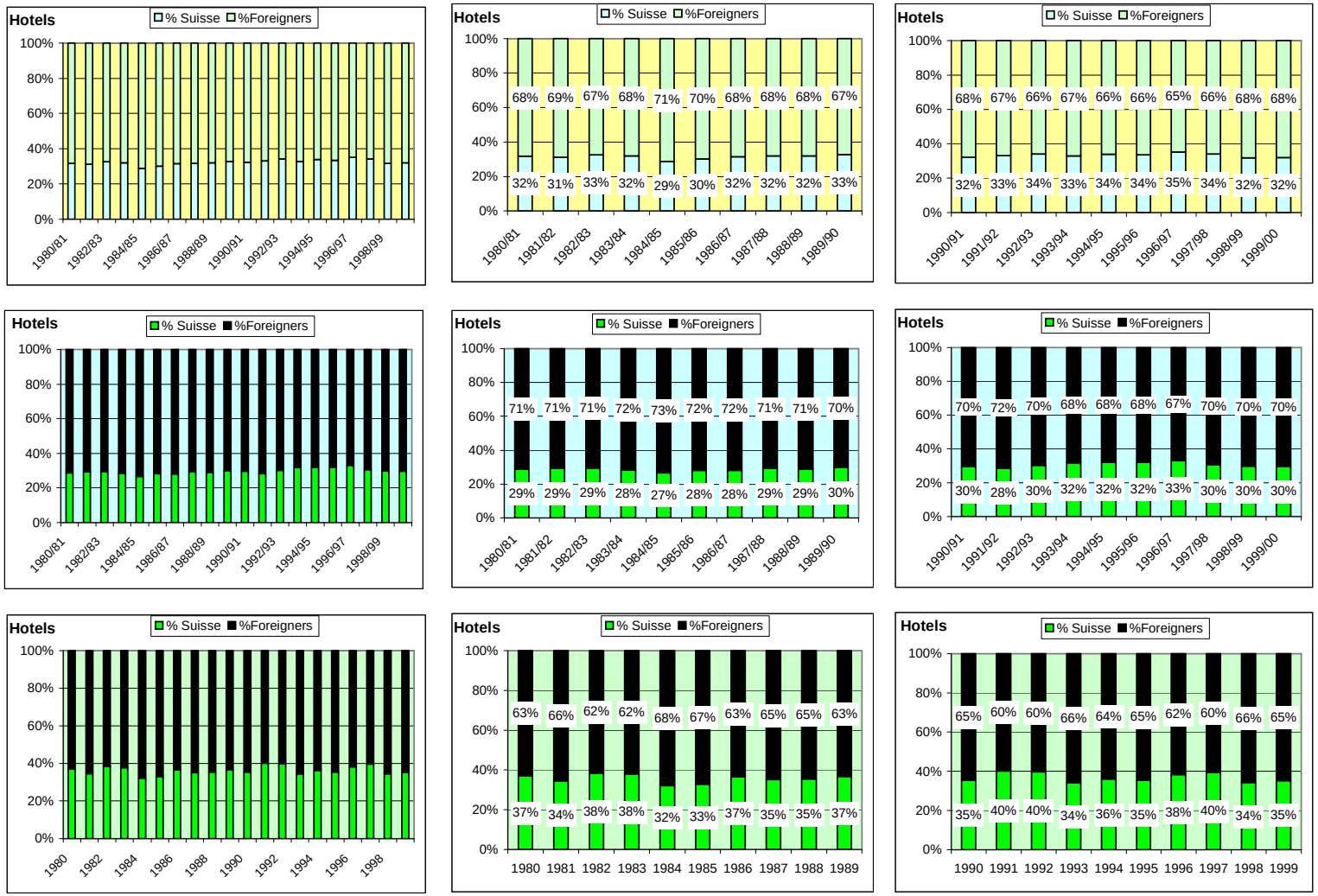
Source: Own analysis of APTM data.

Figure 25. Summary of annual tourism data.



Source: Own analysis of APTM data.

Figure 26. Percentage weight of Swiss Tourists and Foreigners.



Source: Own analysis of APTM data.

12.2.2 Winter tourism data

Figure 27. Evolution of winter overnight stays of Swiss Tourists and Foreigners.

HOT	Overnight stays										
Winter	**Swiss**				**Foreigners**				**Total**		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980/81	175.272	100		29%	432.820	100		71%	608.092	100	
1981/82	172.250	98		29%	415.478	96		71%	587.728	97	
1982/83	173.746	99		29%	417.105	96		71%	590.851	97	
1983/84	165.962	95		28%	418.982	97		72%	584.944	96	
1984/85	164.886	94		27%	450.959	104		73%	615.845	101	
1985/86	163.231	93		28%	414.601	96		72%	577.832	95	
1986/87	147.578	84		28%	377.796	87		72%	525.374	86	
1987/88	146.335	83		29%	353.745	82		71%	500.080	82	
1988/89	138.015	79		29%	338.597	78		71%	476.612	78	
1989/90	161.145	92		30%	376.437	87		70%	537.582	88	
1990/91	155.035	88	100	30%	368.222	85	100	70%	523.257	86	100
1991/92	151.864	87	98	28%	383.728	89	104	72%	535.592	88	102
1992/93	148.816	85	96	30%	344.247	80	93	70%	493.063	81	94
1993/94	162.131	93	105	32%	348.679	81	95	68%	510.810	84	98
1994/95	147.235	84	95	32%	314.085	73	85	68%	461.320	76	88
1995/96	138.842	79	90	32%	295.938	68	80	68%	434.780	71	83
1996/97	151.862	87	98	33%	307.899	71	84	67%	459.761	76	88
1997/98	148.106	85	96	30%	338.064	78	92	70%	486.170	80	93
1998/99	144.572	82	93	30%	339.952	79	92	70%	484.524	80	93
1999/00	150.580	86	97	30%	358.343	83	97	70%	508.923	84	97

Source: Own analysis of APTM data.

Figure 28. Evolution of winter arrivals of Swiss Tourists and Foreigners.

HOT	Arrivals										
Winter	**Swiss**				**Foreigners**				**Total**		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980/81	31.238	100		33%	62.434	100		67%	93.672	100	
1981/82	32.770	105		35%	61.754	99		65%	94.524	101	
1982/83	33.884	108		35%	64.072	103		65%	97.956	105	
1983/84	32.909	105		34%	63.989	102		66%	96.898	103	
1984/85	31.974	102		31%	70.495	113		69%	102.469	109	
1985/86	30.764	98		32%	65.285	105		68%	96.049	103	
1986/87	29.103	93		32%	61.120	98		68%	90.223	96	
1987/88	30.642	98		34%	58.663	94		66%	89.305	95	
1988/89	29.994	96		33%	61.619	99		67%	91.613	98	
1989/90	36.702	117		35%	69.515	111		65%	106.217	113	
1990/91	34.664	111	100	35%	63.858	102	100	65%	98.522	105	100
1991/92	34.465	110	99	35%	65.023	104	102	65%	99.488	106	101
1992/93	33.390	107	96	37%	56.391	90	88	63%	89.781	96	91
1993/94	31.659	101	91	33%	63.614	102	100	67%	95.273	102	97
1994/95	35.814	115	103	40%	52.776	85	83	60%	88.590	95	90
1995/96	37.475	120	108	43%	50.404	81	79	57%	87.879	94	89
1996/97	38.671	124	112	41%	54.575	87	85	59%	93.246	100	95
1997/98	37.584	120	108	38%	60.204	96	94	62%	97.788	104	99
1998/99	35.366	113	102	46%	42.327	68	66	54%	77.693	83	79
1999/00	38.218	122	110	37%	65.650	105	103	63%	103.868	111	105

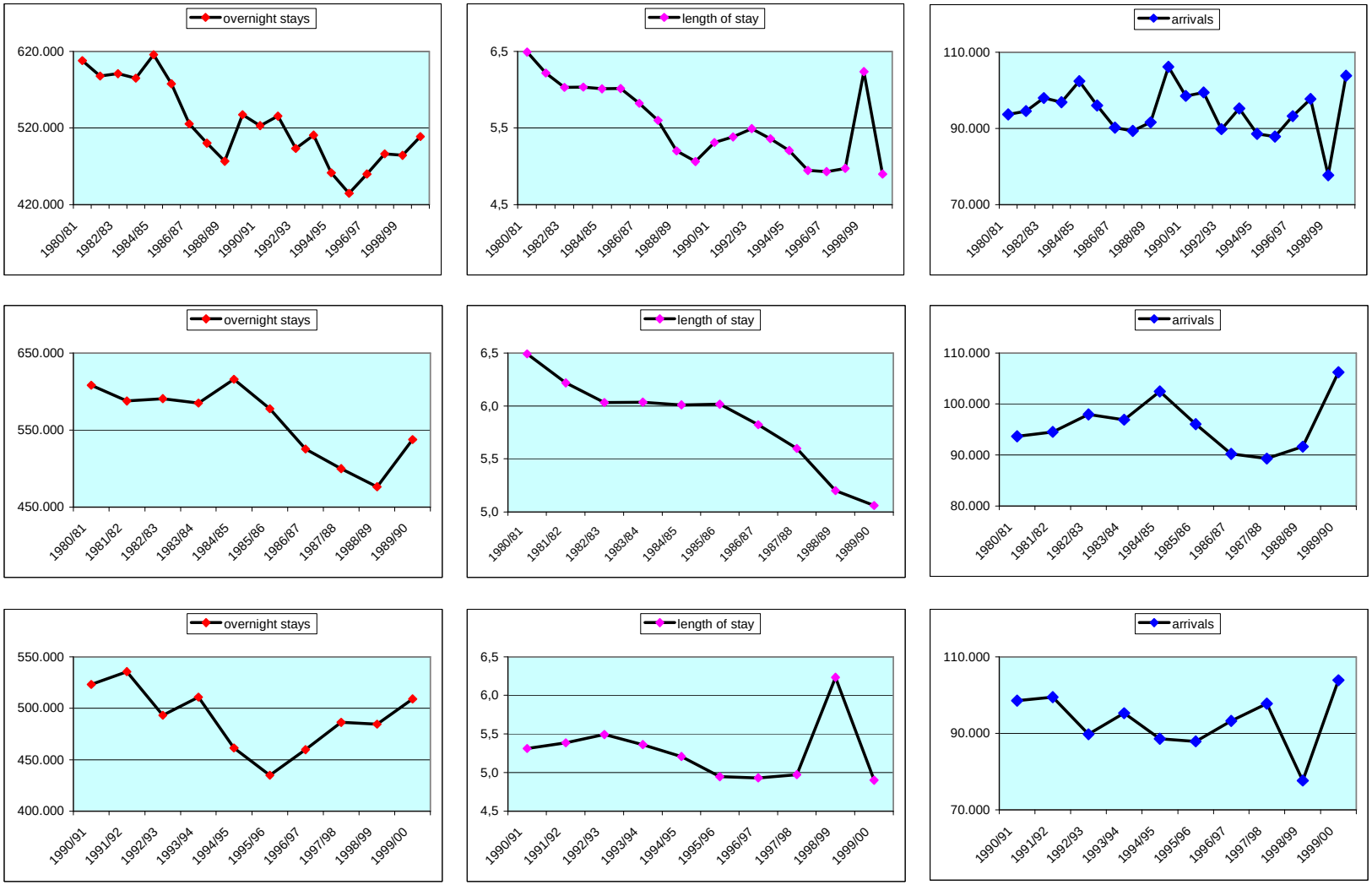
Source: Own analysis of APTM data.

Figure 29. Evolution of winter length of stays of Swiss Tourists and Foreigners.

HOT	**Length of stays**										
Winter	**Swiss**				**Foreigners**				**Total**		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980/81	5,6	100		86%	6,9	100		107%	6,5	100	
1981/82	5,3	94		85%	6,7	97		108%	6,2	96	
1982/83	5,1	91		85%	6,5	94		108%	6,0	93	
1983/84	5,0	90		84%	6,5	94		108%	6,0	93	
1984/85	5,2	92		86%	6,4	92		106%	6,0	93	
1985/86	5,3	95		88%	6,4	92		106%	6,0	93	
1986/87	5,1	90		87%	6,2	89		106%	5,8	90	
1987/88	4,8	85		85%	6,0	87		108%	5,6	86	
1988/89	4,6	82		88%	5,5	79		106%	5,2	80	
1989/90	4,4	78		87%	5,4	78		107%	5,1	78	
1990/91	4,5	80	100	84%	5,8	83	100	109%	5,3	82	100
1991/92	4,4	79	99	82%	5,9	85	102	110%	5,4	83	101
1992/93	4,5	79	100	81%	6,1	88	106	111%	5,5	85	103
1993/94	5,1	91	115	96%	5,5	79	95	102%	5,4	83	101
1994/95	4,1	73	92	79%	6,0	86	103	114%	5,2	80	98
1995/96	3,7	66	83	75%	5,9	85	102	119%	4,9	76	93
1996/97	3,9	70	88	80%	5,6	81	98	114%	4,9	76	93
1997/98	3,9	70	88	79%	5,6	81	97	113%	5,0	77	94
1998/99	4,1	73	91	66%	8,0	116	139	129%	6,2	96	117
1999/00	3,9	70	88	80%	5,5	79	95	111%	4,9	75	92

Source: Own analysis of APTM data.

Figure 30. Summary of winter tourism data.



Source: Own analysis of APTM data.

12.3Summer tourism data

Figure 31. Evolution of summer overnight stays of Swiss Tourists and Foreigners.

HOT	Overnight stays										
Summer	**Swiss**				**Foreigners**				**Total**		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	122.456	100		37%	208.516	100		63%	330.972	100	
1981	122.030	100		34%	231.690	111		66%	353.720	107	
1982	122.620	100		38%	196.574	94		62%	319.194	96	
1983	132.079	108		38%	217.746	104		62%	349.825	106	
1984	117.149	96		32%	247.672	119		68%	364.821	110	
1985	126.231	103		33%	258.047	124		67%	384.278	116	
1986	134.363	110		37%	232.958	112		63%	367.321	111	
1987	131.759	108		35%	242.899	116		65%	374.658	113	
1988	132.445	108		35%	240.713	115		65%	373.158	113	
1989	142.675	117		37%	246.370	118		63%	389.045	118	
1990	146.097	119	100	35%	265.534	127	100	65%	411.631	124	100
1991	141.910	116	97	40%	211.394	101	80	60%	353.304	107	86
1992	135.869	111	93	40%	204.902	98	77	60%	340.771	103	83
1993	130.147	106	89	34%	250.289	120	94	66%	380.436	115	92
1994	138.682	113	95	36%	244.999	117	92	64%	383.681	116	93
1995	121.711	99	83	35%	221.189	106	83	65%	342.900	104	83
1996	126.158	103	86	38%	203.702	98	77	62%	329.860	100	80
1997	126.158	103	86	40%	192.388	92	72	60%	318.546	96	77
1998	120.815	99	83	34%	231.180	111	87	66%	351.995	106	86
1999	128.417	105	88	35%	235.691	113	89	65%	364.108	110	88

Source: Own analysis of APTM data.

Figure 32. Evolution of summer arrivals of Swiss Tourists and Foreigners.

HOT	Arrivals											
Summer	**Swiss**				**Foreigners**				**Total**			
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	
1980	29.740	100		31%	66.198	100		69%	95.938	100		
1981	30.755	103		30%	71.580	108		70%	102.335	107		
1982	30.752	103		31%	68.487	103		69%	99.239	103		
1983	33.028	111		29%	82.229	124		71%	115.257	120		
1984	29.628	100		23%	100.945	152		77%	130.573	136		
1985	34.389	116		24%	107.801	163		76%	142.190	148		
1986	38.231	129		30%	87.677	132		70%	125.908	131		
1987	37.101	125		27%	98.138	148		73%	135.239	141		
1988	40.578	136		29%	99.216	150		71%	139.794	146		
1989	45.853	154		30%	106.321	161		70%	152.174	159		
1990	45.648	153	100	28%	118.815	179	100	72%	164.463	171	100	
1991	44.961	151	98	34%	88.712	134	75	66%	133.673	139	81	
1992	42.383	143	93	31%	93.271	141	79	69%	135.654	141	82	
1993	42.430	143	93	31%	94.310	142	79	69%	136.740	143	83	
1994	49.204	165	108	35%	90.858	137	76	65%	140.062	146	85	
1995	43.879	148	96	33%	87.499	132	74	67%	131.378	137	80	
1996	45.960	155	101	36%	81.831	124	69	64%	127.791	133	78	
1997	44.044	148	96	33%	88.882	134	75	67%	132.926	139	81	
1998	45.371	153	99	32%	97.993	148	82	68%	143.364	149	87	
1999	44.324	149	97	33%	91.575	138	77	67%	135.899	142	83	

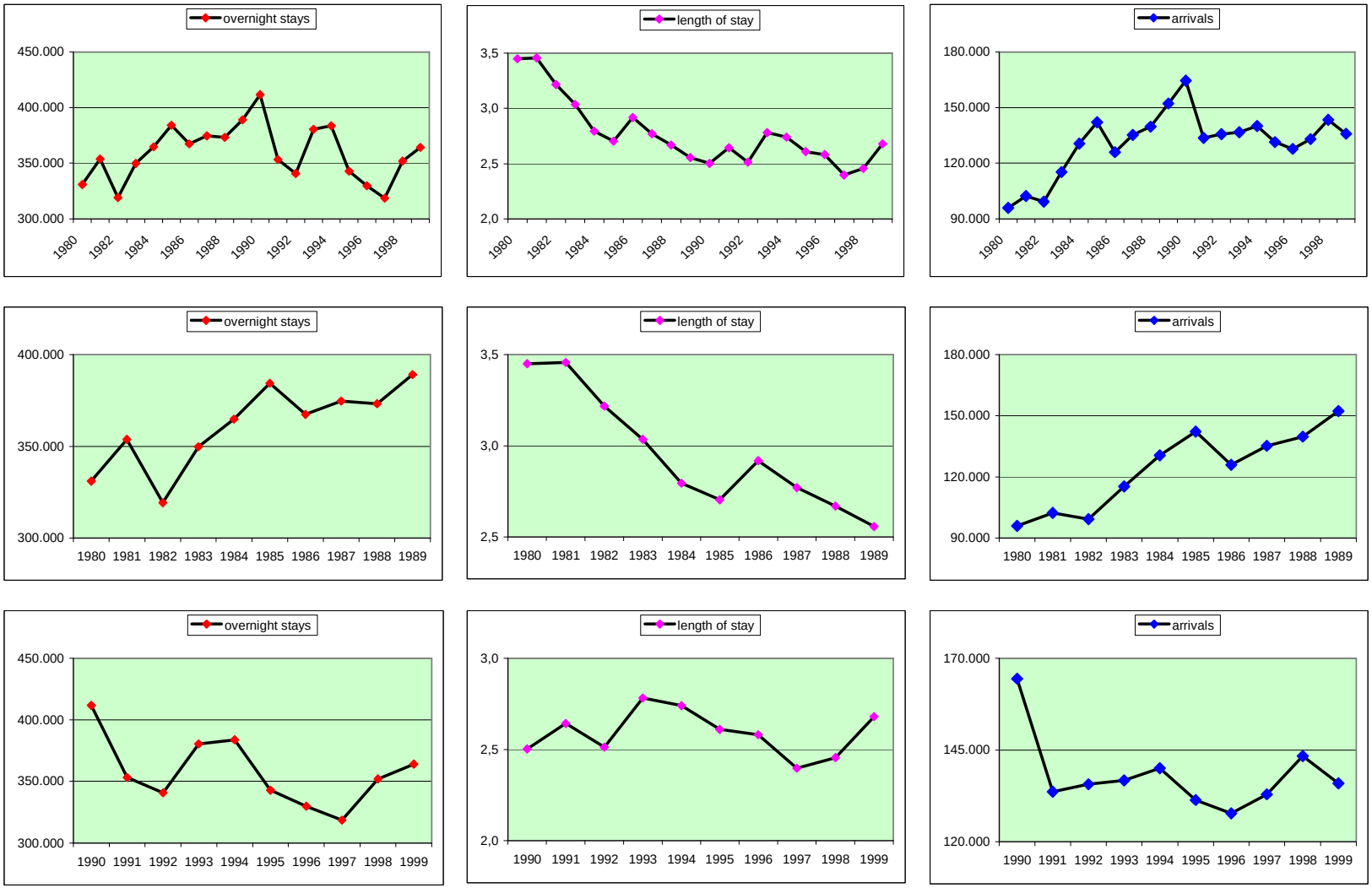
Source: Own analysis of APTM data.

Figure 33. Evolution of summer length of stays of Swiss Tourists and Foreigners.

HOT	**Length of stays**										
Summer	**Swiss**				**Foreigners**				**Total**		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	4,1	100		119%	3,1	100		91%	3,4	100	
1981	4,0	96		115%	3,2	103		94%	3,5	100	
1982	4,0	97		124%	2,9	91		89%	3,2	93	
1983	4,0	97		132%	2,6	84		87%	3,0	88	
1984	4,0	96		142%	2,5	78		88%	2,8	81	
1985	3,7	89		136%	2,4	76		89%	2,7	78	
1986	3,5	85		120%	2,7	84		91%	2,9	85	
1987	3,6	86		128%	2,5	79		89%	2,8	80	
1988	3,3	79		122%	2,4	77		91%	2,7	77	
1989	3,1	76		122%	2,3	74		91%	2,6	74	
1990	3,2	78	100	128%	2,2	71	100	89%	2,5	73	100
1991	3,2	77	99	119%	2,4	76	107	90%	2,6	77	106
1992	3,2	78	100	128%	2,2	70	98	87%	2,5	73	100
1993	3,1	74	96	110%	2,7	84	119	95%	2,8	81	111
1994	2,8	68	88	103%	2,7	86	121	98%	2,7	79	109
1995	2,8	67	87	106%	2,5	80	113	97%	2,6	76	104
1996	2,7	67	86	106%	2,5	79	111	96%	2,6	75	103
1997	2,9	70	89	120%	2,2	69	97	90%	2,4	69	96
1998	2,7	65	83	108%	2,4	75	106	96%	2,5	71	98
1999	2,9	70	91	108%	2,6	82	115	96%	2,7	78	107

Source: Own analysis of APTM data.

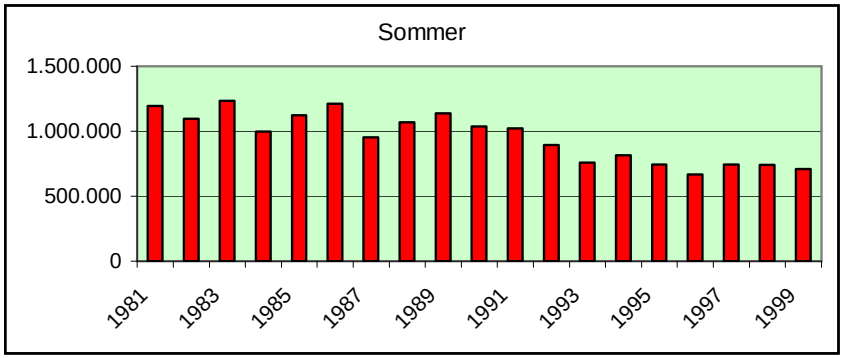
Figure 34. Summary of summer tourism data.

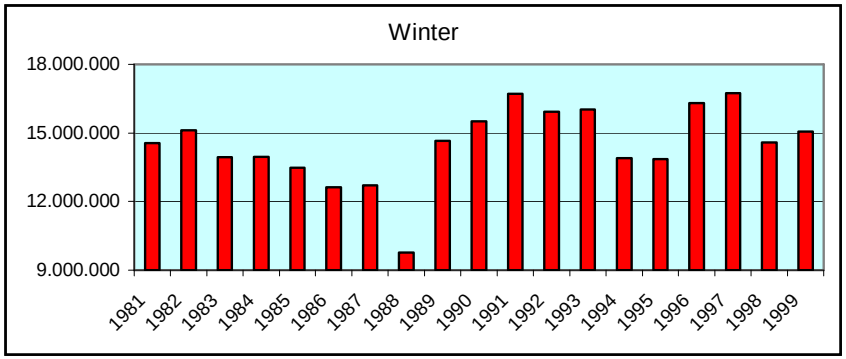


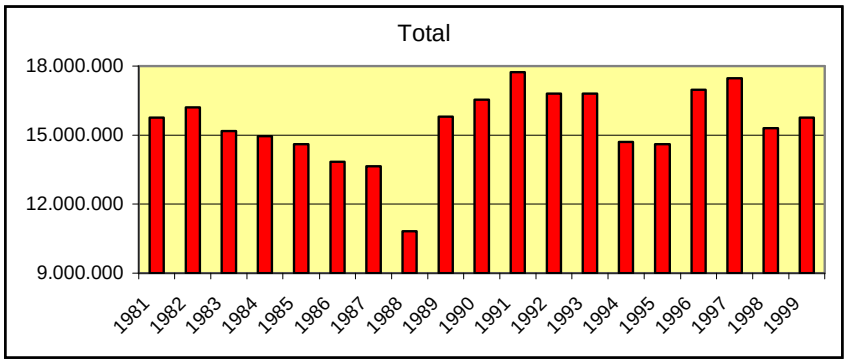
Source: Own analysis of APTM data.

12.4Appendix II – Ski area

Figure 35. Ski area data.

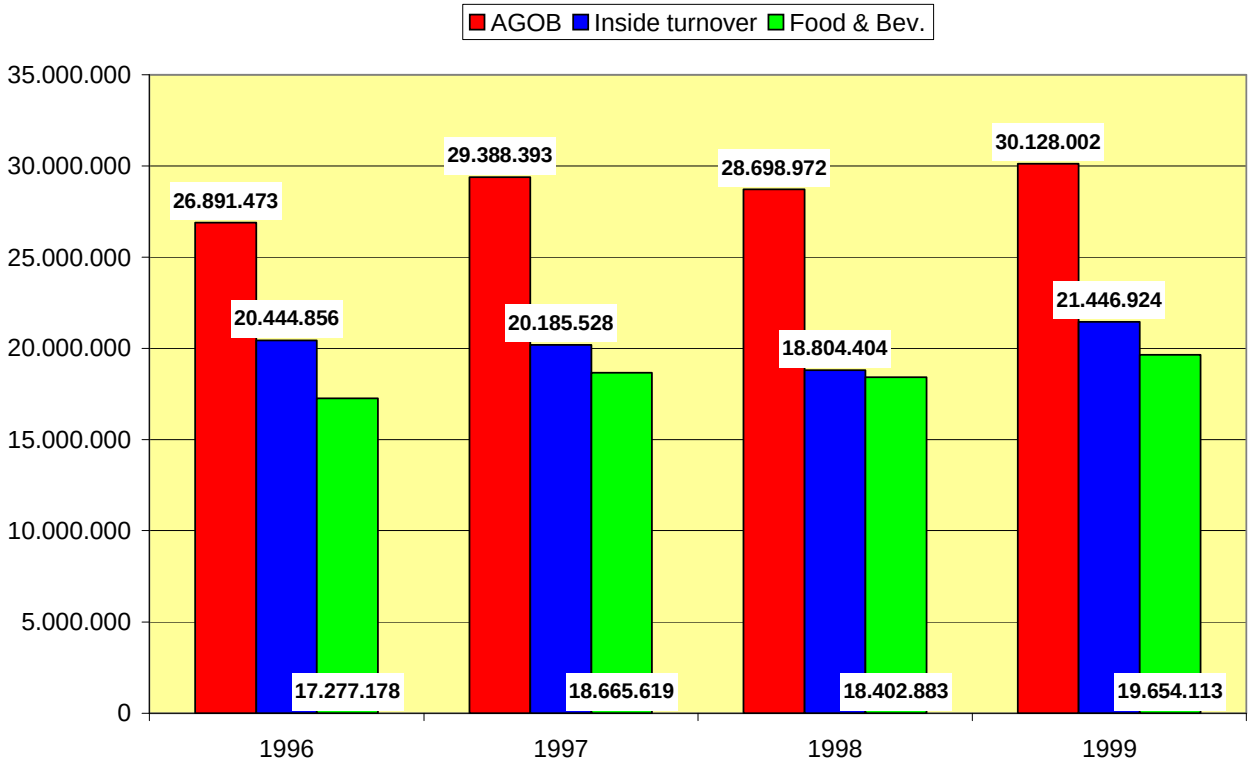






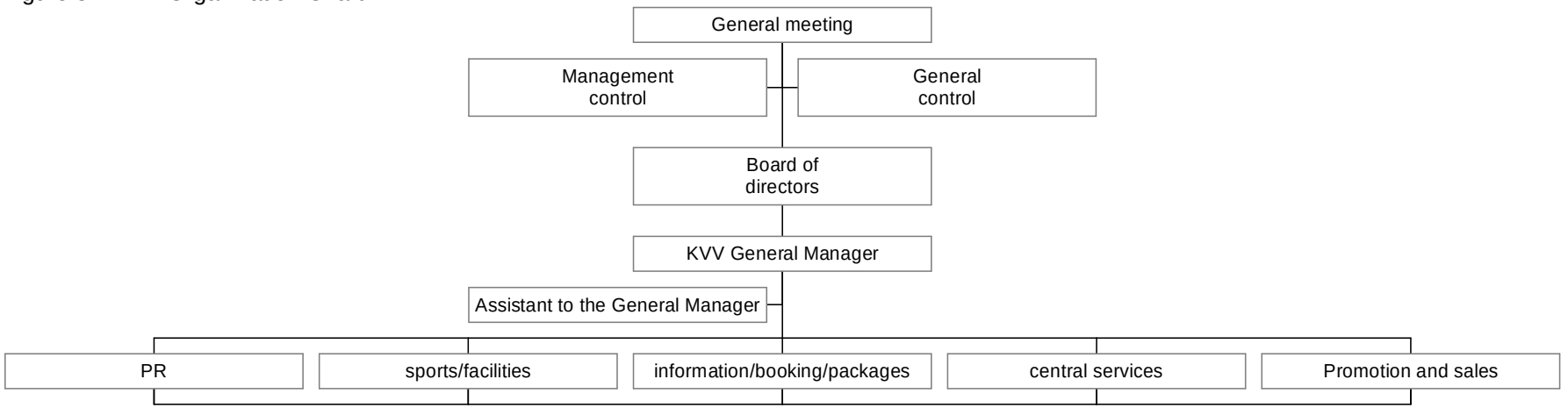
Source: Own analysis of Geschäftsbericht (1999/00, pp. 3; 5).

Figure 36 : Ski Area Turnover



Source: Own analysis of Geschäftsbericht (1999/00, p. 14).APPENDIX III - KVV

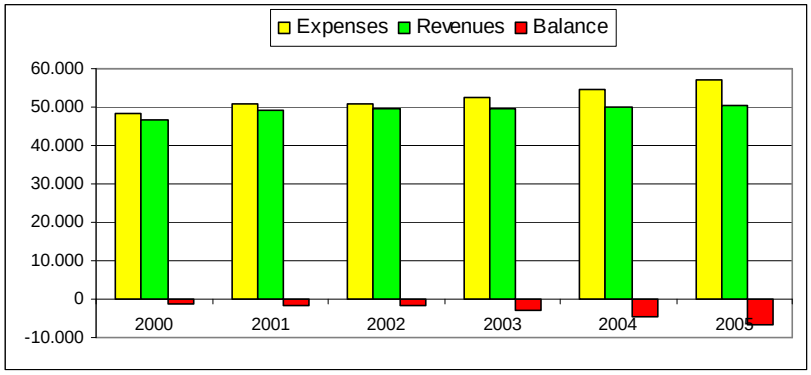
Figure 37. KVV Organization Chart



Source: Jahresbericht (1999/00, p.42).

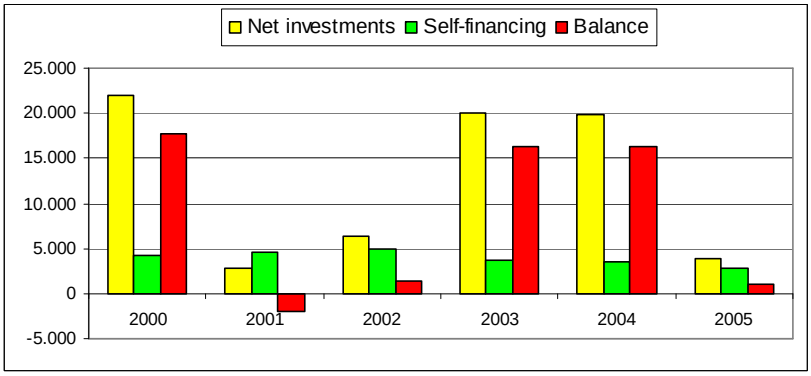
12.5Appendix IV – Municipality of St. Moritz

Figure 38. Five-year Budget of the Municipality of St. Moritz: current part.



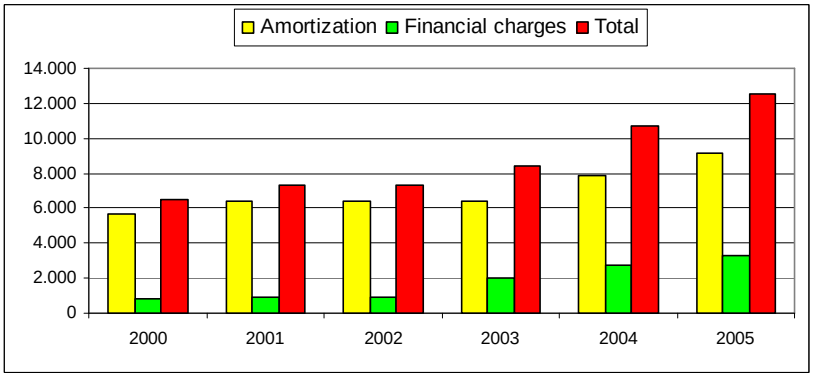
Source: Finanzplannung 2001-05 (p. 5).

Figure 39. Five-year Budget of the Municipality of St. Moritz: investment plan.



Source: Finanzplannung 2001-05 (p. 9).

Figure 40. Five-year Budget of the Municipality of St. Moritz: additional costs of new investments.



Source: Finanzplannung 2001-05 (p. 10).

12.6Interviews

Bernasconi C., Owner of the Hotel Waldhaus am See St. Moritz.

Berthod M., Major Events Manager KVV St. Moritz.

Danuser Hans Peter, General Manager KVV St. Moritz.

De Giacomi S., President of the Association of Hotel Owners St. Moritz, owner of the Hotel Bären.

Duschletta C., Public Relations Manager KVV St. Moritz.

Giovanoli B., General Manager AGOB.

Hunkeler H., Financial Manager KVV St. Moritz.

Margadant B., General Manager, Engadin Airport.

Nold A., town clerk of St. Moritz.

Salm Samuel, Marketing Manager KVV St. Moritz.

Schnellman H., Statistics Manager KVV St. Moritz.

Wetzel Hugo, President KVV St. Moritz.

Chapter 7
The case of Rimini

1. THE CHALLENGES OF THE '90S

The development of tourism in Rimini is linked to the pronounced increase in construction which took place in the region from the end of World War II until the '60s. During this time many farmers[1] left the countryside and found work in the building sector. A good income meant workers could afford to build their own homes. These homes usually followed the model of a small Romagna villa[2]. At the same time, both the right to paid vacation and the need for employees in the bigger factories to take time off stimulated increasing numbers of tourists visiting this resort.

Soon hundreds of houses were being converted into hotels, which actually looked more like simpler lodgings, or "pensioni," and so the rapid development of tourism in Rimini had begun. The resort quickly won fame both nationally, becoming the number one Italian tourist destination, and internationally, especially among Germans. This growth phase led to an increase in the supply tourist accommodations, reaching nearly 1,800 hotel rooms during the '70s.

1.1 Rimini on the threshold of the '90s

The '80s represented an abrupt turnaround for Italy's top tourism spot: Rimini's popularity, though still widespread, did not attract the same number of tourists, particularly on the international market.[3] At the same time organized tourism, to which the resort had always been closely linked, found new holiday destinations, such as the Canary Islands, and the Balearic Islands in general. In any case, Italian clientele were still attracted by the following factors: the hospitality, the diversification in attractions and entertainment, the sea and beaches, low costs, and a rich gastronomical tradition.

The '80s were, in any case, years of uncertainty, principally regarding whether to maintain the Rimini model of tourism.[4] In the 1988 season in the Adriatic Sea, the first signs of a phenomenon which was to become dramatic the following summer were visible: algae. All the mass media, both national and international, covered the news extensively and at the end of the 1989 season official statistics recorded a decrease of 2 million visitors.[5]

The crisis of the '80s led to critical reflection on the developmental model followed by the resort. Many believed that the algae simply accelerated a crisis or, in any case,

[1] "The development of tourism in Rimini should be considered in light of the coming to power of the Italian Communist Party, which provided strong incentives for the expansion of the building trade to give work to bricklayers. This orientation led many farmers to abandon the countryside and invest their personal savings in small villas, which would later be converted into tourist accommodation" (Bonini).

[2] These villas were two or three story structures with flat roofs and large windows, and garden. In the area further inland, which was less effected by phenomenon of tourism, this type of building is still very common.

[3] "In around 15 years, tourism in Rimini lost one fifth of its foreign visitors. From nearly two and a half million in 1967, the number dropped to less than two million in 1984" (Rapporto 2000-2001, p.11).

[4] "At that time (mid '80s) the debate between operators was centered on whether the Rimini model would withstand. At a local level, most observers thought that the model was becoming rapidly outdated. At a national level, however, research showed that Rimini's image and position were well rated.

[5] "During the tourist season of 1988, the number of visitors in Rimini was 7,069,935, which fell to 5,174,694 in 1989" (Trademark Italia, Rapporto sul Turismo Riminese, 1993).

made weaknesses become apparent which, in fact, had already come to light during the '80s, [6] and which could be attributed to:

- ✓ The infrastructure: The network of accommodation facilities appears obsolete and excessively fragmented in terms of dimension, as is the case with seaside establishments. Internal transportation is at a crisis point.
- ✓ *Tourist products:* Rimini has made a name for itself because of the sea. Due to this success, other tourism products (cultural, business– conventions and fairs -, recreational) were not extensively developed.
- ✓ *Competitive trends underway:* There was a significant increase in competition. Tour operators began investing in and promoting new destinations. New models for use of vacation time came into play, which were characterized by shorter vacations, new destinations, an increase, even for Italian clients, in the number of trips acquired from commercial intermediaries.

Here follows a more detailed description of these three elements.

1.2 Infrastructure

Throughout the '80s, the limits of the infrastructure clearly emerged regarding accommodations, seaside establishments, and a series of public services, primarily viability.

The conversion of private dwellings into accommodation facilities was directly related to the growth of tourism in Rimini.

The initial structure, in most cases, consisted of small, two or three story villa near the sea.[7] Convulsive development and the absence of precise building codes led to a chaotic "cementing over" of the coast. The original building, though expanded, typically into the garden or the garage, was still small, and very often there was physically no more space for building. Also, the structure itself could not support another story unless the foundations were reinforced. Expansions were often undertaken without proper permission, making the situation even more chaotic. The concentration of construction is high (decidedly superior to that specified in the general building code) and the distance between one building and the next is reduced. The development of accommodation facilities seriously overloaded municipal services such as water, sewer, and trash disposal.

The reduced dimensions of accommodation facilities bring to light a progressive reduction in profitability, especially during the '80s. The problem arose at the same time that the business would have been passed on to the next generation, or with the need to carry out extensive remodeling.

Regarding the first problem, when first generation hotel owners retired, their children hesitated to take over the family business, which they did not consider very profitable, especially in light of the enormous sacrifices required.

Regarding the second problem, many entrepreneurs wondered if it was economically wise to remodel extensively to upgrade standards of infrastructure and service in order

[6] "The algae of this summer, 1989, have simply *accelerated* the processes, backing everyone into a corner and forcing everyone, in the same way, to react, to make a choice. Instead of a spectator of drawn out agony, one must become an actor in a new phase of development" (Rapporto 2000-2001, p.19, cursive added).

[7] Depending on the distance from the sea, one must distinguish between structures in the front line, having a view of the sea, in the second line, just behind the front line, and in the third line.

to meet the changing needs of clients. The limited number of rooms (often 10-15 units), would be reduced further by adding new communal spaces (reception, conference rooms, a sauna, a pool) and by increasing the average room size. Furthermore, the intense rivalry and individualism which permeates the sector discouraged any communal efforts toward creating additional services.[8]

The infrastructural standards of hotels were, moreover, a restrictive condition in the development of new tourist segments and/or products. In the '80s, Rimini experimented successfully with a developing conventions and fairs. To stimulate this type of tourism, however, facilities are necessary which are heated and available year round.[9]

Given this context, throughout the '80s the question was how many hotels could continue to survive and, more importantly, could family-run business (a forte of the resort) be replicated in the future. In fact, the medium dimensions of the sector excluded, in many cases, the possibility to adapt to a managerial model.

The weaknesses in the tourist accommodation sector gave rise to concerns about the possible conversion of existing structures into apartments, with obvious damage for all tourism-induced activity, given the low average occupancy.[10]

Added to these managerial factors are the costs related to conforming to European legislation on safety (specifically law #626 and the fire prevention law). In many cases European standards, set up for medium/large structures, have been adopted as rigid reference points by national legislators and applied to small/very small operations typical of Italy.[11]

Again on a infrastructural level, the fragmentation of dimensions which characterized hotels is also true for seaside establishments. In fact, at first hotel owners also managed the beaches. However limits to the families' energy and the low profit to be gained led many entrepreneurs to outsource the beaches.[12] The Autonomous Agency for Sojourn and Tourism (AAST) specifically handles the beach establishments. During the '70s the AAST decided to subdivide the lots managed by the tourism agency and to assign leases for these lots to private operators.

The creation of the Lifeguard Cooperative brought together a large number of beachfront operators. Yet, even in this case, rivalry hindered collaboration in terms of

[8] "Some hotels have created swimming pools which, because of their size, are truly ridiculous. The lack of space necessitates an associative type of logic to create structures shared by more than one tourist facility. But individualism discourages these choices. […] Some entrepreneurs have created passageways which connect their respective hotels, often the distances are very short, and in this way they are able to use communal spaces. But this is the exception" (Valdiserri).

[9] "In 1971 the Fair Agency was created. In 1974 there were only 12 hotels open year round and these belonged to the 4 and 5 star club" (Venturelli).

[10] "At the end of the '80s many people considered the possibility of transforming the numerous accommodation facilities of miniscule dimensions, which certainly would not have survived generational succession, into apartments" (Bonini).

[11] "The Italian legislator, when called upon to assimilate European safety standards (the 626 or the fire prevention directives come to mind) often compared the hotel system to an industrial one, consequently imposing heavy burdens on structures of small or very small dimensions. This short-sightedness has, furthermore, accentuated the problem of dimensions that our resort lives with, [as Rimini has] traditionally had modest sized hotels" (Bucci).

[12] "The high number of tourist accommodation units has always favored a progressive separation between the management of tourist accommodations and seaside establishments. The case of Rimini is evident. At present there are 100 bathing beaches compared to 1,300 hotels. It would impossible to imagine a model in which every hotel had its own space" (Nanni).

supplying client services.[13] The management of the beaches appeared to be quite fragmented. In fact, each concession had beach front equal to approximately 35 meters. When management costs increased significantly throughout the '80s, the need to expand to a medium sized operation became more apparent.[14]

Legal issues complicate management of the beach concessions as well. In 1979 a detailed plan was adopted for the management of the shoreline, valid for 10 years. In 1989, as the first plan expired and in lieu of a new one, only regular maintenance was permitted, while any modification of the infrastructural facilities of the beach had to be authorized by the Superintendence of Cultural Heritage in Ravenna. The consequences are obvious: to install a free-climbing wall or even set up an inflatable jumping castle for children, a permit from Ravenna is necessary.[15]

The unrestricted development of accommodation facilities occurred without consideration of its impact on both basic services and viability. Regarding the latter, Rimini had enormous problems by the end of the '80s. In fact, the 130,000 residents more than double during the high season, due to the convergence of tourist flow along the 15 kilometers of coastline.[16] Moving between different districts in the city and to neighboring cities (Riccione and Cattolica above all) became almost impossible.[17] Insufficient parking places were offered at accommodation facilities with respect to the number of tourists. Therefore problems arose regarding parking with no simple solutions given the limited available space. The increased number of fairs (§ 1.3) made traffic problems even more acute, especially when fairs were held during large religious gatherings, when 20,000 visitors and hundreds of coaches poured into town.[18]

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[13] " On many beaches there are basketball courts which are so small they do not actually attract our tourists. Given the average size of the beaches it is impossible to create regulation-sized courts. The only way is a coordinated effort to create spaces and services for a number of beaches. Except in rare cases, individualism and the rivalry which exists among numerous operators have blocked these undertakings" (Valdiserri).

[14] "We from Romagna don't concern ourselves with forecasts. We make things work and then in September we tally up the numbers. It's undeniable, though, that the reduced size of the beaches is something to reflect on. I think we need to double the space we have now" (Nanni).

[15] "With the expiration of the detailed plan on the shoreline an extremely confused phase began in the management of the beaches, blocked by the demands and the criteria of 1979. Everything that can not be considered ordinary management is subject to a complicated process of approval by the office of the Superintendence in Ravenna which is obliged to manage the shoreline by adhering to the criterion of 'conservation.' For this reason, a deep fissure has been created: on one hand the beaches must be transformed to meet the new needs of the clientele, on the other we have the office of the Superintendence, which must judge initiatives following a conservative criterion. The situation is further aggravated by the average size of the beach establishments, often 35-40 meters of beach front which is inadequate for attractions which require ample space" (Valdiserri).

[16] "The problem with Rimini is that it is too small to be big and too big to be small. With a population of 130,000 it's a small city, but in high season the population nears a half a million and therefore Rimini has the same problems as a large metropolis in terms of waste, water, sewage, and above all transportation" (Totti).

[17] "To go from Riccione to Rimini (a distance of approximately 20 km) may take nearly two hours during the high season when traffic is completely congested" (Luccardi).

[18] "When large religious gatherings are held, it is necessary to reorganize traffic patterns in some of the city's streets; Rimini experiences a complete transformation, which is planned with the collaboration of the leaders of the different districts of the city. The lack of large tourist facilities means that this enormous number of people must be distributed in hotels located in a large area, increasing the need for travel and creating further difficulties" (Agostini).

1.3 From one type of tourism to many

The growth of tourism in Rimini is principally linked to the sea, and historically focused on the middle class, which began to emerge on the tourist market.[19] The numerous opportunities in the sector led many businesses deal directly with individual clients rather than with tour operators. Organized tourism companies, in turn, began investing in and promoting new seaside resorts, for the most part in Spain, and re-routed their clientele to these new destinations. This practice exposed the resort to intense national and international competition, also due to a progressive abandoning of organized tourism in favor of direct organization of holidays.[20] Therefore the image of Rimini was still linked principally to a "mature" product, revolving around the beach and the sea, and was greatly jeopardized by the algae phenomenon at the end of the '80s.

At the same time, fair and convention tourism took on new importance in Rimini.[21] In the '50s, the Grand Hotel was the venue for the first exhibit dedicated to artisan works. These events also attract the interest of residents.[22] In 1989, the city hosted a fair dedicated to hotel equipment, from which three important events were created that are still held today: i) the International Food Show, in its 31st year, ii) the International Salon of Artisan Ice Cream, Pastries, and Bread, in its 22nd year, iii) Planet Beer, in its 3rd year.

These events are held at the facilities of the Fair of Rimini, built in the '70s and run by the Fair Agency. This "container" has allowed the city to move into the convention sector, with the organization of important trade union conventions, followed by meetings of political parties, of large religious groups, and businesses.[23] The positive effects of the new type of tourism were quickly evident, mostly in terms of de-

[19] "Tourism in Rimini is historically tied to the middle class winning the right to paid vacation. This has facilitated our success, because it often involves tourists whose needs are uncomplicated" (Bucci).

[20] "The growth of tourism in Rimini was stimulated from the outset by a close collaboration with German and English TOs. The exceptional hospitality offered on site – I remember some friends who would move down to their garage in the summer to rent their house to tourists – easily won the fidelity of these clients who would return on their own in later years" (Angelino). "We are very good at welcoming a client. This ability, along with our natural attractions (the weather conditions come to mind) has allowed us to ensure that our clients will return again" (Bucci).

[21] "Fair tourism is comprised of events with the primary purpose of exhibiting goods (products and services). Convention tourism, instead, is focused on training and informing participants. In light of these definitions, the important manifestation called the Meeting for Friendship among Peoples (this is a popular event associated with the Movement of Communion and Liberation, which is held in Rimini at the end of August) would be considered convention tourism, being a multi-faceted event producing culture" (Agostini).

[22] "The fair sector has experienced three significant evolutions in its history. The first is associated with trade fairs, which can attract the interest of consumers as well as businesses. Later business to business fairs were born, a meeting place reserved almost exclusively for business connections. In this way they are similar to the last evolution - specialized fairs. In its history, Rimini has gone through all three of these stages, though the last is a challenge which is still underway" (Venturelli).

[23] "During the '70s, trade union meetings were the order of the day and Rimini became the ideal location, both for its geographical position, fairly central on the peninsula, and for a great deal of sideline business generated by the accommodation sector. The numbers which emerged from conventions immediately proved to be significant. The service provided by the accommodation sector was quite "Spartan," facilities with heating systems were very few. In time trade union meetings were substituted by large conventions of political parties, and here the participants' demand for amenities increased significantly. Also, gatherings of large religious groups were held (Communion and Liberation and Renewing of the Spirit being the largest)" (Agostini).

seasonalization, of improving standards of infrastructure and service for hotel accommodation.[24] Since the end of the '80s, the Fiera di Rimini has presented a number of infrastructural limitations: space, as extensive as it is, had become inadequate for hosting conventions and fairs at the same time. The need arose to design a hall with a seating capacity of 10,000.

1.4 New models for use of vacation time

The context of uncertainty which characterized the resort of Rimini in the '80s was also connected to the emergence of new models for the use of vacation time, the principle components of which can be summarized as follows: i) a reduction in the length of stay, ii) an increase in the number of vacations per year, iii) the discovery of new destinations (with more attention focused on the product than the destination), iv) the growth in the "last minute" phenomenon, v) variation in demand in terms of the ratio of different nationalities.

The first tourists to arrive in Rimini (Italians and non) spent long holidays there, often three or four weeks. During the '80s this custom radically changed. Shorter, more frequent holidays taken throughout the year become as common as long summer vacations. For the resort, this meant that a rising number of visitors needed accommodation over a longer period of time throughout the year.

These new consumer models were often stimulated by the development of new destinations, marketed with inviting prices by TOs who could offer charter flights. Also evident was a growing interest in the tourist product with respect to destination.[25] This process found an extraordinary stimulus in the creation of the first "last minute" products, which tend to encourage new organizational models for vacations, with respect to the time from the reservations to the actual holiday experience. Lastly, the resort saw a steady decrease in the number of international tourists (for the most part from Germany and England) who traditionally chose Rimini in May and September, contributing to a lengthening of the summer season.[26]

1.5 Competitive results

Interpreting competitive performance through official statistics on accommodation facilities has limitations, related to the fact that month-by-month data on hotel occupancy has only been available since the end of the '80s. Therefore, it is difficult to identify fundamental elements such as the growth in relative importance of the winter season, the degree of concentration of visitors during the summer and the winter, the temporal distribution of the principle segments of tourists which were served.

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[24] "The fair was created principally with the objective of de-seasonalizing seaside tourism, but it has created something new: a new form of tourism capable of generating an actual industry […] In retrospect, fair/convention tourism has been a factor which has accelerated the process of improving accommodation facilities. Also, it is certainly an important instrument for improving service standards, favoring greater managerialism for our facilities" (Agostini).

[25] "We realized that a tourist is often more interested in the product rather than the destination. The tourist who goes to the Canaries is willing to buy a similar product on another island without any problem. Many of our traditional tourists have begun to choose new destinations, but they buy a product similar to ours" (Angelino).

[26] "Foreign tourists used to come mostly in May and September, when Rimini's climate is cooler. This fact allowed the resort to have a summer season five months long" (Nanni).

Given this premise, an analysis of official hotel statistics allows us to describe a competitive framework, summarized as follows:

- ✓ *Evolution of the number of visitors:* During the '80s Rimini recorded a notable increase in total number of visitors, which rose from 6 million in 1981 to 7.6 million in 1988. In 1989 the algae phenomenon caused a sharp reduction in the number of visitors, down to 5.8 million, hence neutralizing the entire growth curve for the decade. In terms of percentages, from 1980 to 1988 tourism increased by 28%, in 1989 the final balance for the decade was -3%.
- ✓ *Evolution of Arrivals:* The increase in arrivals was very dynamic throughout the decade, recording a drop only in 1989. However, the repercussions of the algae on this indicator were much less traumatic. Arrivals, in fact, go from 1.11 to 0.98 million, while the 10 year figure is positive and reflects a decade of growth equal to 30% (note that the statistic for 1988 shows an increase in arrivals of 47%).
- ✓ *Evolution of the average stay*: This indicator shows a continuous contraction through the '80s. In absolute terms, the length of stay is 8 days in 1980 and decreases to 6 days in 1989, which is, in percentage terms, a contraction of 25%. In 1989 the drop in average length of stay is particularly accentuated, reduced by nearly a day. In 1988, in fact, the average stay is 6.9 days, while in 1989 it is 6 days.
- ✓ *Evolution of the level of internationality:* Rimini, while characterizing itself as a resort favored by nationals, shows a significant presence of foreigners, who in 1989 represented approximately one third of the total number of visitors. During the '80s, a certain balance is struck in the ratio of various nationalities, with a slight reduction in the overall percentage of foreigners, which decreases to 28% in 1988. In 1989, this percentage falls to 25%.
- ✓ *Evolution of foreign tourists*: Examining in detail the behavior of international tourists, their average stay proves to be decidedly longer than the average for the resort: 9.4 days in 1980, which drops to 7.0 days in 1989. In this case, too, the trend is negative, but undergoes a decisive downward turn in 1989, when a reduction of 1.1 days is recorded. The trend of arrivals is characterized by an upward curve until 1988 (+36%) only to later show a slight decrease in 1988 and a dramatic one in 1989. In fact, this drop is enough to annul the ten-year growth (-1%). The effect of these two factors on the number of visitors is quite obvious: among foreigners there is a level of growth of approximately 10% from 1980 to 1988, while the 10 year balance in 1989 settles at –27%. Despite the unavailability of a complete set of statistics on the nationalities of foreigners, a strong identification with the northern European market, above all with Germany, is evident.[27]
- ✓ *Evolution of Italian tourists*: Trends regarding Italian tourists are apparently comparable to those of international tourists: arrivals go up until 1988, to then decrease. The average length of stay is marked by a slow and continuous decline and shows a sharp drop in 1989. The number of visitors grows steadily

[27] The development of tourism in Rimini has greatly benefited in the past from the fact that annual paid vacations in Germany were becoming more and more common. There has always been a strong tendency to assume that foreigners were German. The guests who came to visit us were mostly Germans who, for the first time, could enjoy a yearly vacation. We've affectionately nick-named them <<Teutonengrill>>"(Angelino).

throughout the ‘80s, to then come to a near halt in 1989. Yet a clear difference can be noted in the proportions of the decrease in 1989 and the growth of the early ‘80s. In fact, growth is much more accentuated: arrivals in 1988 increase by 54% (compared to 28% of foreigners), the average length of stay is shortened, again in 1988, by 12% (compared to 15% for foreigners), the number of visitors increases to 36% (compared to 10% for foreigners).

The reduction caused by algae is significant, but less evident compared to foreign tourists: arrivals diminished overall by 9% (compared to 23% of foreigners), but the 10 year balance remained positive, at 41% (instead, among foreigners a reduction of 1% was registered). The average length of stay dropped 13% (compared to 14% for foreigners) and the 10 year balance showed a reduction of 23% (compared to 26% for foreigners). The number of visitors decreased by 20% (compared to 33% for foreigners), but the 10 year balance was positive (+9%), while for foreigners a significant drop was recorded (-27%).

- ✓ *Evolution of the ratio of types of accommodation:* Though no data has been compiled continuously on non-hotel lodgings, the ratio of type of accommodation consists mainly of hotel accommodation units. This assertion is supported, above all, by the percentage of hotel rooms (80%) with respect to the total available accommodations.
- ✓ *Evolution of the occupancy rate*: The determination of the length of the tourist season in Rimini must be the basis for a calculation of the annual occupancy rate, seeing as no monthly statistics are available [for the time period being analyzed]. In fact, to use of an annual time line would be inadequate considering the limited growth of fair and convention tourism and hence the reduced number of hotels operating year round. A more credible overall occupancy rate calculation seems feasible by taking into account a six month season. The degree of utilization of the productive capacity shows positive development until 1988, with a slack period in the early ‘80s and a growth period from ’86-’88, In 1989 the degree of utilization of the productive capacity is characterized by near collapse, dropping from 65% to 49%.

1.6 Conclusion

An analysis of concise annual indicators reveals positive development for the resort through the ‘80s, guaranteed by an increase in arrivals which was more than able to compensate for the continual reduction of the average length of stay. The algae phenomenon caused a dramatic decline in tourism, following the combination of a significant reduction in average length of stay and an appreciable (though not dramatic) decrease in arrivals, the joint effect of which gives rise to a lower number of visitors.

Figure 1. Rimini: Competitive results.

Annual data
LS 1989: 6,0 days (1981: 8,0 days)
OS: -25%
A: +30%
LS: -3%
Foreigners
Comparative percentage of foreigners: 81% (33), 25% (89)
OS: -27% (mean annual decrease: -3%)
A: -1%
LS: -26% (OS 1989: 7,0 days)
Italians
Comparative percentage of Italians: 67% (81), 75% (89)
OS: +9% (mean annual decrease: -3%)
A: +41%
LS: -23% (OS 1989: 5,7 days)
Legend: OS (Overnight Stays), A (arrivals), LS (Length of Stays)

Source: Author's own analysis of data from the Province.

In terms of nationality, the '80s were characterized by a shift from a model of development firmly focused on Italian tourists supported by a significant percentage of foreigners (33%) to a model ever more dependent on national tourism, representative of 75% of the number of visitors and of 79% of total arrivals.

The algae phenomenon marks an acceleration of this shift, giving rise to a drastic reduction in international arrivals, compared to national tourism which substantially held steady (in 1989 national arrivals decreased by 9%). We can hypothesize that on one hand the appearance of algae accelerated a process which was already underway, marking Rimini's diminishing attraction on the international front, and on the other hand that foreign tourists were much better informed of the algae phenomenon, due to the extensive international media coverage of this news item.[28]

2. COURSES OF ACTION

The complexity of Rimini's tourism, linked to both entrepreneurial and institutional organizations, can be identified in the principle courses of action which characterize the management of the resort. Empirical evidence allows us to single out a turning point in 1989 regarding the management of Rimini. In fact, in retrospect many see the algae as a phenomenon which created an invaluable stimulus to change and innovation for the

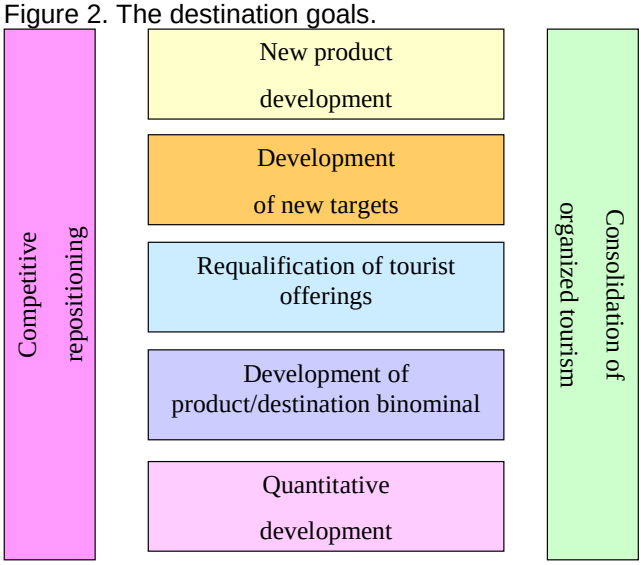
[28] "The international media really milked the algae story for all it was worth, to totally compromise our image on the traditional markets of northern Europe, especially Germany. Reading the foreign papers it seemed like our sea no longer existed and that there was no chance of going back to the status quo. This undoubtedly made a dramatic problem even more so" (Angelino).

resort. For a concise overview, see figure 2. Regional objectives (competitive repositioning and consolidation of organized tourism) have been illustrated as side bars with respect to other courses of action because they represent the primary guidelines

2.1 - Competitive Repositioning

At the beginning of the '90s, the image of Rimini was still closely linked to the sea, destined for the most part to attract a low profile client. The first fundamental objective in the search for a more dynamic connotation for the resort was focused on the repositioning of the Rimini "trademark."[29]

Figure 2. The destination goals.



Source: Author's own analysis.

2.2 – Consolidation of organized tourism

The success of tourism in Rimini is closely tied to TOs, in particular those from central/northern Europe. It is the firm conviction of the regional APT (Azienda di Promozione Turistica, or Agency for the Promotion of Tourism) that these ties should be strengthened, as they represent an opportunity in terms of enhancing potential tourist flow, favoring professional and cultural growth of operators in the field of tourism.[30] Clearly the consolidation of such ties is limited in two ways: on one hand by Rimini's

[29] "The sea and everything related to it are the oldest services provided by the resort, the origins of which go back to the turn of the century. One of the fundamental objectives that the APT [Azienda di Promozione Turistica, or Agency for the Promotion of Tourism] has established regarding the entire region of Emilia Romagna, Rimini specifically, is to attain a repositioning on the market, striving to encourage a transition from a mature product to a more dynamic image, more in tune to the product/market binominal" (Ceci).

[30]"The regional APT strongly believes that it is necessary to develop and consolidate business relations with organized tourism, and specifically with TOs. The percentage of clients who organize vacations through commercial intermediaries is on the rise. Moreover, these organizations, with the world as their horizon, have the ability to grasp signs of change, to favor the professional growth of our operators, to reveal opportunities which would otherwise be unthinkable. I'm convinced that Rimini and more generally the entire coast must work more and work better with these organizations, also to encourage investments by organized tourism" (Ceci).

fame, (more generally speaking by the attraction of its products which tends to favor a direct relationship with clients) and on the other the fragmentation of tourist facilities (above all in the accommodation sector) which complicates managerial processes.

2.3 – Development of new products

The strong points in Rimini's tourism sector can be traced principally to hospitality, the number of hotels, the flexibility of operators in the tourism sector, the ability to put together packages at very reasonable prices, and natural resources. All of these factors represent, according to the main institutional organizations, important potential areas for creating new products. Innovation is seen as a particularly effective instrument for stimulating the specialization of the local tourism sector, (thus allowing a differentiation between the different tourist districts of Rimini or at least the specialization of products offered by the 1,300 hotels), favoring requalification. This objective is expressed in a particularly effective slogan: from one kind of tourism to many kinds of tourism.

2.4 – Development of new clientele targets

As the traditional type of seaside tourism has reached maturity, the need to develop new attractions for tourists has become apparent. The process of repositioning through the development of new products and of closer ties with organized tourism is intended to encourage a precise identification of clientele targets. The aim here is to work toward a product/market approach, in which a specific product is devised to reach a specific target and vice versa.

2.5 – Requalification of the tourism sector

Resort facilities – urban, sport, and accommodation – face a growing demand from tourists for higher standards. Thus it has become necessary to encourage specific investments by both public organizations and private operators to meet this demand.

2.6 Development of a product/destination binominal

Traditional tourist organization, centered on local tourist agencies, has favored the success of single destinations. The process of re-launching Adriatic tourism aims at a transition from destination to product, or at the least at creating a new product line characterized by the trademark of single destinations. This process is meant to substitute the undifferentiated Rimini trademark with a series of products having regional flavor and, subsequently, characterized by a local image.

2.7 Quantitative development

The extensive dimensions of local tourism require the creation of entrepreneurial spaces which can encourage maintaining and developing the quality and quantity of existing businesses. The "niche" policy, through the creation of new products/markets, must therefore be capable of creating an influx of tourists which will ensure adequate economic/financial returns for accommodation facilities and, more generally for the whole range of business generated by the tourism sector.

3. THE ORGANIZATIONS INVOLVED

The organizations involved in various aspects of the management of tourism in Rimini are numerous, and it is useful to classify them in two large groups: i) the institutional organizations established by relative legislation, ii) institutional/entrepreneurial subjects. Included in the latter group are associations founded at a grass roots level, as well as public agencies, such as the Fiera di Rimini, created at a high level in keeping with the rules of the market.

3.1 Institutional organizations established by relative legislation

With the approval of law 7/98, the legislative framework governing the organization of tourism in the region of Emilia Romagna underwent a profound change. The guidelines in the new legislation can be summarized as follows:

- ✓ Clear definition of the organizations involved in the management of tourism and their relative responsibilities (in terms of rights and obligations);
- ✓ Creation of new institutional bodies (principally APT Servizi, product unions, and product clubs at present);
- ✓ Transition from a traditional model of tourism centered on a single-product destination toward a destination/product model;
- ✓ Integration of the public and private spheres, favored by the principle of joint planning, the creation of product clubs at a local level, and the principle of co-financing;
- ✓ Integration of promotional and marketing activity (to this end, "promo-marketing" is often discussed in project and activation documents);
- ✓ Identification of new territorial spheres focused on tourist vocations (districts) rather than traditional administrative boundaries[31] (cities, provinces, regions).

In terms of institutional bodies which have the management of tourism in Rimini as a primary point of reference, new regulations provide for the following organizations: i) APT Servizi S.r.l., ii) the unions and product clubs, iii) the provincial tourism council, iv) the city tourism council.

3.1.1 APT Servizi S.r.l.

Article 11 of the regional law states that the town council can set up an agency for the promotion of tourism called APT Servizi (hereafter APT), providing that this agency adheres to the following requisites:

- ✓ The corporate objectives include i) management and activation of regional projects and plans regarding tourism, ii) technical/scientific assistance for decisions of the region regarding tourism, iii) providing services relative to the planning and execution of programs and enterprises in the field of tourism, iv) management of marketing activities orchestrated among various sectors.
- ✓ The shares the region holds cannot be less than 50.1% of the corporate capital.
- ✓ The region has the right to nominate the president of the company and one member of the audit committee.

[31] Actually, this last element, a new provision in regional legislation, has not yet been activated because there is still no law defining tourist districts in a concrete way.

- ✓ The majority of the operating profit must be earmarked for increasing resources for financing promotional and marketing projects for tourism.
- ✓ The region has a stock option in case minority shareholders intend to relinquish their shares.

On May 11, 1998, in accordance with the abovementioned norms, the regional tourism council instituted APT Servizi S.r.l. The responsibilities of this tourism agency, detailed in article two of the statute, reflect close ties with the region and include a wide range of activities. These are linked to "marketing, promotion and management of special projects, communications, and activities that are generally associated with the promotion of projects and of tourist enterprises, both in Italy and abroad, for the region of Emilia Romagna."

The operation of APT Servizi is linked to the following bodies: i) the assembly, ii) the board of directors, iii) the audit committee.

The assembly, both ordinary and extraordinary, is convened by the president of the board of directors with advance notice of at least ten days. An ordinary assembly deliberates, in the first convocation, with a vote of approval by the members who represent the majority of the share capital (hence the region, as majority share holder, is able to control any decision made by the assembly). Among the issues which are the competence of the ordinary assembly, article 12 lists nominating and revoking members of the Board of Directors and of the audit committee, determining the compensation of the president and vice president of the Board of Directors and the audit committee, purchasing or relinquishing shares in other companies, authorizing assignment of shares to non-members. One can conclude, therefore, that all decisions regarding the functioning of institutional organs of APT Servizi are firmly controlled by the region.[32]

The Board of Directors is composed of five members elected by the ordinary assembly who hold their positions for four years. This same assembly nominates the chairman of the board. The Board of Directors is, as stated in article 17, "invested with the widest range of powers for the ordinary and extraordinary management of the company and, more specifically, is conferred with all and any means to reach corporate objectives which are not, by law, reserved for the assembly." In order for the meetings of the board of directors to be valid, the majority of administrators is required, while for deliberations the majority of participants is necessary. In case of a tied vote, the chairman's vote is decisive.[33] The regulations state that the board is to nominate a director, responsible for the functioning of the operative structures and the management of corporate initiatives.

The Audit Committee In compliance with the regulations outlined in the civil code, this body is given a general power of control over management. The statute provides for the presence of three acting members and two substitutes, nominated by the assembly. The auditors serve three years terms and can be reelected.

[32] To confirm this fact, article 12 excludes the possibility that in the abovementioned decisions the ordinary assembly can deliberate in a second convocation with a simple majority of the share capital of the members convened. Instead a quorum of 51% of the total share capital is required.

[33] In this case, too, worth noting is the power of control which the region reserves for itself. In fact, the President of the Board of Directors is not elected, as is the norm, by the Board itself, but by the assembly, which, in turn, votes by majority resolution (51% of the share capital). Note that article 11 of the regional law states that the region cannot hold *fewer* than 50.1% of shares.

Regarding the financial structure, article 12 states that the region and the APT must stipulate a convention lasting many years approved by the regional government. On one hand, this procedure ensures continuity as far as financing, encouraging medium to long term planning, and on the other requires the tourism agency to operate according to criteria of efficiency and effectiveness, in anticipation of the renewal of the convention. The overall amount of money managed by the APT makes it the principle institutional agency, with a budget of approximately 12 billion lire.[34]

3.1.2 The Product Unions

Product unions represent the principle innovation introduced by law 7, because they promote the transition, or at least an integration, of a model of tourism centered on destinations and one centered on products. In concrete terms, the regional law specifies four types of products: i) the sea and the Adriatic coast, ii) cities of art, culture, and business, iii) the Apennines, iv) baths and health spas. Each product is transversal with respect to a destination, in the dual sense that the same destination can be a part of more than one product union at the same time, and, more importantly the product unions can include any number of destinations.

Given the central role of the sea for the resort of Rimini, in the future attention will be focused exclusively on the Coastal Product Union, founded in July of 1999. The Union is legally recognized as a non profit association, the scope of which is to bring together public and private organizations in order to:

- ✓ Define a marketing strategy which is uniform and integrated.
- ✓ Encourage uniformity and efficiency in services provided by competent institutions.
- ✓ Encourage collaboration between public and private organizations.
- ✓ Encourage the participation of private business owners in planning.

This last objective is among the most interesting because the statute of the union, giving continuity to regional trends, grants private business owners the possibility to develop new products, especially in terms of packages[35]. The union is to encourage the process of association among public and private operators around new products, to then ensure their development and co-financing.

Both public agencies and private business owners are members of the union. The statute guarantees the right of membership to a number of principle resorts along the coast, including the city of Rimini.[36] Single businesses can not be members, but must be represented by or associated with an enterprise or tourist accommodation association "which is capable of marketing no less than 600 rooms or 700 beds, not including hotels" (article 3). This constraint is justified principally in light of the following considerations: i) to prevent the union from having to discuss proposals suggested by individual operators tied to specific interests; ii) the existence of a critical mass facilitates collaboration with commercial intermediaries; iii) the existence of a link with

[34] Here we refer to the operating budget outlined in the marketing plan 2001, p. 72.

[35] As will be explained in detail later, the union is characterized as a container, in which there is space for a variety of products.

[36] The decision to give the cities the right to membership arises from the need to construct a synergetic system, capable of entwining the product dimension with that of the destination. Though it's true that clients sometimes request a product, it is also true that many of our clients request a specific destination" (Verlicchi).

accommodation facilities gives the opportunity to market a product, and not simply promote it (the "principle" of promo-marketing). At present the association, in its second year, has 120 private members, and this number is increasing.

The organizational bodies of the union are i) the assembly, ii) the president, iii) the coordinator of promotional programs, iv) the board of auditors.

The assembly is made up of those who have the right to membership, and those who are granted membership once the relative fee has been paid. The assembly decides which promotional projects to undertake. Then a double voting system is used: first approval must be granted by the private members, and then by public ones.[37] The assembly nominates a president and a promotional program coordinator; both hold their positions for three years and can be reelected. The assembly meets when convened by the president or when at least one third of the members request it, and deliberates on the following issues: i) promotional projects and programs; ii) year-end accounts and budget; iii) direction and general policies of the association; iv) nomination and revocation of the president and of the coordinator, and, when necessary, indemnity for office holders; v) nomination and revocation of the components of the board of auditors; vi) modification of the charter and the statute; vi) determination of the annual membership fee for public and private members.

The President is responsible for convening the assembly, drawing up the final balance sheet and the budget, and presenting these documents to the assembly. To this end, the president may ask for the collaboration of an administrative official of his choice. The president, along with the coordinator, chairs assemblies. If need be, his or her responsibilities may be delegated to a public member.

The Coordinator of Promotional Programs is chosen from those who have specific experience in the sector of tourism and marketing tourism products. This person is a liaison for members from the private sector and assists the president in order to ensure the proper functioning of the association. The president, with the coordinator, has the authority to decide which initiatives, projects, and other items will be discussed by the assembly.

The management of the association is controlled by a *board of auditors*, made up of three members nominated by the assembly who hold their positions for three years and who can be reelected. The auditors must: i) ascertain proper accounting practices; ii) draw up the annual budget report; iii) ascertain cash holdings and the existence of securities and assets owned by the union; iv) carry out inspections and audits at any time which is considered opportune, individually if necessary.

The financial structure of the union utilizes an interesting mechanism. In fact, the resources made available from public and private members and possible sponsors are then doubled by the region. This mechanism provides incentive for the active participation of members and the expansion of the organization. In concrete terms, the financial contribution from private members was 120 million lire in the last fiscal year. Public members, instead, contributed 1,300 million, to which approximately 350 million was added from sponsorship for co-marketing activities. The final result was a budget of 1,750 million, matched by the region, for a total of 3,500 million.

[37] In fact, article 7 states: "In any case, every promotional project, in order to be voted on by the public members, must *first* have obtained the consensus of the majority of the private members" (cursive added).

3.1.3 The Product Clubs

The product clubs are considered private members of the product union and are therefore businesses or groups of businesses operating or associated with tourist accommodation companies which are capable of offering no less than 600 rooms or 700 beds, not including hotels. Product unions originated as free associations of entrepreneurial energy, focused on promoting and marketing specific tourist packages through the union. As mentioned previously, at present the costal union has approximately 120 private members, a number which is increasing. Naturally the financing mechanisms make the creation of clubs extremely enticing.[38]

3.1.4 The Provincial Tourism Council

Law 7/98 assigns the province the role of intermediary for the planning and coordination of promotional activities undertaken in the its territory. The province carries out managerial activities defined by single regional laws to promote and provide incentives for initiatives and administrative actions regarding travel agencies and tourism professions. Specifically, the province is responsible for coordinating locally promoted tourism programs, including providing basic information services and welcoming and entertaining visitors. Compiling official statistics on the movement of tourists and the supply of accommodations is another responsibility of the Provincial Tourism Council.

3.1.5 The City Tourism Council

Regional law assigns to the cities the task of exploiting, in terms of tourism, their own territory. In this way cities are the recipients of regional funds both for promoting structural improvements and local tourism. The cities are also responsible for the administrative functions regarding accommodation facilities (law 217/83), professional activities (law 217/83), activities providing incentives (regional law 3/93) and communication of prices [for accommodations] (law 284/91).

In this legislative context, the City Tourism Council of Rimini, which was founded in the year 2000,[39] has taken on the following responsibilities: i) providing hospitality and tourist information to visitors, ii) promoting a policy for local events.

3.2 Institutional Entrepreneurial Organizations

Besides the organizations outlined in the regulation, the reality of tourism in Rimini has experienced the growing influence of other organizations which play an important role in the management of the resort. These make up a diversified group, represented by associations, cooperatives, tour guide companies, whose business has grown up from the ground level. Among these organizations, of particular importance are: i) AIA

[38] "I think that the creation of product clubs is a response, from the region, to the excessive fragmentation of the supply of tourist accommodation and to the need to develop new products. For us entrepreneurs in the tourist accommodation sector, the product club undoubtedly represents a great opportunity. In fact, the membership costs are very low and you get project financing that covers approximately 50% of your costs" (Salvatori).

[39] "Previously the Autonomous Agency for Sojourn and Tourism was active, this was then transformed into a provincial agency, and later into a special municipal agency" (Pierro).

(Associazione Albergatori) or Hoteliers Association, ii) PA (Promozione Alberghiera) or Hotel Promotion, iii) Fiera di Rimini, or Fair of Rimini, iv) the Lifeguard Cooperative.

3.2.1 The AIA

The AIA was created at the end of the '60's as a trade union organization; in time the association became an important interlocutor for operators in the sector of tourist accommodation regarding the choice of tourism policies, and for the governing bodies for tourism at the second level (the Fiera di Rimini, Convention Bureau, PA).

The importance of the association is linked to the number of accommodation facilities represented, that is 1,050 of the 1,251 hotels presently active in the city. The AIA provides a number of services to its members, including renewing licenses, and has also taken on responsibility for training courses, research, and distributing information.

3.2.2 Promozione Alberghiera

PA is a cooperative which was founded in 1968 by the son of the man who was owner of the Grand Hotel of Rimini at that time, creating a pool of tourist accommodation facilities of medium to high standards of quality. The goal was to create a series of services for members,[40] to favor greater professionalism in operators,[41] and to define an actual deontological code for members.[42] The initial success of PA is linked to that of fair and convention activity and to the consequent need to develop a group of accommodation facilities with standard quality of a superior level. In time Adriacongrex was created, a PCO controlled by PA and active in fair and convention tourism, intermediary between the Fiera di Rimini and single accommodation facilities.

The cooperative began its activity with eleven members; this number grew to approximately 300. In time a reservation center was set up,[43] from which Adria Hotel Reservation was born (PA owns 48%). PA is active in training and marketing.

3.2.3 The Fiera di Rimini

The Fiera di Rimini is a company responsible for the management of the fair building. The company was founded in 1971 by three public partners: the city, the Chamber of Commerce, and the AAST. These were later joined by the Province of

[40] "PA immediately established two important services for its members: on one hand buyer groups were created which allowed hoteliers to obtain significant reductions in the cost of supplies, on the other it instituted marketing services, creating packages. For one of these, the "blue week," tourist accommodation is combined with entertainment (theme parks, cultural tours)" (Angelino).

[41] "We really insisted on the idea that a tourist is not a client but a guest. When you receive a guest you try to make sure every detail is perfect, to make him feel at home. This is very different from when you receive a client" (Angelino).

[42] "In our deontological code we've introduced some rules that our members have agreed to follow, such as how often sheets are changes, the obligation to reimburse clients in case they are not satisfied. To understand the need for these rules, you must remember that many operators were novices, and for some of them the running of a hotel was a second job, which they only did in the summer" (Angelino).

[43] "During the '70s Rimini often found itself in a situation of excess demand. Even our members, at times, couldn't meet clients' demands when, at the last minute, they decided to spend their vacation in Rimini. So, we encouraged transferring these clients to accommodations run by other members. In time an effective organization was created, equipped with offices in the entrances to the city (the train station, airport, motorways) which give our guests information on availability in over 600 hotels" (Angelino).

Rimini. In time the Fiera di Rimini specialized in the management of fair activities, and created a subsidiary which specialized in conventions, the Convention Bureau, (in which the Fiera di Rimini holds a 67% stake).

The importance of the Fiera di Rimini is principally linked with the magnitude of the overall numbers regarding the fair center (see figure 3), destined to grow significantly with the opening of the new fair center (see §5.2).

Figure 3. Dimensions of business generated by fair activity

	Fairs	**Conventions**	**Total**
Participants	438,000	175,000	613,000
Local Attendance	529,000	775,000	1,304,000
Number of hotel guests	299,000	598,000	897,000
Personal Expenditures of Participants (mine)	73,629	78,043	151,673
Technical/Organizational Expenditures (mine)	50,928	5,209	56,137

Source: Effetto Fiera (1996, pp.).

Being an company in every sense of the word, the criteria for funding are linked to its activity. At present, sales of the Fiera di Rimini are approximately 40 billion lire, with a ROI of 12% and a ROE of 10.5% (La rotta del successo, p. 25).

3.2.4 The Lifeguard Cooperative

The origins of the Lifeguard Cooperative have already been described in §1.2. Here we wish to emphasize the importance that this organization has attained over time, both as the expression of and point of reference for one of the most important services specific to the sea. The cooperative carries out a number of activities for its members, specifically cleaning the shoreline, supplying running water, and providing various administrative services. The mechanisms for funding are linked to passing management costs on to members, using the volume of business done by single bathing establishments, and not meters of beachfront, as the criteria for dividing costs.[44]

4. DESTINATION FACILITIES: PUBLIC INFRASTRUCTURE

In this paragraph, public works undertaken by the city of Rimini in terms of infrastructure will be analyzed, specifically regarding the following:

i) access routes to the resort, ii) local viability, iii) urban facilities, iv) sports facilities.

4.1 Access routes to the resort

Rimini is accessible by road, rail, and air. As previously mentioned, the resort has a number of problems concerning viability, both for internal roads and access routes. Clearly for different types of tourism, solutions differ widely in terms of transportation.

[44] "We've decided to adopt this criteria for dividing expenses because it takes fully into account the advantages of the position of bathing establishments. Some of these, though small, are positioned in crucial points and therefore are able to do a greater volume of business. The services that the Cooperative offers are mostly tied to this volume, I think mostly cleaning and supplying running water" (Nanni).

In any case, a strong dependency emerges involving road transportation, in the form of cars (individual leisure tourism) and coaches (organized leisure tourism, convention or religious tourism).

Access via air, in the form of charter flights or scheduled flights, is at present not very convenient, due to limited connections. A total reorganization is underway, with the goal of repositioning the Rimini airport, according to the following guidelines: i) consolidation of traffic patterns of passengers and goods which presently exist to and from eastern Europe, ii) reinforcement of the charter flights market, incoming and outgoing, iii) establishment of long term relations with important airlines which are well-positioned in terms of hubs, while keeping in mind the importance of developing point to point connections.[45]

Rimini is accessible by rail via the Bologna-Bari line. Train service is used by a wide range of passengers, both tourists and residents, especially in the summer. The development of the high-speed Milan-Bologna-Florence-Rome line will further increase the convenience of train service, making Bologna (approximately 100 km from Rimini) a port of access.

Among access roads, State Route 16 is particularly important. It connects Rimini with nearby cities, such as Riccione. The saturation of this artery during the high season along with consequent problems from a safety point of view has already been mentioned.[46]

The most important project which local authorities are undertaking on the transportation front is the "Trasporto Rapido Costiero," or Rapid Coastal Transport (hereafter TRC). The TRC is a public service which represents an alternative to the coastal transport between Cervia and Costiera, giving continuity to the experiment of the "Blue Train."[47]

In concrete terms the TRC is a hybrid form of transportation, a sort of trolley bus which runs in a special lane that can guarantee precise and manageable transport times. Because of these characteristics, it has been erroneously defined as a light above-ground subway. The TRC should be complete in four years. The administration is concerned that the growing amount of traffic, which is a reality in Rimini too, may increase the level of air pollution to the point that all cars will have to be banned, with negative consequences for the resort.

[45] "In the process of re-launching the Rimini airport, there is the realization that the tourism sector, as important as it is, represents only one of the potential segments to develop" (Bernardi).

[46] Symptomatic of this is the description contained in the urban traffic plan for this artery: "State Route Adriatic 16 runs through the entire city of Rimini parallel to the coast. It is the principle infrastructure which supports all types of vehicle circulation , both small and large, from various towns, as well as thru-traffic, and, in some tracts, it serves as a city street. The infrastructure, in the end, is not sufficiently able to sustain the flow of traffic it is exposed to, and there are a very high number of accidents" (Piano Urbano del Traffico, hereafter PUT, sezione 1, "La requalificazione della rete infrastrutturale").

[47] "This consists of a rail service created for young people who go to the discos. The "Blue Train" is a concrete response to the numerous accidents that often occur at the week-end, the so called Saturday Night Massacres. The main idea is for the fun to begin on the train, where, in fact, the passengers can listen to their favorite music. The Blue Train has been a great success, so much so that at one point we had to stop any form of advertising because the demand was often greater than the availability" (Luccardi).

4.2 Local viability

In terms of local viability, a number of projects are in full swing which should give some relief to the chaotic traffic situation, when Rimini is transformed from a little provincial town to a metropolis. Among the numerous activities underway, or which are being organized, are: i) creating a traffic observatory, ii) organizing parking, iii) developing public urban transportation, iv) creating alternative forms of transportation, v) instituting the position of a mobility manager.

The transportation sector of the city administration of Rimini has carried out a traffic study which is compiled according to scientific criteria and continually updated. The city has been divided into districts according to the type of activity that goes on there (tourist/commercial). Then a traffic estimate is made utilizing various criteria, for example fuel consumption. The results of this study show that tourism, from the point of view of kilometers traveled, does not contribute significantly to increases in mileage.[48] To reduce the circulation of tourists, a project is underway to identify the entryways and the access corridors to the different districts of Rimini, and in doing so optimize, in terms of time and distance, connections and traffic flow, reducing congestion.

If constant tourism does not generate a significant increase in the number of kilometers traveled on the streets of Rimini, the effect on long-term and short-term parking is very different. Parking problems are made more acute by the recent road safety regulations requiring a minimum road width. Consequently, certain parking areas on the sides of roads have been eliminated. To deal with the inconvenience created, alternative forms of transport must be encouraged, new parking areas set up, and new services created, according to the city administration.[49] Moreover, various combinations of parking and public transport are being studied: leaving one's car in a pay parking lot, entitles a driver to a ticket valid for six hours on public transport. Even the design of parking lots is changing. In new structures, "totem poles" are set up to inform the customer of the existing network of public transport.

In terms of public transport, the city has successfully experimented with some initiatives aimed at offering transportation solutions in line with specific client targets. This is the case, for example, with the Blue Light, a bus service provided for disco patrons to reduce nighttime traffic and its dramatic consequences in terms of accidents.

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[48] The fact, though surprising, can be explained by the evolution in the monthly consumption of fuel. "The month of July, when greatest fuel consumption is recorded (5,253 kiloliters of petrol and diesel oil) shows an increase of 31% with respect to February (4,043 kl of petrol and diesel oil); from the month of August (5,189 kl) and the month of March (4,560 kl) the percentage difference is 14%. The comparison of spring months and summer months shows an increase of 10%" (PUT, sezione 2, "La riqualificazione dell'organizzazione della circolazione").

[49] Some examples are symptomatic of this. "Following the dismantling of a gypsy camp, is was possible to set up a guarded parking area with 300 parking spaces situated in the immediate vicinity of an area full of hotels, but with little available parking space. The parking spaces were offered to the hotel owners at £300,000 each without much response. The next year, a new formula was experimented with, more aggressive in commercial terms, with discounts for whomever rented more than one parking space. Many hotel owners bought the service. The clients appreciated the service to the extent that the following year they only booked after verifying that there was a parking lot. A second example shows how behavior can sometimes be modified. In 1997 we decided to create pay parking spaces along the coast. The hotel owners were against the idea. In a short time we realized that the 2,000 parking spaces worked well, but were rarely entirely occupied. Through further analysis we discovered that residents had changed their habits, preferring to use alternatives to cars, so that those 2,000 parking spaces were used by tourists, and were more than enough to fill the demand" (Luccardi).

The initiative as been successful, and a number of discos have even added other buses at their own expense to expand the service.[50] At present approximately 6 million people a year travel on public transport. The city aims to increase that number to 15 million, mostly thanks to the TRC.[51]

Alternative forms of transportation represent an area which is not particularly developed, but which has considerable potential, principally in terms of bike trails and walking paths. At present the city of Rimini is making a collaborative effort with the city of Copenhagen to design a network of trails. The data is encouraging: where these services have been created the response from the public has been immediate, especially if the hotels assist their guests by offering them the use of a bicycle. The bike trails could have important consequences for local residents, who would also have access to the trails.

The position of mobility manager has been created to identify specific problems of single districts of the city and plan more efficient choices ad hoc. This person represents a link between the administration and individual citizens regarding transportation issues and concerns.

4.3 Urban facilities

In terms of urban facilities, the city of Rimini shows little dynamism, especially in comparison to the neighboring cities of Riccione and Cattolica. The reasons for this inertia can be traced to a number of causes: intense traffic congestion; the near total cementing over of the city, making public works of urban improvement complex; and the lack of an incisive and dynamic political class. An area for potential investment would be the creation of limited traffic zones or pedestrian areas, spaces which would allow residents and tourists to take peaceful walks. Traffic congestion, however, significantly limits this possibility. Furthermore, the high degree of "cementification" of the city minimizes potential space for beginning the process of urban improvement by creating parks, public gardens, fountains, and so on.[52]

Rimini has never been close, from a political point of view, to major power centers of the region (Bologna) or the nation (Rome). This isolation is combined with an uninspired political class which has often simply lived with the problems of the resort, proposing incremental solutions rather than drastic ones.

4.4 Sports Facilities

The city has shown little initiative in the development of sports facilities, especially compared to cities like Riccione.[53] In this regard, Rimini lacks both the infrastructure -

[50] "The positive experiences we have had in these past few years lead us to the conclusion that tourist tend to use their cars only when they have no other alternative" (Luccardi).

[51] The TRC constitutes the 'motor of reorganization' of the transportation network of the city of Rimini, capable of attracting 16,149,880 travelers per year, compared to approximately 5,000,000 who currently use the system" (PUT, sezione 3, "Centro Storico").

[52] "The experience of Riccione, in terms of prohibiting traffic and reorganizing urban facilities, is difficult to transfer to the context of Rimini, where space is much more scarce and cemented over. The situation in Rimini is also more complex due to a concentration of 1,300 hotels in a strip of coast 15 kilometers long" (Salvatori).

[53] "Rimini is having a very hard time finding a way to integrate tourism and sport, unlike our neighbors. Riccione, for example, is very dynamic. There international events have taken place, like the "netturbiada" or the fire fighters races. San Marino organizes the Olympics of Small Nations. Considering

there is no swimming pool nor marina - and an entrepreneurial spirit. In fact, little attention is paid to organizing specific events or activities for utilizing existing facilities, for the benefit of tourists and/or local residents.

In the early '80s an opportunity arose to develop tourism linked to sailing, as the port was to be expanded. Specific commitments followed by the administration, but the investment was never made.[54] Recently, the city has reconfirmed its commitment.

5. INFRASTRUCTURE AND PRIVATE SERVICES

In this area the following large groups of activities are included: i) tourist accommodation facilities; ii) facilities linked to the new fair and convention hall; iii) theme parks.

5.1 Accommodation facilities

The evolution of the hotel component [of accommodation facilities] through the '90s can be traced to the following factors:

- ✓ Reconverting existing facilities: As previously mentioned, the tourist accommodation sector in Rimini is characterized by distinct fragmentation, considering the large number of hotels. During the '80s, the generational transition brought difficult problems to the surface regarding entrepreneurial continuity. In fact, the sacrifices necessary for running a hotel, the need for enormous remodeling projects, the competitive uncertainty which characterizes traditional leisure tourism, the marked seasonal nature of tourism, and decreasing profits pushed the new generation of family members to choose new professions. Many smaller businesses closed.

  The city administration, called upon more than once by various associations, has decided to facilitate this exodus from the market by encouraging the re-conversion of these smaller facilities into apartments. Nevertheless, very specific limitations are placed on these projects: they can only be undertaken for structures with fewer than 25 rooms. In a few months the administration received numerous requests for re-conversion, generating some alarmism about possible distorting effects on tourist accommodation in terms of the ratio of hotels vs. non-hotels. Actually, in a short time the phenomenon leveled off, though local operators believe that it is not yet over.
- ✓ *Remodeling*: Parallel to the phenomenon of non competitive facilities leaving the market, those who decided to continue with their businesses began remodeling and modernization. The updating of hotels, beyond inevitable individual choices, tends to reflect certain basic trends such as: i) increasing "community" space, ii) creating of small swimming pools, iii) extending average room size, iv) installing heating and air conditioning systems. The building projects involve both hotels on the front line, and those further away from the sea. As often

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their experience one notes a double shortage in Rimini: on one hand facilities are insufficient, and on the other the entrepreneurial energy needed to exploit the already existing facilities for tourism is lacking" (Totti).

[54] "I remember when we inaugurated Nautex, a fair dedicated to nautical material, there was a speaker from the city administration who pointed out the fact that in a few short years Rimini would finally have had a new marina, encouraging tourism tied to sailing. This year Nautex is coming up on its 22nd edition, but the marina has not yet been built" (Venturelli)

occurs in these processes, some operators become pioneers and are then followed by other entrepreneurs, in the "spirit of emulation."[55]

- ✓ *Discrimination of prices linked to a product*: Reorganization is often accompanied by an innovative pricing policy, based on a differentiation in prices which is not tied to the season but rather to various types of services. Different rooms in a hotel are furnished with different standards in terms of space, décor, accessory services, or the client is simply given various options in terms of access to central services[56] (the pool, sauna, fitness center and so on). The result of this process is a wider-ranging and more personalized service, which may lead to repeat business.
- ✓ *De-seasonalization of accommodation facilities*: The process of remodeling increases the number of hotels equipped with heating systems, thus able to accommodate fair/convention tourism which occurs off season from October to May. This results in a progressive de-seasonalization of tourist flow, with important consequences regarding the level of service and economic performance.
- ✓ *Specialization per product*: Remodeling has favored the sporadic development of facilities which specialized in catering to new types of tourism, through the creation of new services or of specific standards in terms of infrastructure. The case of cycling tourism is emblematic: some hotels have equipped "community space" to make the hotel more attractive to cyclists (by setting up workshops for bicycle maintenance) or have developed new services (technical personnel specialized in maintenance, introduction of diets for athletes/cyclists, different meal times).
- ✓ *Growth of hotel chains*: The management of hotels, even those with a large number of rooms, remains strongly tied to family-style management models. During the '90s, some hotel chains came on the market (Jolly, Holiday Inn, Mercure), due principally to the creation of the Metha Group Hotel.[57] This phenomenon is considered a positive one as it stimulates a further growth in professionalism and raises the level of local services offered, through imitation and emulation, already a proven phenomenon in the resort. The greater

[55] "In the process of remodeling and renewing hotel accommodations, one operator made history. I'm referring to the hotel Tiberius, a building located in the third line, without a view of the sea nor parking. The owner, following our advice, began a remodeling project aimed at creating a miniature version of a series of services typical of four star hotels operating in big cities. The result was a small hotel which provided fabulous amenities. The remodeling began a process of saturation of the occupancy capacity which was impressive. The Tiberius was, for years, the hotel with the highest occupancy rate among three star hotels, and with the highest prices. This encouraged a "spirit of emulation" (Bonini).

[56] "The fundamental philosophy of the Tiberius is linked to the following principles: i) maximum commercial aggressiveness, ii) maximum commercial flexibility, iii) careful training of personnel, who actually supply the product, iv) maximum empathy for the client. […]In terms of marketing policy, we've tried to accomplish a differentiation in terms of service, in such a way that we are always able to interpret the needs of our clients and satisfy them to the best of our ability. In ideal terms, a structure with 50 rooms should be able to offer 50 different products. The successful experience of our structure has earned us a following in Rimini, motivated by a healthy spirit of emulation" (Bernardi).

[57] "Metha Group Hotel (MGH) is a multi-franchising hotel management company. Our group began its activity in Rimini and we quickly realized that the our expertise can be successfully exported all over Italy. The Italian hotel sector is still marginally interested in the development of chains. Right now MGH operates in Milan, Rome, and Verona, and soon we'll be in many other Italian cities" (Salvatori).

managerial complexity and the advantages linked to size are also stimulating the creation of small local hotel chains.

- ✓ *Qualitative growth*: Hotel remodeling and reorganization led to qualitative growth of number of beds, a greater average room size, and a decrease in the number of beds per room.

5.2 The Fiera di Rimini

The algae crisis has stimulated further development of the fair and convention sectors, with important effects on the entire tourist industry. A profile of the development of fair and convention activity is outlined in the following section.

5.2.1 Fair Tourism

In terms of fair events, currently the Fiera di Rimini has set up four lines of services specialized per product: i) food & beverage, including four events, ii) amusement & leisure, including nine fairs, iii) technology, including eight fairs, iv) travel & tourism, including six fairs. The fairs are generally organized directly by the Ente Fiera (Fair Agency) and take place in Rimini. During the '90s both the number of exhibitors and of visitors increased dramatically. These trends were characterized by a modest degree of international participation, however, due to the greater efficiency of foreign fair centers.[58] The results achieved by the Fiera di Rimini, in actual fact, are much greater when one considers the sideline business generated (attachment II).

The growth of fair activity during the '90s brought about a progressive saturation of available space. The need to separate fair and convention activity became obvious. A new structure dedicated solely to the fair sector was created. On April 28, 2001, Rimini's new pavilion was inaugurated. It's name, Riminifiera2001.it, is evocative of the innovative and technological character of the project, which includes 12 exhibition pavilions, 3 entrance areas, 82,000 square meters of exhibition space gross, and 44,000 square meters net, 6,000 parking spaces, and 45,000 square meters of general services.

The most innovative aspects of the project have to do with the architectural, structural, and technological components, most importantly the structural flexibility of the building. Having no columns, numerous events take place simultaneously; facility meeting rooms have a seating capacity of up to 10,000. The business plan of this operation projects strong growth in sales of space with a consequent increase in profits and economic performance, all generated by from the Fiera di Rimini. The new facility allows more effective management of the product/market combination already in the portfolio and encourages a greater degree of internationality of the fair and an enhancement of new fields.[59]

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[58] Note that Germany is the number one country in terms of fair space sold with a European quota of 37%, followed by Italy at 24% and France at 20% (Piano Strategico, p. 10).

[59] "The Fiera di Rimini has resolved to carry out an ambitious global mission aimed at i) expanding its present portfolio of events by identifying new segments of clients (exhibitors) and markets as well as undertaking incisive marketing action in Italy and abroad. More specifically the Fiera aspires to become a leader in fields which have been our specialization till today (hospitality, entertainment, free time and tourism), affirming our reputation at a national and international level; ii) developing activity in the branches of tourism which have not until today been sufficiently promoted (industrial goods, investments, services) identifying new market sectors and new events in order to become a global operator capable of competing with the most important national and international fair centers" (La rotta del successo, p. 29).

5.2.2 Convention Tourism

During the '90s the convention sector flourished, especially those events held in the fair facilities, which were enlarged by the construction of Pavilion F. The quantitative development of the fair facilities is connected to qualitative development: the number of participants represented by companies increased, as did average size of events, the importance of large events, and international participation. However, a decrease in the length of conventions was recorded[60] (figure 4).

Figure 4. Dimensions of convention tourism in the province of Rimini.

	Hotels	%	Convention Centers	%	Total
Conventions	2.303	49%	2.444	51%	4.747
Participants	183.000	18%	853.360	82%	1.036.360
Days of Attendance	363.610	18%	1.621.240	82%	1.984.850

Source: Osservatorio Congressuale Italiano (2000, p. 7).

The development of the convention sector is closely linked to the technical characteristics of the fair facilities, conceived to cater to fair tourism, and to the number of days in which the facility is actually available. During planning sessions, conventions are allocated residual days, left over from days utilized for the fair sector. Overall, the facility shows a high rate of use: summing fair and convention activity, the annual total reaches approximately 150 days, which, considering set-up and break-down time, represents nearly total saturation.

Following the construction of the new fair center (Fierarimini2001.it) a new resource is available for convention tourism, which has its own facilities - Pavilions E, F, and G of the old fair. In this area, a project is due for approval that will reconvert ex-Pavilion D (utilized until the inauguration of the new fair for fair tourism) into a new convention center with 16 halls and a seating capacity of 13,500.

This involves a significant investment, 145 billion lire which includes, beyond construction costs, the building of 1,000 underground parking spaces (reducing present parking difficulties) and other types of equipment (furnishings and technical systems). The economic/financial projections for this investment are positive, as is clear from the budget summary and the financial report (attachment II). The impact on the tourism sector will be significant, because an analysis of previous statistics show that the dimensions of side-line business profits is nearly 20 times the profits of the convention center. The positive numbers regarding the new facility project a peak increase in attendance of 458% (from 150,000 to 840,000) and a rise in the number of conventions of 570% (from 43 to 288).

5.3 Theme Parks

The coast of Romagna represents a theme park haven. In the immediate vicinity of Rimini there are seven theme parks; this number increases to twelve if we consider the entire region of Emilia Romagna. The different product specializations of these parks

[60] "In the past year of operations we have managed to increase the total number of conventions, which has reached 53; however, the number of participants has decreased due to a reduction in the average stay. A loss of nearly a day has been recorded" (Agostini).

has favored the development and consolidation of new segments of clients, increasing recreational attractions not associated with the sea.

6. NEW PRODUCT DEVELOPMENT

The need to reposition Rimini on the marketplace with an eye to products which are not strictly connected to the sea has favored a dynamism in the development of new products, both packets and events.

6.1 All Inclusive Packages

Regional law 7/98 has been instrumental in creating a number of initiatives under this heading. Principally the organizations involved are product clubs and the Coastal Product Union.

Among the principle products developed are: i) active vacation packages, ii) seaside vacations for families, iii) Easter and other spring weekends, iv) entertainment packages.

Active vacation packages link tourism and sports. Three initiatives are the primary axis in which the union is investing: golf, cycling tourism, and sailing. For each of these sports monothematic packages have been set up, in close collaboration with individual local clubs and operators, who provide basic services. In the near future, the union intends to develop new sport-related products linked to athletics, tennis, football, and racing (keeping in mind that Misano, Imola, and the world of Ferrari are in the vicinity). With respect to these products, the resort of Rimini shows less enthusiasm, especially toward sailing and golf, due to the already mentioned lack of infrastructure..

Seaside vacations for families represent an attempt to revitalize a “mature” product capable of generating a consistent flow of tourists and which remains the core product of Rimini. The project increases the qualitative level of services provided for children and their parents according to a set of guidelines, and exploits a special collaboration with theme parks through the creation of a “passport to fun.” The package includes a card which, for a modest sum, entitles the holder to entrance to all theme parks on the coast of the region of Romagna.

Entertainment packages generally consist of a week-long vacation at a very reduced price including accommodations and a series of attractions principally linked to theme parks, discos, and night spots. The targets for these packages are families, young people, and night people.

The development of packages linked to the *Easter and spring season* has the clear objective of de-seasonalization. Unlike the preceding points, the accent here is on the weather variable rather than on a specific commercial product. In fact, the packages proposed are not homogenous, for the most part, since each focuses on a specific attractions - from family entertainment and theme parks to auto racing - that is, on the substance of an active vacation.

The consistent development of new products, though often obtained by revitalizing or reorganizing pre-existing ideas, is linked to a simple but effective process, summed up as follows: defining and developing ideas is delegated to entrepreneurs, while the product club deals with the economic/financial aspect. The unions, instead, provide a series of homogenous “containers” for products created by the clubs, as described in detail above.

6.2 Organization of Events

This heading includes all those initiatives meant to attract the public, (cultural, musical, sports events or so on) which is the lifeblood of a tourism product.

The institutional organization most active in this area is the City Tourism Council, institutionally charged with enhancing the image of Rimini.

Before discussing the major events which have been held, it is interesting to identify an instrument with which the Tourism Council has contributed to the development of local events, that is the Sportello Generale del Turismo or General Tourism Office (hereafter SGT) This is a support system for setting up grass-roots events (typically neighborhood or street committees organize gatherings) or to encourage the creation of large events. In operative terms, the SGT provides a series of administrative services which allow a reduction in organization time and costs. Fundamentally this decision [to set up the SGT] is linked to contingent factors: The limited budget of the city administration does not permit direct financial support for the organization of events. The resort, however, has shown great dynamism that often gets suffocated or to some extent limited by bureaucratic obstacles.[61]

Only one year after its opening, the SGT has assisted in the organization of the following important events: i) Gradisca, ii) Euro-chocolate, iii) Rimini Fans, iv) Pri-Italy, v) New Year's Eve, in addition to a host of local micro-events.

Gradisca is truly a people's festival which winds its way along 15 kilometers of coast, drawing in tourists with traditional Romagnola hospitality. The festival, which is named after the famous film by the director Fellini, was initiated in the '90s and landed Rimini in the Guinness Book of World Records. In fact, the longest table in the world was set up, along 15 kilometers of beachfront, where tourists could taste grilled fish and other local delicacies. The tremendous amount of energy necessary to organize this event has been the cause of its decline, although the City Tourism Council held the festival again last year.

Euro-Chocolate is an event organized during the month of July which recreates, in a summer version, its namesake, which takes place in Perugia. July was chosen since, especially in the first two weeks, occupancy rates are on the decline. The event revolves around chocolate and ice cream. It is held under a marquee set up on the beach, and all the pastry and ice cream shops in Rimini participate. In fact, menus are created especially for the event, as is a special ice cream cone, new flavors and artistic cakes.[62]

Rimini Fans revisits the biggest stars of show business through the participation of their fan clubs. Last year "The Beatles Revisited" was organized with great success, thanks to the participation of a number of cover bands (national and international), a mementoes exhibit, the appearance of people who worked with the band. Films and documentaries were also shown. This year, for the long weekend of April 25 (the

[61] "Through the SGT we've managed to work with important companies like TIM [an Italian telephone company] and Coca-cola. These companies, which have chosen Rimini to stage their events, are not so interested in obtaining a small contribution from the city council, but are very keen on a co-organizational service" (Pierro).

[62] "Euro-chocolate takes up a fundamental tenet of our philosophy, that is to involve the economic sector which is most interested in the event so as to guarantee the maximum amount of exposure of the central idea of the event itself" (Moni).

national holiday of the Liberation) and May 1 (National Workers' Day), "Elvis revisited" was organized, with an extraordinary participation by the public.[63]

Pri-Italy is an event associated with the presentation of the RAI (Italian national television, consisting of three channels) television programs, through collaboration with the city of Bologna. In fact, while the administrative center of Emilia hosts the cultural part of the event, Rimini is where variety shows are staged.

The *New Year's Eve Party* is a new event held for the first time on December 31, 2000, to ring in the new millennium. For the occasion a seaside establishment was recreated in Piazza Cavour (the historical center of Rimini, quite far away from the sea), with chairs, small tables, and grilled fish. The event, which represented the high point of a series of gatherings organized all month long, was well received by the public.[64]

7. MARKETING STATEGY

The marketing of the resort can be analyzed by distinguishing between two elements: the strategic marketing plan and the operative plan.

7.1 Strategic Marketing

Under this heading come the decisions relative to Rimini's repositioning strategies on the tourism market. The effects of tourism reform make it difficult to separate the choices made by the resort itself and those arising from the entire region of Emilia Romagna, while taking into account the distinguishing features of Rimini. In the context of strategic marketing, the following basic choices can be identified: i) to adopt a policy of institutional communication aimed at enhancing the image of Rimini; ii) to favor a product/market approach, defining instruments and goals ad hoc for each combination; iii) to create families of products which can bring together similar products with different locations, favoring processes of aggregation and specialization (from destinations to tourist motivations). These orientations have already been thoroughly detailed, therefore only the instruments of operative marketing will be discussed below.

7.2 Operative Marketing

Operative marketing principally makes use of the following instruments: i) a union catalogue, ii) RAI televideo, iii) www.adriacoast.com, iv) Papo v) industry exchanges, fairs and workshops, vi) a call center, vii) printed matter and the distribution of informative materials, viii) magazines and newspapers, ix) Piazza Romagna, x) an info point.

The *Catalogue of the Adriatic Riviera* is structured along four product lines (The Coastal Union, The Apennine Union, The Spa Union, The Cities of Art Union) and summarizes all the regional offerings. With reference to products offered on the coast,

[63] "Beyond the organizational machine, accelerated by the SGT and by the enthusiasm of the fan clubs, we've put together a package for our guests with important benefits for our hoteliers" (Moni).

[64] "An episode tied to the New Year's Eve party can help you understand the spirit of the events organized by the Tourism Council. In Rimini there is an company specialized in making chairs and small tables for seaside establishments. When this company found out about our project in Piazza Cavour, they contacted us and set up the stage for free; they also gave us products from at the turn of the century to use. The SGT is able to coagulate the energy of our entrepreneurs, multiplying the effectiveness of our budget" (Moni).

the catalogue contains details of families of products, as shown in § 6.1, and then divides these products by destination. The result is a complex catalogue, both in terms of content and number of pages (the latest edition is more that 200 pages long). This marketing tool is sent mostly to clients who are part of tourist organizations (TOs and agencies), contacts from industry exchanges or tourism fairs. The orientation of the union is directed at a simplification and streamlining of the catalogue and a more targeted distribution.

To ensure greater visibility of products available on the Adriatic coast, relative information has been inserted, in telematic format, on *televideo RAI*, [a sort of almanac that can be seen on one's home TV screen and accessed through a remote control] on pages 676 and 677. This represents an extremely effective instrument consulted by millions of viewers annually. Televideo is also suitable for publicizing last minute products.

The website *www.adriascoast.com* represents an important display case for products offered on the Adriatic coast and facilitates consultation by sector through a search engine. Through this site the unions receive specific requests sent in by clients and feed them into a marketing database.[65] On the site a section will be dedicated to institutional communication, where the four product unions will provide their background information and state their marketing plans, statutes, and budgets. According to the development plan, the union needs to favor the expansion of the present site in two directions. On one hand, it must become the gateway to associated sites (of product clubs and public associates such as the city and province), thus providing a wealth of information for the client and making the site more attractive. In this process of expansion, a link with web cameras which are already in use would enrich the site with pictures (at present the site consists of mostly written material). On the other hand, increasing the visibility of the site is essential. This can be done by inserting it in major portals specialized in tourist activities, above all those equipped with the more innovative forms of e-commerce.

In the development of new products we have often mentioned the coastal union's attention to families with children. To ensure they return and to make the relationship with little tourists attractive, a special web site has been set up where "*Papo,*" a cartoon character, lives. The site, in Italian and English, offers entertainment and games for children.

Particularly effective in the development/consolidation of the image of Rimini and, more generally speaking, of the entire coast, are *industry exchanges, fairs and workshops.* According to the spirit of the new regional law, the services of the APT are responsible for overseeing institutional communications. However, to favor healthy pragmatism and economic benefits, this commitment is shared by the unions. Along with their members, specifically the product clubs, the unions are in charge of promotional marketing. At present the search for this delicate balance represents a very weak point in the organizational model. One possible solution may be setting up regional call centers. Currently, the unions normally participate only in fairs in which the regional APT is present.

The creation of a call center for the entire region arises from the realization that once clients (above all final clients), have received information through the various promotional channels, they must be able both to obtain further information easily and,

[65] "At present the coastal union has a mailing list of approximately 30,000 names, to whom we systematically send our catalogue" (Verlicchi)

more importantly, to make reservations. The choice of integrating the numerous tourism options per product and per destination in a single instrument significantly increases the effectiveness of the call center and allows the conversion to economies of scale. Continuing on the topic of promotional marketing supported by a call center, worth note is the role played by Adria Hotel Reservation, an enterprise linked to PA (Rimini) and to Promohotel (Riccione).

This project involves a reservation center which allows tourists to make reservations by phone or on line by means of a highly evolved computer system. Adria Hotel Reservation collects information on availability of the associated hotels via modem, fax, telephone, or walk in and inserts this data into the system. The operator, on the basis of various criteria, can carry out a highly detailed search for the client. To guarantee the utmost transparency, and to avoid one hotel being favored over another, personnel are shifted from one office to another every fifteen days, a computer check is run to calculate the value of various reservations based on a combination of criteria,[66] and any associate is free to double check the monthly summary of the reservation service. At present the Adria Hotel Reservation service publicizes the availability of approximately 300 hotels.

The organization of *printed matter and distribution of informative materials* is carried out at numerous levels, in keeping with the competence of the different operative organizations. The Coastal Union, in collaboration with the other regional product unions, takes charge of printed matter and distributing catalogues, and APT Servizi is responsible for institutional material. As far as destination, the Provincial and City Tourism Councils have taken on the responsibility for printed matter and the distribution of informative and promotional material relating only to Rimini and its products.

The reorganization of public marketing has further encouraged accessing the *national and international press* by means of advertising. To maximize the effectiveness of this campaign, the APT and the product unions have provided for ads both in non specialized print media (for example newspapers), and in tourism magazines.[67]

Piazza Romagna is a commercial event structured in the following way: the renowned Casadei Orchestra performs in the piazzas of major Italian cities, which traditionally represent important markets for tourism for the region of Romagna. At the same time information booths are set up where all the products and destinations having

[66] "A reservation for a week day has a greater value for an accommodation facility than a weekend day, when it's more likely that the facility will fill up. The same is true for the high season with respect to the low season. Among other criteria, worth noting is, obviously, length of stay. The operating system that Adria Hotel Reservation utilizes is capable of weighting the reservation made at a hotel according to this criteria. As a result, number of reservations being equal for each hotel, the value attributed to these reservations can present significant variations once these weightings are made. The weighting criteria have been agreed upon by our members, who have therefore accepted the rules of the game. In those cases when the requests of a client are compatible with more than one hotel, the system automatically selects the facility with a lower number of reservations weighted. To guarantee the utmost transparency, we send reports to our clients (hotels) and if an operator suspects that discrimination has occurred he can consult an analytic tabulation. We're convinced that only through the utmost transparency can we obtain complete trust and in doing so further develop our business" (Angelini).

[67] "The possibility to access the readership of national and international magazines at large with specific commercial initiatives for a specific product remarkably increases effectiveness. To market a package orientated toward children in a women's magazine is more effective and hence more economical than advertising the same package in a non-specialized magazine with a higher circulation" (Verlicchi).

to do with the Adriatic are presented. The notable success of these manifestations so far is leading to their expansion, (adding stands with local food and artisan works, and more entertainment) to make Piazza Romagna a real road show.

To select client targets in a more precise way, in future editions the number of piazzas involved will be reduced (five or six cities), local communication will be expanded, and a number of important organizations will be invited to participate, such as CRAL (Circolo Ricreativo Assistenziale Lavoratori) a recreational organization for workers, travel agencies, and educational institutions. In addition the stage design will be enhanced.

Info points represent commercial initiatives undertaken in areas where large numbers of people congregate, which typically originate in modern organized distribution. The initiative in some ways is an offshoot of the experience of Piazza Romagna. Info points are set up in shopping malls to provide entertainment and distribute informative material on packages marketed by the unions. To combine the festive atmosphere of the event with the professionalism of the operators, normally hostesses and a product club will participate.

Once the main instruments of operative marketing have been identified, it is important to highlight the selection and utilization of a set of instruments ad hoc to promote various products, especially those associated with the sea.[68]

To select, strengthen and improve the various instruments of operative marketing, a system for surveying results is being studied which would utilize two means of information gathering: on one hand the results observed by members of the union in terms of contacts and reservations made; on the other, through the creation of performance indicators linked, for example, to the number of hits on the site, to the number of people contacted via marketing initiatives and so on.[69]

8. INTERNAL MARKETING

Internal marketing has been developed very little in relation to the relatively brief timeframe of the recent regional and local reorganization of tourism. All of the organizations involved are equipped with instruments of communication with operators

[68] "The reform is encouraging the development of extremely focused marketing, which can utilize various instruments to promote different products, obtaining greater effectiveness in communication with respect to an orientation based on destination" (Verlicchi).

[69] "This year the Coastal Union has activated a system for identifying and verifying results in the most scientific manner possible. For this reason, this action will regard all the projects of the Union and not a single project. The verification of results is necessary to enable us to correct and review some initiatives and to verify, after the fact, if the initiative was worthwhile before repeating it the following year. Verification will be carried out in two phases: a) direct personal contact with all the private members of the Coastal Product Union. At this time the director of the product club will be asked to fill out a semi-structured questionnaire to get both a general opinion of the initiatives, and to find out how many requests for information and reservations he received via the instruments put into place by the Union; b) a series of collateral surveying activities, such as: i) a verification form for the private members of the union to fill out periodically, which inquires about the return on various initiatives undertaken, ii) the reports received from delegations from ENIT (Ente Nazionale Italiano per il Turismo) the Italian National Tourism Agency, iii) the number of phone calls received at the Coastal Union number and at the Call Center, iv) contacts via Internet, v) contacts via Televideo RAI, vi) the number of catalogues sent upon request of potential clients, vii) the degree of satisfaction shown by members during direct marketing meetings, viii) the results obtained by members who've participated in workshops, fairs, opens, etc., and the appointments organized by the union" (product union).

[in the tourism sector], which generally take the form of Internet sites, printed communications, newsletters or simple letters. An analysis of said documents reveals, however, a low level of incisiveness of internal marketing which often tends to produce undifferentiated communication with an institutional character.[70]

9. TRAINING

The training needs of the resort can be traced to two large areas:

- ✓ Training for tourism entrepreneurs,
- ✓ Training for employees.

9.1 Training for Entrepreneurs

Training for entrepreneurs hinges on the development of a local company called Trademark Italy which, over time, has extended its operative sphere to all of Italy. Trademark is active in both training and consultation. For the first of these, the importance of training courses for young entrepreneurs emerges. This training activity has often been able to transmit the need for change, favoring the creation of more dynamic entrepreneurial classes. Trademark has also supported numerous local companies through consultation focused on marketing and strategic management. Further, regarding training, worth note is the creation of a university degree in the science of tourism at the University of Rimini, and the initiatives organized by PA. The AIA, though it has not dedicated much energy to training in the past, is considering taking on a concrete commitment in the future.

9.2 Training for Employees

The issue of professional training for employees represents a serious problem for the resort. The hotel sector, although it has experienced a significant de-seasonalization, is still not able to provide annual contracts. However, the high concentration of tourism in some months, such as July and August, requires additional temporary personnel. The high rate of turnover, related to the fact that employees are often young and want to try different resorts, makes training difficult. The ever more common practice of hiring personnel from countries outside the EU for work characterized by a greater degree of manual labor significantly increases the need for vocational training. This situation has been further complicated by legislative regulations which have associated the tourism sector and tourist accommodation in particular with large industries, substituting seasonal contracts with annual ones. The economic implications are easy to intuit: there is a greater rigidity in the cost structure and in absorbing costs which, in certain periods of the year, do not generate resources. In addition, some companies have preferred to turn to hiring employees without a contract. Thanks to the mediation of the AIA, the regulation has been modified, introducing a percentage scheme for social security contributions.

[70] "We must dedicate more energy to the process of internal communication with our members. The change in the past few years has been so frenetic that we literally have not had the time to dedicate energy to this issue" (Ceci).

10. RESEARCH

Among various research activities, noted here are numerous initiatives categorized under the following headings: i) analysis of competitive results, ii) creation of general tourism observatories, iii) creation of specific tourism observatories dedicated to the analysis of specific forms of tourism, iv) ad hoc research.

Analysis of competitive results consists of two documents compiled by the Provincial Tourism Council: one is a provincial report and the other a city report. Both describe, with a wealth of data expressed in easily legible tables and graphs, the evolution in the supply and demand of tourism, starting from information compiled by tourist accommodation facilities. The city report details the entire tourism movement and the quantity of available accommodation by means of over 40 tables, with an analysis broken down on a monthly basis for the major market segments served, and in relation to the various types of tourist accommodation. Moreover, an entire section of the report is dedicated to a comparison of different time periods, where the last year of operation is shown within the context of the past four years, so as to help operators recognize the evolution taking place. The structure of the provincial report actually mirrors the city report.

The region of Emilia Romagna and Unioncamere (Italian Union of Chambers of Commerce, Industry, Artisans, and Agriculture), in collaboration with Confcommercia (Italian Federation of Commerce and Tourism) and Confesercenti (Italian Federation of Businesspeople in Commerce, Tourism, and Tertiary), have created a *Regional Tourism Observatory* which annually compiles a detailed analysis of various types of tourism which characterize the region. The report is structured as an actual book; the analysis per product reflects the basic choices expressed in regional regulations through the four product unions.

The progressive rise in convention activity brought about the creation of a *specific observatory*, financed by the Convention Bureau and conducted by the University of Bologna at Rimini. The observatory systematically analyzes the activity carried out by a panel of enterprises operating in the convention sector, integrated with the addition of a great deal of information gathered through a questionnaire. The principle results are summarized in an easy-to-use little book, published annually, capable of drawing a rich and detailed picture using tables to compare different time periods.

Among the various *ad hoc research* activities, there are a number of analyses conducted in relation to the planning/evaluation of specific initiatives. In the analysis of fair and convention tourism, often the business plan refers to the construction of the new fair and convention halls. On this same topic, two important pieces of research were performed in 1991 and 1996 with the aim of calculating profits of sideline business from fair/convention activity. The City Tourism Council has taken on responsibility for compiling a report on the progressive development of tourism in Rimini over the last fifteen years.

In general, operators are uninterested in research and consequently this information reaches a small circle. Among the possible explanations, beyond those already mentioned, is the absence of an instrument of communication for internal marketing which could take the form of a newsletter.

11. THE STRATEGIC PROCESS: A SYNTHETIC VIEW

This concluding paragraph illustrates the complex functioning of the process of the strategic management of Rimini.

11.1 Control mechanisms

The control mechanisms linked to the management of the resort of Rimini can be conveniently divided in two levels: i) local control, ii) regional control.

On the first (local) level we find control mechanisms which are mainly in the hands of the city and the province, relative to a) control of the use of the territory, b) control of the implementation of district policies and strategies.

Regarding the first point, supervisory organizations, specifically the city, have a number of instruments available to regulate the utilization of city land, such as licenses and, most of all, the PRG (Piano Regolatore Generale), or general building code. During this study there has been ample opportunity to note the absence of a specific policy for the utilization of public land and the negative consequences in terms of excessive "cementing over" of the city, a chaotic traffic situation, and the difficulty in carrying out public works for urban improvement and tourism. Following the algae crisis, greater attention has been paid to the management of the PRG, utilized to encourage tourist facilities which are no longer competitive to leave the market by transforming these structures into apartments.

Regarding the second point, at the local level there has been a progressive loss of control regarding the correct implementation of tourism strategies. As often mentioned, the recent regional regulation tends to transfer these responsibilities from a local level to a regional one (specifically to product unions). This process is favored by the same mechanisms of resource allocation. Local authorities have attempted to enhance Rimini's image mostly by organizing events (the creation of the SGT), while the region has taken charge of industry exchanges, fairs, and workshops (thanks to greater resources available within the product unions.) At this last level of management, however, the absence of specific analytical instruments to assess the effectiveness of initiatives is apparent (see §11.3).

In brief, we can conclude that forms of control are quite weak. At a local level control mechanisms regarding the use of public land are slow to action, while at a coastal union level at present there is no system for evaluating the commercial effectiveness of new products.

11.2 Strengths and weaknesses of the organizational model

The resort of Rimini bases its strategic management on an organizational model characterized by the following *strong points*:

- ✓ *Public/private integration*: The mechanism of product clubs represents an important instrument for the development of a public/private axis, principally by assigning entrepreneurs a primary role in identifying and developing new products.
- ✓ *Financial Resources*: The spirit of the new tourism organization begins with the realization that public resources earmarked for tourism are inadequate considering the high volume (Rimini alone counts approximately 7 million visitors). Based on this fact, the decision was made to concentrate the resources

of various institutional organizations, public and private, to fund projects selected by the coastal union.

- ✓ *Focus on the product*: The regional model assimilates the changes taking place in the buying habits of tourists. In fact, it is ever more tuned to motivation and hence product. The logic of product, implemented at a territorial level, allows for a significant increase in critical mass in terms of private operators, above all in the case of product niches or the launching of new initiatives.[71]
- ✓ *Focus on product/destination:* In the first year of tourism reform, the product unions attempted to market tourist products by disassociating them completely from the destination. In doing so, the risk was that an important heritage would be lost: the image already created in the past. Beyond this, if on one hand a growing segment of clients tend to think in terms of motivation and hence product, on the other hand there is a significant portion of tourists (the majority) oriented toward specific destinations. This has favored the development of union product portfolios, compiled with two factors in mind: product (for example, active vacation) and destination (the various coastal resorts equipped to offer the active vacation product).
- ✓ *Promo-marketing:* The creation of the dual elements of APT/Product Union allows institutional promotion to be supported by marketing. This is of fundamental importance for two reasons: to make the offerings of the tourism sector more attractive for the potential consumer (private individual or commercial intermediary) who can actually perfect his purchase; and to evaluate the effectiveness of each initiative.
- ✓ *Managerializing the process*: The concentration of resources and the specialization of institutions allow access to more highly qualified human resources, stimulating training and effectiveness. Moreover, regional law clearly defines the responsibilities and functions of the different levels, encouraging a greater reciprocal control among different organizations and favoring greater cooperation.

Along with these strong points, in the organizational model some *weak points* are evident, which can be summed up thus:

- ✓ *APT/Product Union Collaboration:* The primary weak point of the model concerns the low degree of collaboration which actually occurs between the institutional promotion of the APT and the initiatives of the product unions.
- ✓ *Meager financial involvement on an entrepreneurial level:* If on one hand there is recognition of the merit of the new policy model for tourism which stimulates a greater financial participation on a private level with regard to territorial marketing initiatives, on the other hand a certain marginality for these efforts is present, especially with reference to the unions' budgets. Considering again the case of the coastal union, note the fact that with a comprehensive budget of 3,500 million lire, the total contribution from private members (who represent thousands of beds for tourist accommodation) was 120 million, that is, 3.4%.
- ✓ *Dualism of product and destination:* The transition between destination and product seems too abrupt and, in some cases, somewhat ineffective. Consider the

[71] Consider, as an example, the development of cycling tourism, which involves a growing number of facilities located along the coast. Organizing supply around a product rather than a destination has allowed the creation of numerous itineraries, making the overall supply much more attractive.

case of Rimini: the resort enjoys a strong image on European markets which is linked primarily to the sea. The risk of an orientation toward a product is in no longer enhancing the visibility of single destinations, substituting them instead with a new, virtually unknown "trademark" (Adriatic Coast or Emilia Romagna).

- ✓ *Fragmentation of products offered*: The product club formula ensures a high level of dynamism in the creation of new products with a clear commercial objective. However, this formula increases the number of products present under the umbrella of the coastal union, multiplies the energy necessary to guarantee an effective coordination among the various promo-marketing efforts, and wastes the energy (both entrepreneurial and financial) of the union in numerous small projects.
- ✓ *Criteria of effectiveness*: This is one of the most controversial points in the reform. At present, the product unions, through their clubs, take on promo-marketing activities. Nevertheless, in the absence of a centralized reservation system, there is no way to assess feedback on the actual results obtained by these initiatives. This information gap is evident both when resources are allocated, and in the planning phase.[72]

11.3 The functioning of the product/destination model

Reviewing the various processes which have been identified in the preceding paragraphs, the following conclusions can be drawn:

- ✓ *Enhancement of the private business sector:* There has been a great deal of activity for improving the private business sector, above all since the algae appeared in 1989. A decisive re-qualification of tourist accommodations has taken place, as well as an important expansion of the fair/convention facility.
- ✓ *Local events*: The City Tourism Council, despite having a limited budget has significantly expanded the calendar of local events, making up for the shortage of financial resources by means of the SGT.
- ✓ *Development of new products*: This is the cornerstone for the model of the reorganization of regional tourism, centered on the dual elements of product clubs and unions. Rimini, taking advantage of the versatility of its entrepreneurial class and of the emulation effect favored by the high concentration of tourist facilities, has managed to develop a number of new products.
- ✓ *Public works*: In this area little initiative is taken, despite numerous complex problems such as viability within the city, and the need for urban improvements tourist facilities in Rimini.
- ✓ *Support processes*: The speed of change has compelled organizations responsible for the destination of Rimini and for the surrounding territory to invest more of their energy in primary processes than in support processes. Specifically, the activity of internal marketing is not very intense.

[72] "Right now the coastal union, like the other unions, does promo-marketing work, but sales are taken care of directly by the product clubs and by a call center we've set up. We can say how many contacts we've recorded for a specific initiative, but we can't know how many visitors then come" (Verlichhi)

Each single process finds important support in the culture of tourism of the resort and, most of all, in the capability of operators to welcome their guests.

11.3.1 Conditions for the effectiveness of the product/destination model

A number of conditions for effectiveness can be identified which characterize the product/destination model:

- ✓ *Weakness of the Rimini trademark:* The crisis that the resort has experienced has, in part, reduced its attractiveness, especially on the international market. Even on local markets Rimini, despite its widespread fame, does not always distinguish itself for having a trademark characterized by precise competitive positioning. This weakness has facilitated the development of a logic of territory, considering the difficulty of putting forward the Rimini trademark as an access route to a regional coastal product.
- ✓ *Cash-cow products:* The process of reorganization has been facilitated considerably by the presence of two items in Rimini's product portfolio which attract a high number of tourists without requiring special investments from the resort in terms of marketing or organization. These products are i) traditional seaside tourism, with a wide-ranging and loyal clientele which ensures a maximum level of attendance for all major tourist activities (from tourist accommodation to sideline business) and ii) fair/convention tourism. The latter, developed principally by the PCO, the Fair Agency, and the Convention Bureau, does not require special investments from local institutional organizations.[73]
- ✓ *The importance of size:* The large dimensions of Rimini favor specialization in various types of tourism, both to attenuate the management of seasonal nature of tourism, and to face local competition with greater effectiveness.[74] Rimini's size allows a sufficient number of accommodation facilities to join together in promoting new products, keeping the fixed per unit costs of marketing low.
- ✓ *Entrepreneurial dynamism:* The product/destination model finds a driving force in the dynamism of the local entrepreneurial class. The history of Rimini often shows great reactivity in the face of negative events, internal or external. In a context which is not permeated with such a high level of entrepreneurial spirit, the product/destination model would be deprived of its forte, that is, to generate new products.
- ✓ *Homogeneity of the regional market*: The decision to set up many product unions has allowed the creation of a high level of homogeneity in what each union has to offer. The case of the coastal products is clear. Different districts of Rimini and various resorts on the Riviera tend to be quite homogenous, though clearly certain distinctive characteristics are present. This has facilitated the creation of products with a regional resonance, while allowing the characterization of individual products with the unique features of each destination, obtaining a family of products/destinations.

[73] Here we refer specifically to current management investments linked to commercial initiatives; on the contrary, the fair/convention sector requires a serious commitment in terms of updating and developing the infrastructure.

[74] "In the development process of the Metha Group Hotel chain we're considering other tourist resorts. Here in Rimini the concentration is already very high and each facility must face particularly aggressive local competition" (Salvatori).

- ✓ *Absence of local political leadership:* The implementation of the product/destination model finds a facilitating condition in the absence of strong political leadership in Rimini. The resort, despite having become the administrative center for the province in 1995, has never played an important political role in the region.
- ✓ *Strong regional political leadership:* In contrast to the weakness of the local political class is the single-party regional government characterized by a strong political identity.
- ✓ *Financial mechanisms*: The effectiveness of the regional approach in the formulation of the product portfolios of the four unions finds a driving force of primary importance in financial mechanisms. In fact, the local administration, too, is given the incentive to add its (limited) financial resources to the budget of the entire territory, thanks to the guarantee by the region of Emilia Romagna to match funds.

11.3.2 The conditions for inefficiency

On the basis of analysis carried out, some conditions for *potential inefficiency* can be identified in the product/destination model:

- ✓ *Control mechanisms*: The absence of control instruments for the initiatives of the Product Union/Product Club axis has already been mentioned.
- ✓ *Resource allocation*: Closely linked to the preceding point is the problem of the allocation of resources. In fact, when a precise measurement of resources invested vs. effectiveness of the relative initiative is missing, management of the process of resource allocation becomes arbitrary and difficult. More generally speaking, the same is true for the definition of criteria for the selection of projects.
- ✓ *Management of the trademark of individual destinations*: Previously mentioned is the potential loss of trademarks consolidated on the national and international market.

In addition to these conditions are the observations linked to the specific organizational model described at the end of paragraph 11.2.

11.4 The competitive results of the '90s

Now we wish to consider the principle effects produced by the process of strategic management by evaluating competitive results. Regarding the '90s it is possible to compile a monthly database and hence identify the evolution of the winter and summer season. First an annual picture is sketched out, and then a detailed seasonal summary. For a concise overview, see figure 5.

11.4.1 Annual results

From an analysis of tourist flow the following assessment can be made:

- ✓ *Evolution of arrivals*: The number of tourists attracted by the resort shows continuous growth, with slight drops in '96-'97. Overall, the ten year balance records an increase of 34%. Worth noting is the fact that already in 1990 (the

year after the algae appeared) the resort registered significant growth and in 1991 Rimini returned to the 1988 level.

- ✓ *Evolution of the average stay*: In examining this indicator two phases can be identified. In the early '90s the length of stay remained at the same point, that is approximately six days. From 1997 on a negative trend began, bringing the ten year figure to –12%.
- ✓ *Evolution of attendance* : This important indicator reveals lively activity at the beginning of the '90s. Attendance, at 7.6 million in 1988, dropped to 5.8 million in 1989, to rise again to 6.2 and 6.9 million in 1990 and 1991 respectively, reaching 7.3 million in 2000.
- ✓ *Evolution of the nationality mix*: The algae crisis, instead, seems to have deeply affected the degree of international attraction of Rimini. In fact, the percentage of foreigners in terms of attendance showed a dramatic decrease, reaching a minimum in 1993 (15% compared to 30% in 1987), to then increase again due to the depreciation of the lira, beginning in September 1993. The percentage of international tourists rose to 20% to then level off at 19% in 2000.
- ✓ *Evolution of occupancy rates*: This important factor shows a process of significant growth throughout the 90's. This evolution should be put into the context of both the increase in total attendance, and in the reduced supply of hotel accommodations, caused by the conversion of marginal accommodation facilities in apartments.

Figure 5. Rimini: Competitive results (1990-99).

Winter season	**Summer season**
LS 2000: 2,7 days (1990: 2,3 days)	LS 2000: 5,8 days (1990: 6,6 days)
comparative percentage of winter season: 5% (90), 6% (00)	comparative percentage of summer season: 95% (90), 94% (00)
OS: +51% (mean annual increase: +18%)	OS: +16% (mean annual increase: +18%)
A: +31%	A: +33%
LS: +15%	LS: -12%
Foreigners	**Foreigners**
comparative percentage of Foreigners: 16% (90), 19% (00)	comparative percentage of Foreigners: 19% (90), 21% (00)
OS: +80% (mean winter increase: +51%)	OS: +20% (mean summer increase: +16%)
A: +100%	A: +48%
LS: -19% (OS 2000: 3,1 days)	LS: -19% (OS 2000: 5,2 days)
Italians	**Italians**
comparative percentage of Italians: 84% (90), 81% (00)	comparative percentage of Italians: 81% (90), 79% (00)
OS: +45% (mean winter increase: 51%)	OS: +16% (mean summer increase: 16%)
A: +23%	A: +29%
LS: +18% (OS 2000: 2,6 days)	LS: -10% (OS 2000: 5,9 days)
Legend: OS (Overnight Stays), A (arrivals), LS (Length of Stays)	

Source: Author's own analysis of data from the province.

11.4.2 Winter Results

The winter season includes the months from November to March; it accounts for a modest slice (6%) of the annual number of tourists. However, the evolution of tourism indicators shows exceptional activity: arrivals have increased by 30%, attendance by 50%, average stay by 15%. An analysis of this last factor shows the average length of stay is very brief, oscillating between two and three days, and suggests a link between the winter season and convention tourism. Analyzing the monthly distribution of attendance, a constant tourist flow becomes apparent in the months of November, December, January and February.

Therefore statistical data confirm what has emerged from the interviews, that is, the existence of a expanding group of tourist accommodation facilities open year round, specialized in the winter and spring period to cater to convention and fair tourism. This development signifies a growing opportunity. Winter tourism is also characterized by a significant opening on the international market: the comparative percentage of foreign tourists is 20% of the total attendance and reached peaks of 30-33% in the three year period between 95/96-97/98.

11.4.3 Summer results

The summer season plays a leading role in tourism in Rimini, and represents over 90% of the total attendance. The evolution of various tourism indicators is, in fact, easily assimilated, given the marginal importance of winter in an annual context. An analysis of the distribution of summer attendance on a monthly basis shows a high concentration in the months of July and August, as documented by occupancy rates, which, in the month of August, reach a peak of 130% of the productive capacity.[75]

[75] Occupancy rates can exceed 100% when hotel owners add a third bed and in doing so increase the existing productive capacity. This practice is common in the case of families, a leading segment of tourism in the mid summer months.

12. ATTACHMENT I – ACCOMMODATION FACILITIES

12.1 Annual tourism data

Figure 6. Evolution of Italian and Foreign annual overnight stays.

Years	Overnight stays										
	Italians				Foreigners				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1981	4.042.170	100		67%	1.968.539	100		33%	6.010.709	100	
1982	4.336.674	107		67%	2.154.144	109		33%	6.490.818	108	
1983	4.347.439	108		68%	2.060.521	105		32%	6.407.960	107	
1984	4.428.814	110		70%	1.877.239	95		30%	6.306.053	105	
1985	4.494.645	111		70%	1.941.026	99		30%	6.435.671	107	
1986	4.989.455	123		70%	2.168.697	110		30%	7.158.152	119	
1987	5.213.271	129		70%	2.183.604	111		30%	7.396.875	123	
1988	5.506.956	136		72%	2.162.480	110		28%	7.669.436	128	
1989	4.394.760	109		75%	1.442.018	73		25%	5.836.778	97	
1990	5.051.441	125	100	82%	1.139.845	58	100	18%	6.191.286	103	100
1991	5.672.032	140	112	82%	1.260.500	64	111	18%	6.932.532	115	112
1992	5.771.261	143	114	84%	1.089.363	55	96	16%	6.860.624	114	111
1993	5.597.963	138	111	85%	987.363	50	87	15%	6.585.326	110	106
1994	5.716.181	141	113	83%	1.203.763	61	106	17%	6.919.944	115	112
1995	5.725.022	142	113	80%	1.462.498	74	128	20%	7.187.520	120	116
1996	5.407.938	134	107	78%	1.490.383	76	131	22%	6.898.321	115	111
1997	5.279.690	131	105	80%	1.359.264	69	119	20%	6.638.954	110	107
1998	5.403.818	134	107	80%	1.326.765	67	116	20%	6.730.583	112	109
1999	5.694.489	141	113	81%	1.299.734	66	114	19%	6.994.223	116	113
2000	5.948.420	147	118	81%	1.387.566	70	122	19%	7.335.986	122	118

Source: Author's own analysis of data from the province.

Figure 7. Evolution of Italian and Foreign annual arrivals.

	Arrivals										
Years	**Italians**				**Foreigners**				**Total**		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1981	546.696	100		72%	208.958	100		28%	755.654	100	
1982	590.599	108		71%	243.587	117		29%	834.186	110	
1983	623.550	114		71%	253.838	121		29%	877.388	116	
1984	647.229	118		73%	238.940	114		27%	886.169	117	
1985	665.011	122		73%	251.916	121		27%	916.927	121	
1986	750.609	137		73%	272.704	131		27%	1.023.313	135	
1987	810.368	148		74%	285.049	136		26%	1.095.417	145	
1988	844.504	154		76%	268.487	128		24%	1.112.991	147	
1989	771.953	141		79%	207.351	99		21%	979.304	130	
1990	841.204	154	100	82%	183.121	88	100	18%	1.024.325	136	100
1991	895.625	164	106	82%	196.551	94	107	18%	1.092.176	145	107
1992	930.297	170	111	83%	188.214	90	103	17%	1.118.511	148	109
1993	946.294	173	112	84%	176.686	85	96	16%	1.122.980	149	110
1994	962.276	176	114	83%	203.965	98	111	17%	1.166.241	154	114
1995	953.715	174	113	80%	243.803	117	133	20%	1.197.518	158	117
1996	909.892	166	108	79%	243.474	117	133	21%	1.153.366	153	113
1997	898.499	164	107	79%	241.676	116	132	21%	1.140.175	151	111
1998	945.685	173	112	80%	243.281	116	133	20%	1.188.966	157	116
1999	1.027.384	188	122	81%	248.829	119	136	19%	1.276.213	169	125
2000	1.095.881	200	130	80%	276.990	133	151	20%	1.372.871	182	134

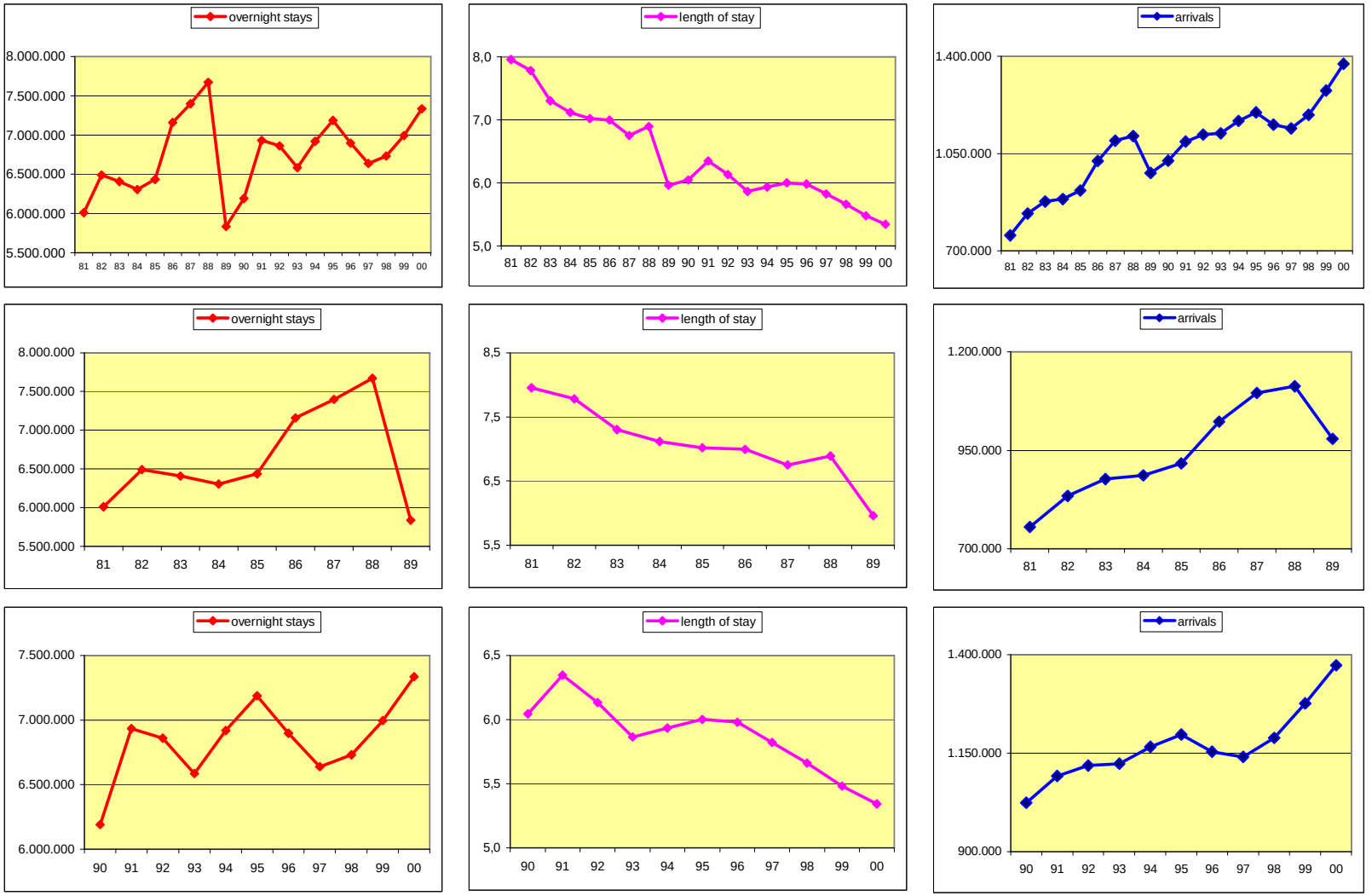
Source: Author's own analysis of data from the province.

Figure 8. Annual evolution of length of stay for Italians and foreigners

Length of stay												
Years	**Italians**				**Foreigners**				**Total**			
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	
1981	7,4	100		93%	9,4	100		118%	8,0	100		
1982	7,3	99		94%	8,8	94		114%	7,8	98		
1983	7,0	94		95%	8,1	86		111%	7,3	92		
1984	6,8	93		96%	7,9	83		110%	7,1	89		
1985	6,8	91		96%	7,7	82		110%	7,0	88		
1986	6,6	90		95%	8,0	84		114%	7,0	88		
1987	6,4	87		95%	7,7	81		113%	6,8	85		
1988	6,5	88		95%	8,1	85		117%	6,9	87		
1989	5,7	77		96%	7,0	74		117%	6,0	75		
1990	6,0	81	100	99%	6,2	66	100	103%	6,0	76	100	
1991	6,3	86	105	100%	6,4	68	103	101%	6,3	80	105	
1992	6,2	84	103	101%	5,8	61	93	94%	6,1	77	101	
1993	5,9	80	99	101%	5,6	59	90	95%	5,9	74	97	
1994	5,9	80	99	100%	5,9	63	95	99%	5,9	75	98	
1995	6,0	81	100	100%	6,0	64	96	100%	6,0	75	99	
1996	5,9	80	99	99%	6,1	65	98	102%	6,0	75	99	
1997	5,9	79	98	101%	5,6	60	90	97%	5,8	73	96	
1998	5,7	77	95	101%	5,5	58	88	96%	5,7	71	94	
1999	5,5	75	92	101%	5,2	55	84	95%	5,5	69	91	
2000	5,4	73	90	102%	5,0	53	80	94%	5,3	67	88	

Source: Author's own analysis of data from the province.

Figure 9. Summary of annual tourism data.



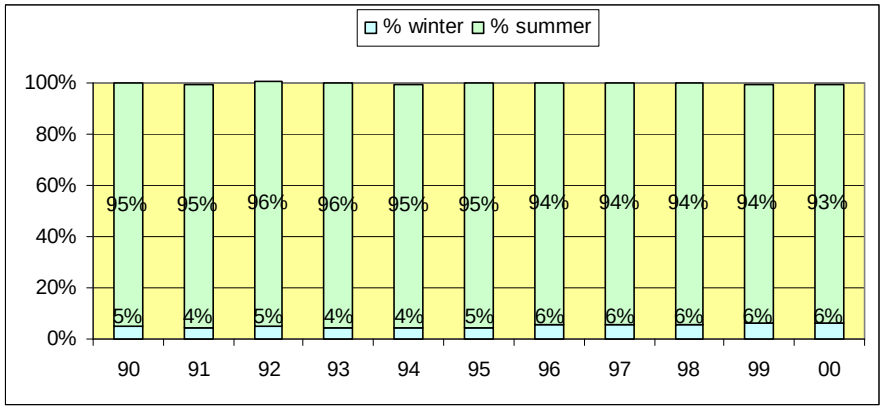
Source: Author's own analysis of data from the province.

Figure 10. Annual ratio of gross rate of occupation.

	Gross rate of occupation																			
	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Year (12 months)	**27%**	**29%**	**28%**	**28%**	**28%**	**30%**	**31%**	**32%**	**25%**	**26%**	**30%**	**32%**	**32%**	**34%**	**35%**	**34%**	**33%**	**35%**	**36%**	**37%**
Year (9 months)	**35%**	**38%**	**38%**	**37%**	**38%**	**40%**	**42%**	**43%**	**33%**	**35%**	**40%**	**43%**	**43%**	**45%**	**47%**	**46%**	**44%**	**47%**	**48%**	**49%**
Year (6 months)	**53%**	**57%**	**57%**	**56%**	**57%**	**60%**	**62%**	**65%**	**49%**	**53%**	**60%**	**64%**	**64%**	**68%**	**70%**	**69%**	**66%**	**70%**	**72%**	**74%**

Source: Author's own analysis of data from the province.

Figure 11. Comparative percentage of the winter season.



Source: Author's own analysis of data from the province.

12.2 Winter tourism data

Figure 12. Evolution of winter overnight stays of Italians and foreigners.

Winter	Overnight stays							
	Italians			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1989/90	262.514	100	84%	49.603	100	16%	312.117	100
1990/91	246.888	94	79%	64.220	129	21%	311.108	100
1991/92	260.470	99	80%	63.985	129	20%	324.455	104
1992/93	240.797	92	84%	45.446	92	16%	286.243	92
1993/94	240.979	92	83%	49.312	99	17%	290.291	93
1994/95	256.325	98	77%	74.899	151	23%	331.224	106
1995/96	275.067	105	69%	125.752	254	31%	400.819	128
1996/97	261.732	100	70%	109.648	221	30%	371.380	119
1997/98	256.196	98	67%	128.432	259	33%	384.628	123
1998/99	333.345	127	80%	85.316	172	20%	418.661	134
1999/00	381.510	145	81%	89.459	180	19%	470.969	151

Source: Author's own analysis of data from the province.

Figure 13. Evolution of winter arrivals of Italians and foreigners.

Winter	Arrivals							
	Italians			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1989/90	119.290	100	89%	14.283	100	11%	133.573	100
1990/91	90.234	76	88%	12.176	85	12%	102.410	77
1991/92	107.715	90	88%	15.132	106	12%	122.847	92
1992/93	104.781	88	88%	14.536	102	12%	119.317	89
1993/94	105.509	88	86%	16.682	117	14%	122.191	91
1994/95	109.540	92	84%	21.358	150	16%	130.898	98
1995/96	114.244	96	80%	28.243	198	20%	142.487	107
1996/97	111.471	93	78%	31.165	218	22%	142.636	107
1997/98	113.217	95	79%	30.927	217	21%	144.144	108
1998/99	109.619	92	85%	19.279	135	15%	128.898	97
1999/00	146.557	123	84%	28.520	200	16%	175.077	131

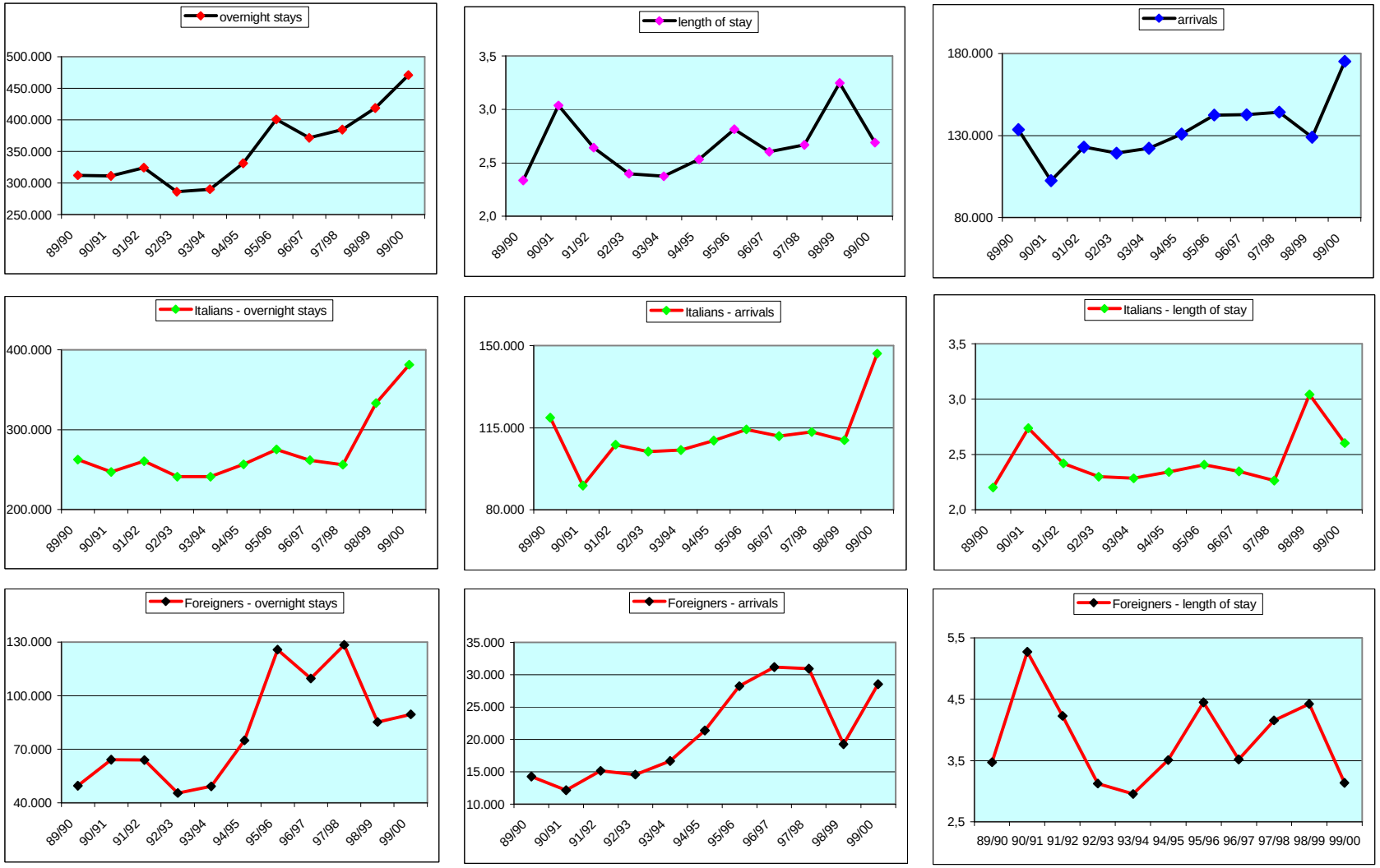
Source: Author's own analysis of data from the province.

Figure 14. Evolution of winter length of stay for Italians and foreigners.

Winter	Length of stay							
	Italians			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1989/90	2,2	100	94%	3,5	100	149%	2,3	100
1990/91	2,7	124	90%	5,3	152	174%	3,0	130
1991/92	2,4	110	92%	4,2	122	160%	2,6	113
1992/93	2,3	104	96%	3,1	90	130%	2,4	103
1993/94	2,3	104	96%	3,0	85	124%	2,4	102
1994/95	2,3	106	92%	3,5	101	139%	2,5	108
1995/96	2,4	109	86%	4,5	128	158%	2,8	120
1996/97	2,3	107	90%	3,5	101	135%	2,6	111
1997/98	2,3	103	85%	4,2	120	156%	2,7	114
1998/99	3,0	138	94%	4,4	127	136%	3,2	139
1999/00	2,6	118	97%	3,1	90	117%	2,7	115

Source: Author's own analysis of data from the province

Figure 15. Summary of winter tourism data.



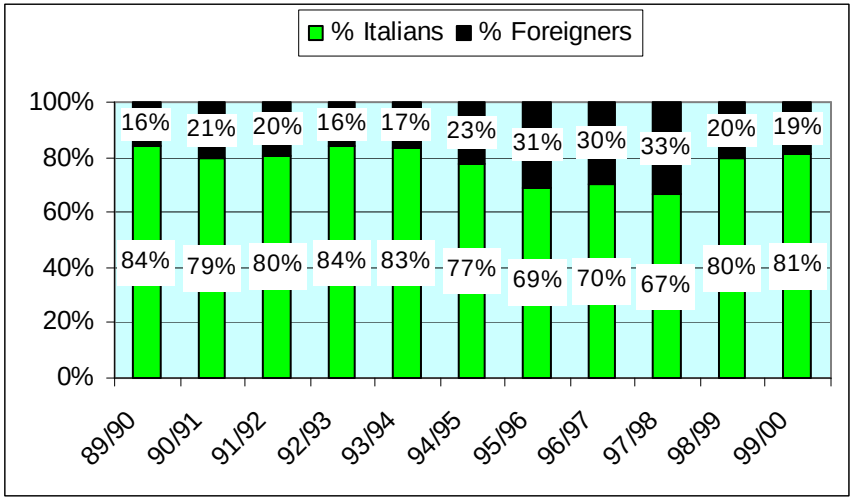
Source: Author's own analysis of data from the province.

Figure 16. Monthly percentage of winter overnight stays.

	Overnight stays										
	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
November											
number	47.526	57.735	60.760	56.509	47.507	61.156	73.950	76.029	72.158	73.100	85.837
% (winter)	15%	19%	19%	20%	16%	18%	18%	20%	19%	17%	18%
% (1990)	100	121	128	119	100	129	156	160	152	154	181
December											
number	62.803	59.011	82.156	56.870	49.087	62.873	65.408	49.800	63.560	64.201	86.645
% (winter)	20%	19%	25%	20%	17%	19%	16%	13%	17%	15%	18%
% (1990)	100	94	131	91	78	100	104	79	101	102	138
January											
number	57.778	46.925	37.987	51.005	53.972	57.888	80.030	63.505	72.901	88.652	74.715
% (winter)	19%	15%	12%	18%	19%	17%	20%	17%	19%	21%	16%
% (1990)	100	81	66	88	93	100	139	110	126	153	129
February											
number	57.953	50.850	63.406	42.702	49.022	59.549	76.668	60.282	69.954	77.131	87.364
% (winter)	19%	16%	20%	15%	17%	18%	19%	16%	18%	18%	19%
% (1990)	100	88	109	74	85	103	132	104	121	133	151
March											
number	86.057	96.587	80.146	79.157	90.703	89.758	104.763	121.764	106.055	115.577	136.408
% (winter)	28%	31%	25%	28%	31%	27%	26%	33%	28%	28%	29%
% (1990)	100	112	93	92	105	104	122	141	123	134	159
Winter	312.117	311.108	324.455	286.243	290.291	331.224	400.819	371.380	384.628	418.661	470.969

Source: Author's own analysis of data from the province.

Figure 17. Comparative percentage overnight stays of Italians and foreigners.



Source: Author's own analysis of data from the province.

12.3Summer tourism data

Figure 18. Evolution of summer overnight stays of Italians and foreigners.

Summer	Overnight stays							
	Italians			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1990	4.789.167	100	82%	1.083.585	100	18%	5.872.752	100
1991	5.404.266	113	82%	1.190.988	110	18%	6.595.254	112
1992	5.527.322	115	84%	1.038.384	96	16%	6.565.706	112
1993	5.373.675	112	85%	942.193	87	15%	6.315.868	108
1994	5.458.009	114	83%	1.144.209	106	17%	6.602.218	112
1995	5.469.355	114	80%	1.371.612	127	20%	6.840.967	116
1996	5.144.962	107	79%	1.366.069	126	21%	6.511.031	111
1997	5.020.111	105	80%	1.237.574	114	20%	6.257.685	107
1998	5.124.218	107	81%	1.220.154	113	19%	6.344.372	108
1999	5.326.371	111	81%	1.214.010	112	19%	6.540.381	111
2000	5.543.936	116	81%	1.295.112	120	19%	6.839.048	116

Source: Author's own analysis of data from the province.

Figure 19. Evolution of summer arrivals of Italians and foreigners.

Summer	Arrivals							
	Italians			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1990	727.977	100	81%	167.383	100	19%	895.360	100
1991	782.341	107	81%	179.862	107	19%	962.203	107
1992	822.872	113	82%	174.916	105	18%	997.788	111
1993	848.066	116	84%	161.929	97	16%	1.009.995	113
1994	851.389	117	82%	184.854	110	18%	1.036.243	116
1995	844.304	116	79%	219.954	131	21%	1.064.258	119
1996	801.347	110	79%	215.175	129	21%	1.016.522	114
1997	788.493	108	79%	209.832	125	21%	998.325	111
1998	822.532	113	79%	214.302	128	21%	1.036.834	116
1999	886.215	122	80%	222.787	133	20%	1.109.002	124
2000	939.328	129	79%	247.455	148	21%	1.186.783	133

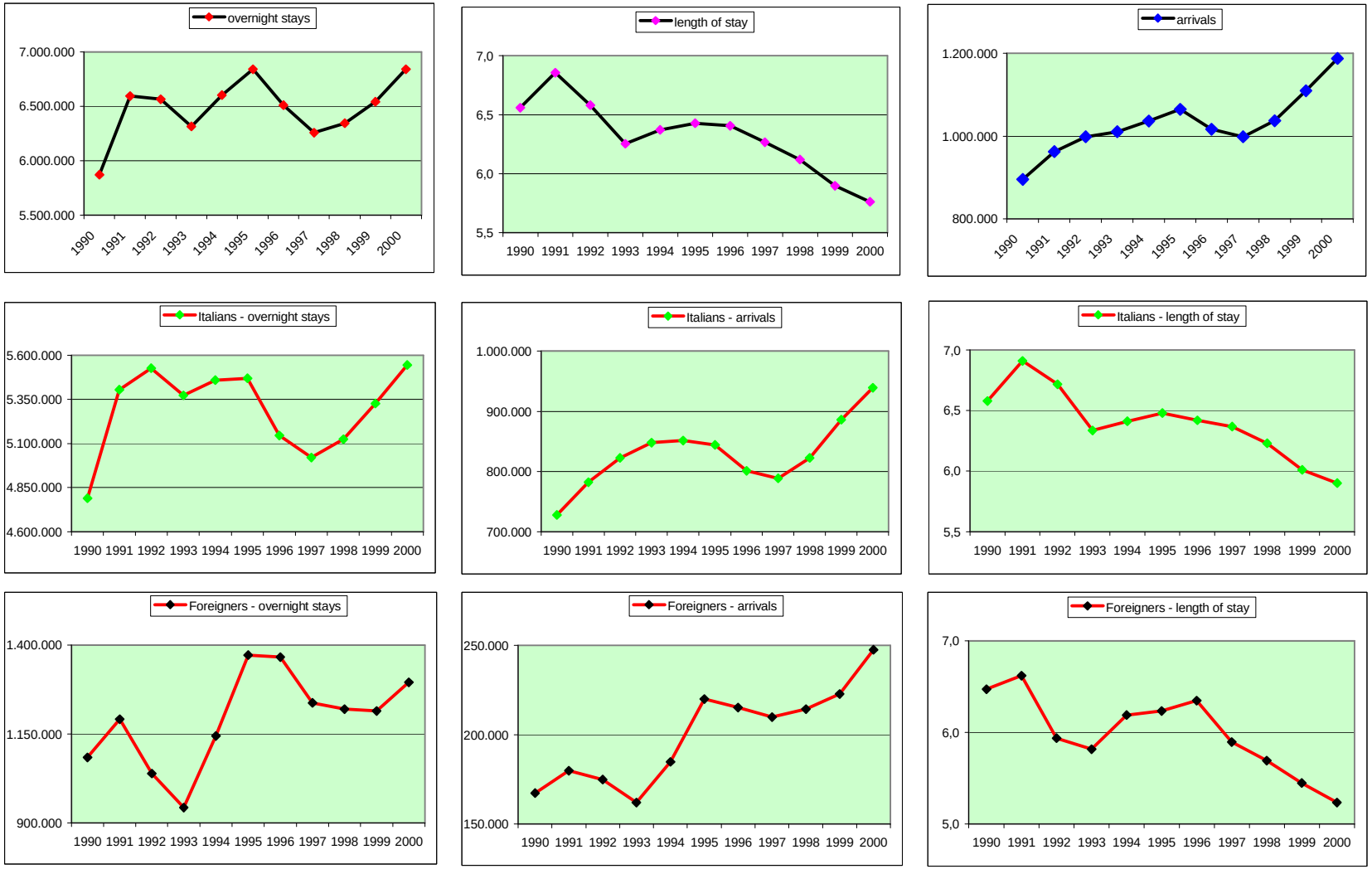
Source: Author's own analysis of data from the province.

Figure 20. Evolution of summer length of stay for Italians and foreigners.

Summer	Length of stay							
	Italians			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1990	6,6	100	100%	6,5	100	99%	6,6	100
1991	6,9	105	101%	6,6	102	97%	6,9	105
1992	6,7	102	102%	5,9	92	90%	6,6	100
1993	6,3	96	101%	5,8	90	93%	6,3	95
1994	6,4	97	101%	6,2	96	97%	6,4	97
1995	6,5	98	101%	6,2	96	97%	6,4	98
1996	6,4	98	100%	6,3	98	99%	6,4	98
1997	6,4	97	102%	5,9	91	94%	6,3	96
1998	6,2	95	102%	5,7	88	93%	6,1	93
1999	6,0	91	102%	5,4	84	92%	5,9	90
2000	5,9	90	102%	5,2	81	91%	5,8	88

Source: Author's own analysis of data from the province.

Figure 21. Summary of summer tourism data.



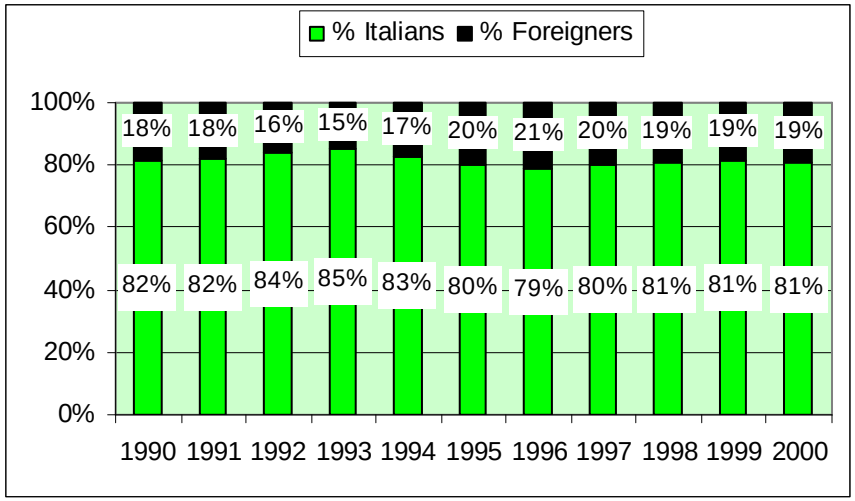
Source: Author's own analysis of data from the province.

Figure 22. Monthly percentage of winter overnight stays.

	Overnight stays										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
April											
number	263.365	168.344	186.469	192.590	249.551	242.562	244.477	193.097	244.878	286.750	387.627
% (summer)	4%	3%	3%	3%	4%	4%	4%	3%	4%	4%	6%
% (1990)	100	64	71	73	95	92	93	73	93	109	147
May											
number	182.923	238.161	274.665	227.835	237.014	241.223	290.217	307.587	290.660	342.995	309.005
% (summer)	3%	4%	4%	4%	4%	4%	4%	5%	5%	5%	5%
% (1990)	100	130	150	125	130	132	159	168	159	188	169
June											
number	910.953	1.074.390	1.127.834	1.096.319	1.145.141	1.222.640	1.319.411	1.217.463	1.289.960	1.251.773	1.361.537
% (summer)	16%	16%	17%	17%	17%	18%	20%	19%	20%	19%	20%
% (1990)	100	118	124	120	126	134	145	134	142	137	149
July											
number	1.382.572	1.812.660	1.696.571	1.719.938	1.842.693	1.882.872	1.846.098	1.771.994	1.730.031	1.704.469	1.786.202
% (summer)	24%	27%	26%	27%	28%	28%	28%	28%	27%	26%	26%
% (1990)	100	131	123	124	133	136	134	128	125	123	129
August											
number	2.126.805	2.363.382	2.247.269	2.174.944	2.193.371	2.197.798	2.016.295	2.041.373	2.024.216	2.068.286	2.053.149
% (summer)	36%	36%	34%	34%	33%	32%	31%	33%	32%	32%	30%
% (1990)	100	111	106	102	103	103	95	96	95	97	97
September											
number	786.821	811.614	890.418	798.739	825.724	874.801	682.218	620.111	649.558	740.904	797.407
% (summer)	13%	12%	14%	13%	13%	13%	10%	10%	10%	11%	12%
% (1990)	100	103	113	102	105	111	87	79	83	94	101
October											
number	219.313	126.703	142.480	105.503	108.724	179.071	112.315	106.060	115.069	145.204	144.121
% (summer)	4%	2%	2%	2%	2%	3%	2%	2%	2%	2%	2%
% (1990)	100	58	65	48	50	82	51	48	52	66	66
Summer	5.872.752	6.595.254	6.565.706	6.315.868	6.602.218	6.840.967	6.511.031	6.257.685	6.344.372	6.540.381	6.839.048

Source: Author's own analysis of data from the province

Figure 23. Comparative Percentages of Italian and Foreign overnight stays.



Source: Author's own analysis of data from the province.

Figure 24. Summer - gross ratio of occupation.

	Gross ratio of occupation										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
April	14%	9%	10%	11%	15%	14%	15%	12%	15%	18%	23%
May	9%	12%	15%	13%	14%	14%	17%	18%	18%	21%	19%
June	47%	56%	63%	64%	67%	72%	79%	73%	81%	78%	82%
July	71%	94%	95%	101%	108%	111%	111%	106%	108%	106%	108%
August	109%	123%	126%	127%	129%	129%	121%	122%	127%	128%	124%
September	40%	42%	50%	47%	48%	51%	41%	37%	41%	46%	48%
October	11%	7%	8%	6%	6%	11%	7%	6%	7%	9%	9%
Summer	43%	49%	52%	53%	55%	57%	56%	54%	57%	58%	59%

Source: Author's own analysis of data from the province.

12.4Attachment II –The Fiera di Rimini

Figure 25. Competitive results of the Fiera di Rimini.

Fairs	Fairs Length	Total number of companies	Total number of exhibitors	% of exhibitors	Total number of visitors	% of visitors
Mondo natura	9	203	609	4%	43.554	10%
Tecnoargilla	5	619	1.857	13%	19.632	5%
Sun	3	254	762	6%	11.432	3%
Siaa	5	586	1.758	13%	29.707	7%
Sigep	5	454	1.362	10%	44.177	10%
Mia	5	710	2.130	15%	54.500	13%
Nautex	9	250	750	5%	32.000	8%
Enada	4	231	693	5%	11.000	3%
Sib-Magis	4	518	1.554	11%	37.000	9%
Merceria	3	237	711	5%	10.000	2%
Amici di Brugg	3	228	684	5%	10.500	2%
Nightwave	4	125	375	3%	19.000	4%
California	3	174	522	4%	102.000	24%
Totale	62	4.589	13.767	100%	424.502	100%

Source: Piano Strategico – (p. 19).

Figure 26. Economic impact of the fair system on the territory of the province.

Total expenses – direct and indirect – per fair	**124 md**
Total expenses – direct and indirect – per convention	**83 md**
Intermediation, organization and technical assistance	**27 md**
Income for employees working in the fair/convention sector	**6 md**
Income for employees working in the restaurant and hospitality sector	**32 md**
Investments for expanding/remodeling tourist accommodation facilities	**48 md**
Increase in the total added value of the province	**238 md**
Increase in spending for families	**260 md**

Source: Effetto Fiera 1996 (p. 19).

Figure 27. Characteristic trends of convention tourism in the province of Rimini.

	Conventions	**%**		**Participants**	**%**
Companies	2036	43%	50-300	558472	54%
Public agencies	822	17%	301-500	218574	21%
Trade unions/political parties	752	16%	501-1000	85661	8%
Sports associations	244	5%	1011-2000	48740	5%
Cultural associations	531	11%	2001-4000	129913	12%
Religious associations	83	2%	Total	1041360	100%
Scientific associations	278	6%			
Total	4746	100%			

Source: Osservatorio Congressuale Italiano Italian Convention Observer (2000, p. 7).

Figure 28. Economic estimate for the new convention center.

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Revenues	7.565	8.929	10.496	12.316	14.895	17.966	21.640	23.279	23.279	23.279
Production costs	4.270	4.692	5.541	6.034	6.738	7.554	8.508	9.020	9.024	9.029
Gross operating spread	3.295	4.237	4.955	6.282	8.157	10.412	13.132	14.259	14.255	14.250
Depreciation	4.350	8.700	8.700	8.700	8.700	8.700	8.700	8.700	8.700	8.700
Operating profit	-1.055	-4.463	-3.745	-2.418	-543	1.712	4.432	5.559	5.555	5.550
Financial management	3.334	3.324	3.259	3.122	2.872	2.642	2.348	1.996	1.618	1.226
Revenue before taxation	-4.389	-7.787	-7.004	-5.540	-3.415	-930	2.084	3.563	3.937	4.324
Operating taxes	0	0	0	0	53	152	272	323	323	323
Net profit	-4.389	-7.787	-7.004	-5.540	-3.468	-1.082	1.812	3.240	3.614	4.001

Source: Piano di fattibilità Feasibility Plan (2001, p. 48).

Figure 29. Estimated financial summary for the new convention center

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Trading profit	-4.389	-7.787	-7.004	-5.540	-3.468	-1.082	1.812	3.240	3.614	4.001
Depreciation	4.350	8.700	8.700	8.700	8.700	8.700	8.700	8.700	8.700	8.700
Loan reimbursement	1.707	1.802	1.903	2.009	2.121	2.239	2.364	2.496	2.635	2.782
Financial performance	**-1.746**	**-889**	**-207**	**1.151**	**3.111**	**5.379**	**8.148**	**9.444**	**9.679**	**9.919**
Initial cash balance	0	-1.746	-2.635	-2.842	-1.691	1.420	6.799	14.947	24.391	34.070
Cash-flow	**-1.746**	**-2.635**	**-2.842**	**-1.691**	**1.420**	**6.799**	**14.947**	**24.391**	**34.070**	**43.989**

Source: Piano di fattibilità Feasibility Plan (2001, p. 49).

12.5 Interviews

Totti, City of Rimini, City Commissioner for Sports.
Verlicchi, Coastal Product Union.
Angelino, Director of Hotel Promotion.
Bucci, President of the Hoteliers Association of Rimini.
Bonini, Director of Trademark Italy (consulting and tourism training company).
Valdiserri, City of Rimini, Commissioner for Private Construction.
Bernardi, President of the Airport of Rimini, hotel owner.
Venturelli, General Manager of the Fair of Rimini.
Vitali, Head of Communications and Press Relations, Fair of Rimini.
Agostini, Director of the Convention Bureau.
Ceci, Director of APT Services of Rimini.
Campana, responsible for provincial statistics.
Salvi, responsible for provincial statistics.
Mori, President, APT Services of Rimini.
Trevisonno, head of personnel, APT Services of Rimini.
Moni, head of the General Counter for Tourism.
Pierro, Director of the City Tourism Council.
Salvatori, Director of the Metha Hotel Group.
Nanni, President of the Lifeguard Association of Rimini, hotel owner.
Luccardi, City of Rimini, Mobility Manager.

Chapter 8
The case of Portorose

1. THE CHALLENGES OF THE NINETIES

In the case of Portorose it is necessary to look more closely than for other resorts at its history and at events in Slovenia, a country that has undergone four political changes in the space of a century (Austro-Hungarian Empire, Kingdom of Italy, Yugoslavia, State of Slovenia): unless these events are taken into consideration it is difficult to understand the particular structural characteristics of local tourism and the way in which it operates.

The history of Portorose[1] goes back to the Roman empire, as is testified by the many "villae rusticae" still to be seen on sheltered sites near springs of drinking water and in places where convents, churches and farms were subsequently constructed. A series of political factors, especially the closeness of Venice, meant that Istria maintained a certain degree of independence; this in turn facilitated the task of evangelisation, carried out mostly by the Benedictines[2] but also by other religious orders. This process was to have far-reaching consequences, especially with regard to the cultural identity of the Slovene people and the absence of major conflicts in '91 after Yugoslavia was dissolved. Currently, over 80% of the population are Roman Catholics.

The resort takes its name from a small church dedicated to St. Mary of the Roses (Sancta Maria Roxe) located in a nearby gulf once known as "Portus sanctae Mariae de Rosa", hence the name of Portorose.

The particularly mild climate, never too hot in the summer and always temperate in the winter, encouraged people to settle in the area and a local economy grew up around agriculture and the salt-flats. The latter, in part still used today, led to the creation of an important nature reserve. According to the historians, by the 14th century people were already coming to the area for health treatment and convalescence, an activity launched by the Benedictines, exploiting the healthy climate, the salty water ("mother water") from the salt flats and the "black" mud. Another favourable factor for the development of the local economy was the position of the gulf, which is particularly well sheltered from the *bora* and *scirocco* winds and therefore makes a good anchorage. Health spa tourism developed significantly from the second half of the 19th century onwards: the increasing number of visitors made it possible to build a clinic and pools in 1890, with financial, entrepreneurial and cultural assistance from some of the inhabitants of Pirano and from bankers and entrepreneurs, not all from within the area. The first tourist complex, later to become the celebrated Palace Hotel of Portorose, thus came into being. At the same time, many wealthy families, often belonging to the cultural and political élite of the time, built villas, chiefly for use during the winter, on account of the mild climate. One of these villas, Villa San Lorenzo (able to accommodate up to 200 guests) became the headquarters of an élite that knew and appreciated the special features of the resort[3]. This villa, after changing hands several times, was bought by the

[1] The three municipalities on the coast of Slovenia - Pirano (which includes the village of Portorose), Isola and Capodistria - belonged to the Kingdom of Italy between the two World Wars. This period of history left its mark: the three municipalities are bilingual and each therefore has two names. In drawing up this study we have chosen to call places by their Italian names.

[2] "In the 12th century, there were four Benedictine monasteries and numerous churches in the territory of the Municipality of Pirano" (Guide to Portorose).

[3] "The oldest villa, built on the site of the Benedictine monastery, was the classic «Villa San Lorenzo», purchased in the first half of the 19th century by the Fabris, counts of Friuli. Built between 1830 and 1840, at the time when the new road linking Pirano and Buie was being constructed, it stood in

company "Stabilimento balneare di Portorose" (operating in the accommodation sector), which transformed it into the Hotel Frediani (from the name of the hotelkeeper) where the "Casino des étrangères" was founded. It is interesting to note how, at this time, many small, family-run hotels also did a flourishing trade, as was the case in many other tourist resorts: something no longer true of present-day Portorose. On 20th August 1910 the Hotel Palace was inaugurated. It had 175 luxurious rooms, a huge, multi-function dining-room, a summer terrace and many other attractions, making it one of the best hotels on the Adriatic coast and giving a significant boost to the image of Portorose with its exclusive clients. The little resort has a very strong international vocation: Austria and Italy represent two important catchments basins, partly because they are only a short distance away.

A narrow-gauge railway was constructed in 1902, illustrating the vigorous development of Portorose. The station was at Santa Lucia; from here passengers travelled by trolley bus and then by tram along the coast to Piazza Tartini in Pirano. The railway continued to operate right up to World War II, when Mussolini decided to dismantle it and reassemble it in Abyssinia.

The First World War resulted in Istria being annexed to the Kingdom of Italy and for a time the resort went downhill: Italy had many bathing resorts of its own, often with better facilities, and so the little gulf received no more investments. By contrast, the Socialist regime that came to power after World War II invested large sums between the end of the sixties and 1976: this period saw the construction of the four main hotels in Portorose (Metropol, Palace, Morje, Bernardin).

1.1 Portorose at the beginning of the nineties

In order to understand the particular characteristics of Portorose, for the purposes of tourism, it is important to look at the choices made by the Socialist regime in terms of infrastructural investments, customer target, mode of operation (particularly with regard to accommodation), the Casino and the resort as a whole.

1.2 Accommodation

Portorose, like many other European resorts, was founded by local entrepreneurs setting up small, family-run hotels, with the exception of the Hotel Palace. Between 1958 and 1975 it changed radically. During this period four huge hotel complexes were constructed, chiefly by decision of the regime, and these, with their numerous annexes, still constitute the fulcrum of the resort. In order to build the hotels, fairly extensive areas of the small gulf[4] had to be transformed and this partly explains the disappearance of many small family-run hotels. In the course of this process, many buildings of historic and cultural importance were also destroyed, efficient, large-scale structures

the middle of a magnificent park, which covered 30,000 sq. m. and was full of flourishing Mediterranean plants." (Guide to Portorose).

[4] "The construction of the Bernardin complex made it necessary to completely rethink the vast site on which it stands. Planning was entrusted to T.A.C. of London and involved three architects: an American, who designed the vertical structure on the sea-front, comprising bedrooms only (Hotel Emona), a Japanese architect who designed the Bernardin complex and a Slovene who designed the Hotel Vile Park. The latter two structures are built around the remains of the 15th-century church dedicated to St. Bernard from which the entire complex takes its name. The original idea was to demolish it, but fortunately this decision was reversed" (Silič, ex-Director, Hotel Bernardin).

being erected in their place. The largest structure was the Bernardin complex, comprising three hotels with a total of 1,200 bed-places. For obvious reasons, the size of the resort meant that it was immediately necessary to develop important links with organised travel, which the regime looked to with interest, partly because it needed to pay for arms. This state of things meant that the élite clientele was gradually replaced with groups of tourists organised by tour operators. There was a significant increase in the number of English and Scandinavian visitors. Tour operators were interested chiefly because of the low prices resulting from the local currency, the lower labour costs and the "political" prices offered[5]. Although this target was important numerically, however, it brought few benefits in economic terms. At the same time, so-called "social tourism" was being developed: holiday homes were being built in Portorose for workers employed by the major state corporations, together with clinics and rest homes.

The ideology of true Socialism had important repercussions on the way in which the individual structures operated: employees were involved, as a matter of principle, in defining company strategy and, most important of all, economic considerations were completely ignored. The hotels were significantly overstaffed, with effects on the company balance sheets that are easy to imagine[6]. But at that time the regime needed foreign currency and was prepared to compensate for economic losses. The economic imbalances and the mass clientele brought the restructuring and qualitative improvement of the complexes almost completely to a standstill. Just before Slovenia attained independence, the accommodation sector found itself in a dramatic situation: the buildings were obsolete, the volume of sales was generated mostly by mass tourism with a low margin, the hotels were overstaffed and the employees lacked motivation. There was another very important factor, too: because people were used to state employment and there was no way of promoting bottom-up initiatives, their entrepreneurial spirit had gradually disappeared. This phenomenon, combined with the fact that there was no middle class having financial resources to invest, explains why there was a low level of entrepreneurship even after the independence of Slovenia[7].

It is important to emphasise that tourism along the coast of Slovenia is based largely on the resort of Portorose, which accounts for 20% of total overnight stays at a national level, 25% of overnight stays in hotels, again at a national level, and about 75% of overnight stays in hotels located on the coast.

1.3 Portorose Casino

The Casino of Portorose continued to attract visitors in the high-income segment, chiefly Italians, who made a significant contribution to the development of local

[5] "Here in Portorose, before Berlin Wall fell, beer cost one-twentieth of what it costs in Sweden, for example. For obvious reasons, this encouraged large numbers of tourists, brought by the tour operators, to come and spend their holidays in a state of continual drunkenness. After 1989, some of the political prices were eliminated" (Director, Morje Group).

[6] "The policy of real socialism led to an increase in staff that is absolutely impossible to maintain. After the war in 1991, the management found itself in great difficulty: on the one hand there was an unbalanced cost structure and on the other it was necessary to make large investments in order to raise the standard of the structures to satisfy the requirements of the market" (Director, Morje Group).

[7] "The Socialist regime completely eliminated entrepreneurship among the people. For this reason, even in Portorose, where many people maintain that there is ample room for increasing the amount of accommodation, there are no bottom-up initiatives. There is no middle class with financial resources, and above all with the desire to act, to take risks in order to build something of its own. It will take time to recreate this entrepreneurial spirit" (Director, Hotel Morje).

infrastructures. The gambling hall enjoyed extensive autonomy within the centralist state[8] and this allowed the management access to ample resources, which were invested chiefly in developing various services suitable for the target clientele of the Casino and, more generally, for the image of the resort. The director was a man of great enterprise who could see very clearly the potential of his business and, more generally, of the resort as a whole, with regard to tourism. He used the resources generated by the Casino to build Portorose Airport, the Marina, tennis courts, a new road running parallel to the sea-front and the Auditorium. It is interesting to look briefly at these infrastructures and their target clientele.

The airport started as the development of an airstrip for an amateur association, which was enabled to expand with financing provided by the Casino. At the end of the eighties, it had become an international airport with a runway about 1,200 metres long and customs facilities. Its target clientele consisted chiefly of wealthy amateur pilots who landed at Portorose either to refuel and break their journey or to stay for a few days (typically a weekend) in order to gamble in the Casino. Since the independence of Slovenia there has been discussion about the future of the airport, particularly the possibility of introducing scheduled flights.

Portorose Marina was also built with financing from the Casino. It was constructed in the late '70s on the site of an abandoned salt-works and has high quality standards, particularly with regard to the on-shore facilities available[9]. Its geographical position represents another strong point: the structure is within easy reach of the central European markets and near Dalmatia, which is a favourite destination for yachting enthusiasts. In this case, too, political independence poses some questions as to the future of the Marina, in view of growing competition from Croatia, where prices are much lower, and the political instability of the other states that previously formed part of Yugoslavia.

The construction of new roads in Portorose began because of the greater influx of visitors, both tourists staying in the resort and same-day visitors. As mentioned above, the narrow-gauge railway had been dismantled during World War II and the tram line had also fallen into disuse and been removed. But the new roads have in practice made the sea front into a huge car park and created a barrier between the hotel structures - which are all located inland of the road, except for the Bernardin complex - and the beach.

The Auditorium was built with the object of promoting music and culture for the clientele of the Casino[10]. In addition to this activity, the organisation of congresses has

[8] "Low taxes made it possible to finance important investments for the resort: services which are only marginally linked to the accommodation structures of Portorose but which helped to develop the Casino." (Director, Portorose Tourist Association).

[9] "The ex-director of the Casino was not a sea-faring man and yet he invested in the Marina, giving financial support for carrying out this project in accordance with American standards. Many marinas in Europe are simply equipped areas of sea, with few on-shore facilities. The American philosophy, on the other hand, tries to find a balance between sea and land, to the extent that the on-shore area must be equal to that of the water. Our Marina follows this philosophy: our on-shore facilities include two top-level restaurants, shipyards for maintenance and for keeping boats during the winter, washing facilities, an area with rooms" (Captain, Portorose Marina).

[10] "The Auditorium was built by the Casino in 1972 as a structure where cultural entertainment could be provided for its clientele, thus adding to the pleasure of their stay. Over a period of time, other activities were added: the organisation of congresses and cultural events (music, theatre, cinema) that can also be attended by local tourists and residents " (Auditorium Director).

gradually become an important business, partly because of the growing need to deseasonalise the use of accommodation.

To sum up, we can say that the Casino represented an important reference point for the area during the '70s and '80s, chiefly because the Socialist regime in Yugoslavia allowed it great freedom as far as taxation was concerned. Since the state of Slovenia was founded in 1991, the Casino has been subjected not only to ordinary tax rates but also to an additional levy amounting to 28% of its turnover.

1.4 The creation of TOP

Under the Socialist regime, the resort was run by TOP, the Tourist Organisation of Portorose. The director of TOP was a sort of resort manager, responsible for taking major decisions relating to all the facilities except the Casino. The resort set up a booking centre and was always represented as a single entity in external relations, with a mode of operation very similar to that of the American-style "corporate model" (Flagestad and Hope, 2000). Alongside this centralised organisation, a structure was created to run the four large complexes, which had their own managing directors and annexe managers.

The impression given by on-site observation is that although the centralised organisation fulfilled a concrete need to unify and publicise the attractions of the resort, especially in negotiations with tour operators and more generally in external marketing initiatives, it did not help to exploit its tourist potential. The main difficulty was that the bureaucratic and operational methodology adopted was a long way from observing the principles of economic viability. In the course of time, orientation towards customers and the satisfaction of their needs gradually disappeared, partly because employees had no motivation or sense of responsibility[11]. With regard to competitiveness, TOP naturally tended to prevent internal competition and diversification, with the result that the product offered became still more uninteresting and inflexible in the context of a market that was becoming more and more dynamic and offering a wide range of options. These factors caused the resort to focus almost entirely on offering lower prices, which could only be maintained as long as the Socialist state compensated for operating losses.

1.5 Competitive results

It is rather difficult to assess competitive results from the official accommodation statistics, chiefly because of the limited period covered (the first figures are for 1986) and the absence of monthly data.

[11] "It frequently happened that the decision as to where to send a certain group of customers was linked more to the best way of using hotel space than to real needs expressed by the clientele. This led to a further drop in the target served" (Silič, ex-Director, Hotel Bernardin).

Figure 1. Portorose: Competitive results.

Annual data
LS 1989: 5.4 days (1986: 5.9 days)
OS: -8%
A: 0%
LS: -7%
Foreigners
% weight of foreigners: 67% (86), 70% (89)
OS: -4%
A: +6%
LS: -9% (OS 1989: 5.7 days)
Italians
% weight of foreigners: 33% (86), 30% (89)
OS: -16%
A: -11%
LS: -6% (OS 1989: 4.9 days)
Legend: OS (Overnight Stays), A (arrivals), LS (Length of Stays)

Source: Own analysis on Portorose's Tourism Bureau's data.

With this premise, an analysis of the official hotel statistics (Fig. 1) allows us to identify the following trends:

- ✓ *Trend of arrivals*: the indicator is fairly stable, remaining close to the initial figure of 305 thousand arrivals;
- ✓ *Trend of average length of stay*: in 1986 the average stay was 5.9 days; by the end of the eighties it had fallen to 5.4, with an overall decrease of 7%;
- ✓ *Trend of overnight stays*: the trend represented by this indicator is the result of the trend of arrivals and that of average length of stay. Altogether, overnight stays decreased by 8% between 1986 and 1989, as a direct result of the decrease in the average length of stay. Despite the limited period covered, it is therefore clear that there is a state of stagnation, if not a crisis, because of the difficulty of increasing arrivals to compensate for the fall in the average length of stay;
- ✓ *Trend of proportion of international visitors*: among visitors to Portorose, there is a high proportion of international visitors, especially if considered in terms of overnight stays. In 1986 foreigners accounted for 67% of overnight stays in hotels and by the end of the decade this figure had risen to 70%.
- ✓ *Trend of international tourists*: looking more closely at the behaviour of international tourists, we can see that their average stay is slightly longer than the average for the resort: 6.2 days in 1986 (as compared with an average of 5.9), falling to 5.7 days in 1989 (average 5.4). The fall in the average length of stay shows a constant trend and amounts to 9% in only four years. By contrast, arrivals register growth of 6%, with continuous, if modest, annual increases. The effect of these trends on overnight stays is an overall decrease of 4%. It is important to note that the higher proportion of foreigners has had a positive

effect on the overall average length of stay in hotels. In 1986 this was 5.9 days: 3.9 represented by foreigners and 2.0 by domestic travellers. The higher proportion of foreigners means that the quota of the stay represented by international visitors rose to 3.8, while that of Slovene visitors fell to 1.6 days. All in all, the relative stability of the average length of stay was due to a change in the ratio of arrivals in terms of nationality;

- ✓ *Trend of Slovene tourists*: the trend of the indicators relating to domestic travellers differs significantly from that of the indicators relating to foreigners. Arrivals, in particular, fell by 11%, while at the same time the average stay fell by 6% (4.9 days in '89 as compared with an average of 5.4 days). The effect on the number of overnight stays is particularly critical: there was a decrease of 16% over only four years;
- ✓ *Trend of accommodation mix*: no detailed information is available in this respect but on-site observation confirms that the hotel sector is by far the most important;
- ✓ *Trend of occupancy rate*: in the period under consideration, the occupancy rates show particularly high ratios: over 90% on an annual basis in 1986. These figures contrast with information collected locally, however, and with the structure of local tourism which, however deseasonalised it may be, is a long way from achieving full occupancy throughout the year.

1.6 Conclusion

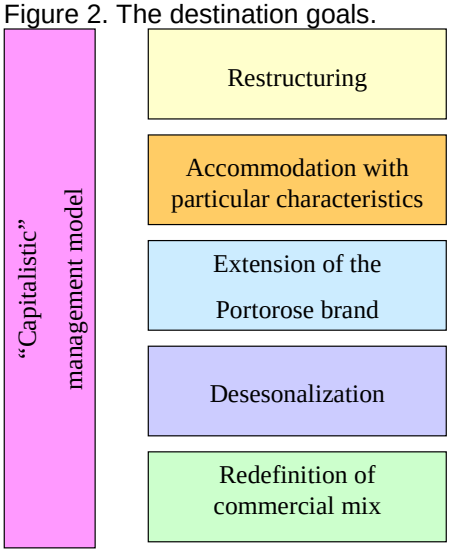
The various indicators, taken together, reveal a development model that focuses strongly on volumes and is distinguished by a high ratio of international travellers. The figures available cover only a limited period but seem to indicate some difficulty in the domestic market and a small decrease in the number of overnight stays by international tourists.

2. LINES OF ACTION

Figure 2 illustrates a series of objectives, giving concrete expression to the main aims pursued by public and private operators in the course of the nineties. The various items all tend to give content to an ultimate goal: to do away with the Socialist economy and launch a system for managing the resort, and particularly its services, in accordance with the laws of free competition. This basic objective translates into the need to upgrade many facilities, first and foremost the hotels. But before looking at the individual objectives in detail it is important to describe how the restoration of private property came about.

Following the constitution of the State of Slovenia, the wealth of the nation was divided up and assigned to its individual citizens in the form of vouchers, the value of which depended chiefly on the age and profession of the person concerned. These vouchers were usually invested in various financial holdings: authentic public companies which in turn acquired a series of operating enterprises and productive activities. The State was therefore replaced by a limited circle of large financial companies, belonging to the Slovene people and quoted on the stock exchange.

Figure 2. The destination goals.



Source: Own analysis.

2.1 Implementation of a capitalist economic system

The main objective of the nineties undoubtedly comes down to that of transforming the Socialist economy a system regulated by the market. As mentioned above, some of the operational choices made in the past rendered this transformation anything but simple. The change process involved great alterations to the structures, management and labour philosophy of all productive activities, particularly those of the hotel sector. The change process consisted of the following principal phases: i) cleaning up balance-sheet costs, ii) effecting a management turnaround, iii) identifying a new target market, iv) upgrading the product system, v) achieving careful management of economic and financial balances.

The first phase was naturally the most dramatic, because it often necessitated enormous staff cuts[12], averaging at least 50%, while offering better services to the end customer in both quantitative and qualitative terms. The second phase involved replacing the old hotelkeepers with new professional figures. In actual fact, not all the interviews confirmed this point: according to some people, although various moves were made on the chessboard of responsibility, most of the men employed in management up to '91 were still in the front line afterwards. The third phase was to identify new customer targets, in order ensure long-term development prospects on the one hand and to reduce internal competition on the other by preventing the reference segments of the main hotels in Portorose from overlapping. The fourth phase involved translating the new market orientation into products, adapting both the structures and the services provided. Lastly, the entire management had to be won over to a concept of overall economic viability, indispensable for ensuring the autonomy of the enterprises[13].

[12] "The first phase of the change was launched with a sharp reduction of balance-sheet costs. The initial situation was so bad, particularly with regard to staff, that without this phase it would have been impossible to set management back on the rails of economic feasibility. It should be remembered that work, under the Socialist regime, was not in practice seen as a cost in the balance sheet and overstaffing was therefore structural. The Morje Group had about 340 employees; now we run the whole business with 130 people, despite the fact that our turnover has tripled" (Director, Morje Group).

[13] In par. 5.1 we shall have a chance to look at these phases in detail, making direct reference to the main hotel structures in the resort.

2.2 Restructuring

In the course of the eighties, the management of the resort continued to exploit the investments made previously, putting off the task of adapting the structures to the changing needs of visitors. In practice, the gap between the level of service offered and the standards required by guests was bridged by the particularly appetising price of the resort (especially for tourists from western Europe). The need to reposition the Portorose "brand" and to set the companies' balance sheets to rights made it necessary to start radical restructuring, but only limited financial resources were available. The process therefore led hotel enterprises increasingly into debt and, where possible, they sold off their assets in order to generate cash.

2.3 Accommodation with particular characteristics

The four main hotel complexes began to tackle the process of redefining their reference targets and restructuring their facilities by trying to increase the special characteristics of the accommodation offered, so as to reduce internal competition. This process was partly deliberate and partly contingent but, with hindsight, it gave good results.

2.4 Extension of the Portorose "brand"

The "brand" of the resort is still closely linked to the presence of the Casino, but the investments realised in the course of the nineties, chiefly by the main hotels, considerably widened the variety of attractions offered by Portorose, laying the foundations for projecting a new image of the resort. As we shall show in detail in Par. 5.1, the new services offered relate to the spa and thalassotherapy (Palace Group), congresses (Bernardin Group), sea-water swimming pools, covered and otherwise (Morje Group) and Casino (Metropol Group).

2.5 Deseasonalisation

The need to finance large-scale restructuring and to set management on the road to economic viability obliged all the large hotel complexes to identify a number of different market segments, for different times of year, in order to increase their potential for differentiation. It should be remembered that, at the beginning of the nineties, the resort had a fairly low average stay, amounting to about 3 days. In order to deseasonalise and to improve infrastructures and services, many operators were induced to equip their hotels with a series of attractions available throughout the year.

2.6 Redefinition of commercial mix

In the past, the large amount of accommodation offered, together with the need to encourage a market position providing a regular supply of foreign currency, led to the development of a commercial mix that depended to a large extent on organised travel. In the course of the nineties, especially after large-scale restructuring had taken place, increasing interest was shown towards individual travellers, who were more likely to pay full rates and to help create customer loyalty circuits.

3. THOSE INVOLVED

The principal entities that are in some way involved in the management of the tourist resort are: i) the Slovene Tourist Organisation (hereafter STO), ii) the local tourist authority (SLO), iii) the Municipality of Pirano. Below we outline the functions and organisational structures of the various entities, paying particular attention to the local organisations.

3.1 Local Tourist Organisation

At a national level, a tourist organisation has been set up that depends on the Ministry of the Economy, which deals with tourism planning for Slovenia. Until the framework law on tourism was approved in September 1998, the national tourist organisation had no counterpart at a local level. This state of affairs penalised tourist resorts, particularly considering the centralised nature of the Slovene State, which has no intermediate territorial administrations such as regions or provinces. The law of '98 gave municipalities with a vocation for tourism the right to set up local tourist organisations (LTO). On a parallel with approval of the framework law, five major tourist areas were identified at a national level: i) coast and Karst region, including Portorose, ii) mountains and lakes, iii) spas, iv) countryside, including agritourism, v) art cities.

Following approval of the framework law, the Municipality of Pirano was quick to set up a local tourist organisation.

3.1.1 Functions

According to its statute, the LTO is basically responsible for:

- ✓ Co-ordinating the tourist facilities offered by the Municipality of Pirano;
- ✓ Organizing information activities aimed at tourists;
- ✓ Exploiting historic, cultural and natural resources;
- ✓ Ensuring continuous, effective co-ordination with the activity of the Slovene Tourist Organization (STO);
- ✓ Promoting effective collaboration with the tourism associations and cultural organizations already operating in the area[14];
- ✓ Promoting the interests of the members of the SLO;
- ✓ Producing and distributing official tourism statistics;
- ✓ Promoting local tourism policies aimed at preventing price competition among local enterprises operating in the tourism sector.

3.1.2 Organisational structure

The way the LTO operates in practice depends on the following organs: i) General Assembly, ii) Board of Directors, iii) Managing Director.

The *General Assembly* consists of all the LTO's members or partners. Its decisions chiefly relate to the balance sheet, the Managing Director's annual report and the allocation and/or coverage of operating profits and losses respectively. All public and private partners take part in the General Assembly. The public partners are the

[14] The statute is specific on this point, explicitly mentioning the Municipal Sports Centre and the Portorose Auditorium.

Municipality of Pirano, which has a right to 35% of the votes, and the Pro-Loco, with 5% of the votes. The remaining 60% is in the hands of private partners, i.e., according to Law 9/98, all the local tourist operators[15].

The *Board of Directors* consists of 11 members, three of whom are chosen by the Pirano Town Council; one is the Mayor of the said municipality, who also acts as President, one is a representative of the Pro-Loco and 6 are chosen from among the (private) members of the SLO. Members hold their posts for five years. The functions of the Board include appointing the Managing Director, checking the balance sheet and ensuring correct administration in general, monitoring the advancement of the annual programme.

The *Managing Director* is the central figure of the LTO. During his/her five-year mandate, he/she is responsible for running the tourist organisation in accordance with the guidelines laid down by the General Assembly. He/she is responsible for staff, for authorising expenses - within the limits and constraints laid down by the statute - and for attaining the objectives set out in the annual programmes. The director can be reappointed at the end of his/her mandate, in order to ensure continuity.

3.1.3 Activities

Before describing in detail the spheres of activity covered by the work of the STO it is important to mention, very briefly, the objectives of the tourist organisation. These are essentially three: i) to promote stable, effective co-ordination among the various protagonists who are involved, directly or indirectly, in running and providing tourist services, ii) to represent the interests of the partners (both public and private), iii) to organise efficient promotional activity both within the resort and elsewhere.

These three goals have been subdivided into the following areas of activity:

- ✓ *Communicating with the market*, which involves being present at trade markets and fairs in order to actively promote the visibility of the resort. All activity must be carried out in close collaboration with the STO;
- ✓ *Printing and distributing informative material*, which includes drawing up and printing informative material about the resort and its attractions and distributing it to tourist offices and operators;
- ✓ *Providing information to visitors at the resort*, i.e. the activity carried out by the Tourist Association of Portorose and Pirano;
- ✓ *Developing the tourist products of Portorose*, i.e. activities, including study and research, aimed at improving particular features of the resort or its facilities in general;
- ✓ *Street furniture*, consisting of improvements to the appearance of the resort;
- ✓ *Events*, comprising efforts made to organise sporting and cultural events and packages targeting certain sectors of the market;
- ✓ *Support for tourist activities*, an item specially introduced in order to finance projects likely to produce significant economic benefits for tourism and related sectors[16].

[15] For a detailed definition of the status of partner, see Par. 3.1.4.

[16] "Every year the Auditorium organises a congress for publicists, called Goldendram, which involves about one thousand people, who stay in Portorose for 5 days, totalling about 4,000 overnight stays. We thought it right to recognise the importance of this event by giving a small contribution to cover expenses" (Director, Portorose Tourist Association).

3.1.4 Financial structure

The financial structure of the LTO is supported by two main sources of income: on the one hand the contributions provided by the Municipality and on the other the funds contributed by the partners. In addition, there is a third, less important source of income, consisting of any additional contributions allotted by the Municipality of Pirano or grants made by the STO. In quantitative terms, the first item represents a growing proportion of income, amounting to 80% in the last financial year (Fig. 3). Contributions from private partners accounted for about 25% in '98 and '99 but fell sharply in the last financial year (9%).

Figure 3. Trend of income of Portorose LTO (thousands of Talleri[17]).

Sponsors	**1998**	**%**	**1999**	**%**	**2000**	**%**
Municipality of Pirano	51.701	61%	60.022	72%	60.609	80%
Privates	20.314	24%	23.155	28%	6.595	9%
Other revenues	13.188	15%	728	1%	8.510	11%
Total	85.203	100%	83.905	100%	75.714	100%

Source: Own analysis on LTO's data.

Figure 4. Categories of members of the SLO.

Category 1	**Category 2**	**Category 3**	**Category 4**
Hotels	Transport (taxis, scheduled passenger services, transport by land, air and sea)	Manufacture of food and drink	Market gardening
Travel agencies	Rented accommodation	Manufacture of sports equipment	Production of fruit, spices and plants
Organisation of gambling activities	Aircraft rental	Retail sale of food	Hunting, shooting and stock raising
Ports and nautical activities	Cinema-related activities	Pharmaceutical activities	Fish-farming and related activities
Retail trade (duty-free)	Management of buildings used for cultural activities	Retail sale of newspapers and magazines	Building industry
	Fairs and pleasure parks	Banking	Beauty salons
	Sport	Insurance	
	Other leisure and recreational activities	Car rental	
		Consultancy	
		Laundry/dry-cleaning activities	
		Body care services	

Source: Portorose LTO.

Before beginning to analyse the figures, it is important to look at the mechanisms governing contributions from public and private partners. The statute gives all local tourist operators the status of partners or members. They have been divided into four categories (Fig. 4), each with a different tariff system linked to turnover (Fig. 5). The four categories reflect how closely the operators are linked to the tourism sector: Group I (hotels, Casino, travel agencies) is subject to the highest rates and Group IV (agriculture, fishing, building) to the lowest. An analysis of Figure 4 clearly shows that the status of partner or member of the LTO is in practice granted to all categories of

[17] One hundred talleri are worth about 1 DM; the budget of the LTO for 2000 is therefore approximately 750,000 DM.

economic operators within the Municipality of Pirano, so that there are about 1,500 members. Each of them is required to declare the amount due as a tourist tax, according to the figures given in Table 5. The sum collected in this way forms part of the income of the Municipality of Pirano, which in turn uses it to cover its own costs and to finance the SLO. In the last few financial years it has been the practice for the municipality to use about 40% of the gross sum to finance the local tourist organisation.

Figure 5. Rates for calculating private contributions (one point = 1,000 SIT).

Turnover (SIT mio)	Group I	Group II	Group III	Group IV
0 - 0.2	0	0	0	0
0.2 - 1	6	4,8	3,2	1,6
1 - 2	8	6,5	4,5	2,5
2 - 5	10,2	8,4	6	3,6
5 - 25	19	16	12	8
25 -50	40	34	26	189
50 - 100	63	54	42	30
?1000 - 200	92	80	64	48
200 - 400	144	126	102	78
>400	250	220	180	140

Source: Portorose LTO.

Both the above criteria, however, that is to say the status of partner and the financial mechanisms applied, are the object of strong criticism on the part of tourist operators. With regard to the figure of partner, they point out that such a wide application tends to increase the number of people who are formally members of the LTO but who, in practice, do not take part in its activity[18]. With regard to the financial criteria, there is dissatisfaction both with the use of self-certification, which inevitably encourages the members, particularly the small tourist operators, to place themselves in the lowest group so as to pay very limited contributions, and with the practice of only 40% of the funds collected going to the SLO. The latter point is unpopular with the hotels (in practice the economic units that pay the heaviest tourist taxes), which can see easily quantifiable benefits in the activity carried out by the local tourist offices, whereas the funds withheld by the municipality (about 60%) are often used for activities that are indirectly or only remotely connected with tourism and with the hotel sector in particular.

3.2 Municipality of Pirano

The role of the Municipality of Pirano has diminished somewhat following the constitution of the Slovene State and the subsequent creation of the SLO. Currently, the role of the municipality chiefly involves planning the use of publicly owned land by drawing up the general town plan, collecting tourist taxes and organising a series of public services (managing the beach, public transport, roads).

[18] "The choice of making all operators members of the LTO means that when we have to call an assembly we must invite 1,500 people, although only about 30 members normally take part. It is true that tourism generates benefits for all related sectors, but extending membership in this way tends to slow down the activity of the association rather than to give it a boost" (Director, Portorose Tourist Association).

4. THE DESTINATION FACILITIES: PUBLIC INFRASTRUCTURES

We shall now look at the way in which the resort is run, starting with infrastructures and public services and focusing on the following: i) access routes and local roads, ii) street furniture, iii) sports facilities.

4.1 Access routes and local roads

The critical importance of the roads that give access to the resort is linked to the very nature of tourism in Portorose: since it is chiefly concentrated at weekends and during congresses, the closeness of the generating area to the location of the tourist resort represents a key factor[19]. The geographical position of Slovenia, particularly the coast, means that it is near the Italian, Austrian and German markets, as well as the markets of eastern Europe and of Slovenia itself. At present the resort can be reached by road, air and sea, but almost all visitors arrive by road. Since there is no motorway, the width of the access roads is becoming increasingly inadequate for the number of vehicles, resulting in queues and delays.

Figure 6. Supply and demand of parking space in Portorose - 2000, hotel flows

	Arrivals (1)	Person per car (2)	Length of stays (3)	Veihecles/month (1/2*3) (A)	Available monthly parking areas (B)	Δ (B-A)
January	10.305	3	3,1	10.749	33.000	22.251
February	16.275	3	3,0	16.468	33.000	16.532
March	23.478	3	3,1	24.300	33.000	8.700
April	30.390	3	3,1	31.899	33.000	1.101
Mai	28.697	3	3,4	32.224	33.000	776
June	40.682	3	3,9	52.675	33.000	-19.675
July	45.657	3	4,7	72.229	33.000	-39.229
August	49.125	3	5,2	85.097	33.000	-52.097
September	33.171	3	4,2	46.582	33.000	-13.582
October	27.742	3	3,1	29.070	33.000	3.930
November	18.259	3	3,0	18.462	33.000	14.538
December	17.210	3	2,7	15.731	33.000	17.269
Total	340.991	3	3,8	435.485	396.000	-39.485

Source: Own analysis on data from Società Servizi Comunale (Municipal Service Company).

Since almost all tourists come to Portorose, and more generally speaking to the Municipality of Pirano, by car, it is important to analyse how the local road network functions. As mentioned above, before the state of Slovenia was founded the Casino financed a new road along the sea front. The constant fall in the average length of stay (see Par. 11.4) has gradually led to an increase in the number of motor vehicles, transforming the main road of the resort into a chaotic car park. Traffic is made even worse by the limited number of parking spaces available at the Hotel Palace and Hotel Morje, whereas the Metropol Group built a car park for 420 vehicles in the second half of the nineties. The growing demand for parking space is also linked to the increasing number of same-day domestic visitors, encouraged by fact that Portorose is near the major towns: the beaches, night-life, Casino and large number of tourists represent

[19] "In our resort, tourism tends to draw on a basin of users consisting of people who live within a radius of 400-450 km, with a preference towards the domestic market and Austria, Germany and Italy" (Director, Morje Group).

strong attractions. The road, which runs between the beach and the main hotels, tends to create a barrier between the two areas that is much greater than the inconvenience of crossing it. Motor traffic makes it difficult to perceive any unity between the hotels and the world of the beach and the pleasure of taking a walk is significantly reduced by the disturbance of passing vehicles. There are 700 parking spaces along the main road and about 1,300 altogether, including those provided by the hotels[20]. Figure 6 clearly shows that the parking problem is far from being solved[21].

The situation in Pirano is even more critical and difficult to solve[22]. The characteristic, historic town is criss-crossed by a web of streets and alleys that can only be negotiated on foot, but many residents have cars. The parking situation is critical, especially at times when the influx of tourists is at its height. In an effort to remedy this situation, the Municipality has taken three main steps.

First of all, car parks have been constructed at each end of the town and these are generally used by tourists. A parking fee is charged and there is space for 465 cars. After leaving their cars, tourists can have a pleasant walk along the sea front, being disturbed by cars only in the last stretch. The distance between Portorose and Pirano (3 km) is such that it is not advisable to walk.

The second measure relates to the creation of parking spaces reserved for residents' cars. These are located close to the town and have special fees. In addition, another car park with about 60 spaces has been created near Piazza Tartini, in the town centre, where the town hall is located: here the parking fee is particularly high in order to encourage a high turnover. It is easy to see from Fig. 7 that cost has been a good incentive: about 70% of the vehicles are left for an hour or less. The measures introduced have helped to satisfy the demand for parking space but are not ideal from the point of view of tourism, since cars are parked almost on the sea-front, making an ugly contrast with the historic beauty of the Municipality of Pirano, which represents an important attraction for visitors to Portorose.

In an effort to reduce the number of cars, public transport has been introduced in the form of a bus linking Portorose and Pirano. This is, on average, very competitive with using a car, when the parking fee is taken into consideration[23]. The bus service is used chiefly by tourists, while residents are taking a long time to get used to it[24]. It is interesting to note, however, that residents express their approval when the town is completely closed to traffic during visits from important political figures. A taxi service

[20] "Portorose has about 700 parking places located along the main road, plus those of the Auditorium, the Metropol car-park and the other accommodation units. The total can be estimated at 1,300 places. Of these, however, about 200 are used by commuters. This figure does not include the Bernardin complex which, by its very nature, does not raise any parking problems" (Head of Municipal Service Company).

[21] The hypotheses examined consider only hotel guests and presume that all tourists come to Portorose by car. In actual fact, a significant number arrive by bus. Nevertheless, the data given in Fig. 6 are distributed in a linear fashion and do not consider the parking requirements of same-day visitors, residents and visitors not staying in hotels.

[22] It is important to remember that Portorose is a recently created locality, offering visitors chiefly the attractions of a modern resort, whereas Pirano has the charm of a small art town, with many features of historic and scenic interest. It would therefore be possible to create strong links between the two towns.

[23] In addition, there is also a frequent shuttle service providing free transport between the car parks outside the town and the town centre.

[24] "In summer, when there are many tourists, the number of people using the bus is three times that of January or February. Over the years we have come to the conclusion that local residents tend not to consider public transport as an alternative to their cars" (Head of Municipal Service Company).

has also been introduced (again linking Portorose and Pirano) with a set fare amounting to roughly the cost of the bus ticket.

Figure 7. Use of parking space in Piazza Tartini.

	Arrivals (1)	Person per car (2)	Length of stays (3)	Vehicles/month (1/2*3) (A)	Available monthly parking areas (B)	Δ (B-A)
January	10.305	3	3,1	10.749	33.000	22.251
February	16.275	3	3,0	16.468	33.000	16.532
March	23.478	3	3,1	24.300	33.000	8.700
April	30.390	3	3,1	31.899	33.000	1.101
May	28.697	3	3,4	32.224	33.000	776
June	40.682	3	3,9	52.675	33.000	-19.675
July	45.657	3	4,7	72.229	33.000	-39.229
August	49.125	3	5,2	85.097	33.000	-52.097
September	33.171	3	4,2	46.582	33.000	-13.582
October	27.742	3	3,1	29.070	33.000	3.930
November	18.259	3	3,0	18.462	33.000	14.538
December	17.210	3	2,7	15.731	33.000	17.269
Total	340.991	3	3,8	435.485	396.000	-39.485

Months	**1 hour**	**2 hours**	**3 hours**	**4 hours**	**5 hours**	**6 hours**	**>6 hours**	**Total**	**%**
January	17.274	3.708	1.325	517	182	72	109	**23.187**	**7,9%**
February	16.180	3.435	1.201	419	139	59	104	**21.537**	**7,4%**
March	18.585	3.918	1.320	492	178	74	125	**24.692**	**8,4%**
April	19.294	4.329	1.661	662	223	95	176	**26.440**	**9,0%**
Mai	18.447	4.193	1.526	566	212	86	214	**25.244**	**8,6%**
June	18.512	3.520	1.151	433	182	82	178	**24.058**	**8,2%**
July	21	20.684	3.731	1.169	453	234	318	**26.610**	**9,1%**
August	17.711	2.974	1.097	414	187	95	239	**22.717**	**7,8%**
September	15.136	3.403	1.263	452	210	71	126	**20.661**	**7,1%**
October	20.409	4.168	1.580	548	239	95	174	**27.213**	**9,3%**
November	19.445	3.487	1.234	441	162	71	98	**24.938**	**8,5%**
December	19.834	3.422	1.200	442	183	59	102	**25.242**	**8,6%**
Total	**200.848**	**61.241**	**18.289**	**6.555**	**2.550**	**1.093**	**1.963**	**292.539**	**100,0%**
%	**68,7%**	**20,9%**	**6,3%**	**2,2%**	**0,9%**	**0,4%**	**0,7%**	**100,0%**	**-**

Source: Own analysis on data from Società Servizi Comunale (Municipal Service Company).

Looking to the future, the parking problem will probably become still more critical because of i) the growth of "commuter" tourism, owing to the fact that Portorose is near many urban areas, ii) the gradual fall in the average length of stay, iii) the increase in the number of hotel bed-places, iv) the extension of the motorway network. It should also be remembered that the clientele of the Marina (Par. 4.3) tends to consist more and more of "regulars", i.e. people who leave their boat at Portorose and set out to sea from there, usually after arriving at the resort by car.

Still on the subject of roads, it is important to analyse the ongoing evolution of the service offered by the airport. As mentioned at the beginning of this study, the present runway, about 1,200 metres long, is not suitable for scheduled flights and is generally used for private flights, totalling about 10,000 movements per year and involving about 15,000 passengers. Nevertheless, the airport has been made somewhat less attractive by the large increase in the cost of fuel, which has progressively brought the Slovene airport into line with those elsewhere. An additional factor is the political instability of the surrounding areas, most clearly demonstrated in 1996 (war in Bosnia) and 1999

(war in Kossovo). Flights are mostly concentrated in the period April-September (Fig. 8).

Figure 8. Monthly trend of flights and passengers at Portorose airport

	1	2	3	4	5	6	7	8	9	10	11	12	Year	
Movements														
1995	578	638	868	1.452	1.588	1.816	2.038	1.654	1.130	1.670	1.142	390	**14.964**	100
1996	344	566	936	1.258	1.246	1.642	1.816	1.926	1.380	682	810	380	**12.986**	87
1997	524	726	1.268	1.214	2.502	1.544	1.846	2.076	1.340	914	828	740	**15.522**	104
1998	508	620	508	494	1.146	1.254	1.316	1.566	970	804	456	390	**10.032**	67
1999	273	417	354	718	924	1.052	1.403	1.326	946	905	484	424	**9.226**	62
2000	413	444	368	812	833	1.025	1.029	1.507	873	559	330	224	**8.417**	56
Passengers														
1995	413	480	959	1.428	1.913	2.560	3.363	2.964	1.701	1.960	591	284	**18.616**	124
1996	501	488	905	1.560	2.053	2.408	2.969	3.244	1.771	1.398	951	440	**18.688**	125
1997	285	746	1.797	1.532	3.831	2.614	2.515	3.324	2.449	1.174	439	420	**21.126**	141
1998	481	940	1.055	1.056	2.519	2.654	2.539	3.014	1.527	978	545	490	**17.798**	119
1999	385	597	649	1.130	1.891	1.975	2.524	2.339	1.507	1.119	498	502	**15.116**	101
2000	474	636	567	1.685	1.641	2.327	1.958	2.930	1.822	705	206	203	**15.154**	101

Source: Own analysis on Portorose Airport's data.

The Municipality of Portorose[25] recently decided to finance the extension of the runway, so as to allow scheduled and charter flights to take off and land, together with the development of infrastructures on the ground (terminal and car-parks), representing a total investment of about 6 million DM. The construction schedule is fairly tight and the project should be completed by the summer of 2002. This investment could represent a concrete incentive for the development of organised tourism, resulting in a further deseasonalisation of visitors and a reduction in the number of motor vehicles arriving in Portorose. Regional flights will probably be provided by the company Solinair, which has a fleet of 13 aircraft currently used mainly to transport airfreight in collaboration with DHL. In order to amortise the initial investments, but above all in order to make scheduled flights economically viable, it is important to have a sufficient number of hotel bed-places available, so as to provide a critical mass of flights and passengers. The initial estimate give 20-25,000 bed-places as the minimum threshold; the link with Croatia is therefore critical, in view of the limited accommodation available in Portorose, amounting to about 5,000 hotel bed-places[26]. The new airport, when operative, will in any case tend to radically modify tourism in Portorose in some ways, since the airport service must necessarily be based on long-term collaboration between hotels and tour operators, while hotel operators, by contrast, show growing interest in individual clients. In addition, the catchment basin of demand, which is currently linked chiefly to geographical proximity, needs to be considerably widened.

[25] "The airport was constructed by the Portorose Casino and subsequently handed over to the Municipality of Pirano, which currently also has 100% control of the company managing the airport" (Director, Portorose Airport).

[26] "We cannot think that accommodation in Portorose alone will be sufficient to support the lengthening of the runway and the institution of a scheduled service. According to preliminary estimates, the critical mass necessary to justify scheduled flights is at least 20-25,000 bed-places. Portorose can count on about 5,000 hotel bed-places. It is essential to serve the towns in Croatia that have expressed great interest in the service" (Director, Portorose Airport).

4.2 Urban facilities

With regard to public structures, particular importance is attached to the Auditorium and street furniture.

As already mentioned, the *Auditorium* is one of the projects that was launched by the management of the Casino to improve tourist facilities before the state of Slovenia was founded. This structure, too, was separated from the gambling hall after the great changes of '91, at the start of a new phase of management distinguished by a considerable number of economic constraints[27]. At present the facilities of the Auditorium consist of an amphitheatre seating 1,800 and a theatre seating 500 located in Portorose, plus several rooms for small business meetings and a theatre located in Pirano. The activity of the Auditorium mainly consists of organising a large number of cultural events and, more especially, acting as a pioneer in the congress business. The latter chiefly consists of organising conventions and workshops for professionals with a high spending capacity[28]. The resort has a number of strong points which have led to significant results: its mild climate, its night-life and the Casino, its position near Italy and other neighbouring countries, its large hotels and the lower prices practised in Slovenia. The benefits for the resort have always been considerable, particularly in view of the high spending capacity of the target group concerned, the word-of-mouth recommendations generated and the resulting deseasonalisation of demand. Nevertheless, since the nineties, the congress activity of the Auditorium has tended to decrease, resulting chiefly in a fall in the number of overnight stays (Fig. 9) deriving from both the reduction in the overall number of conventions organised and a fall in the average number of overnight stays per congress, in turn caused chiefly by the decrease in the average length of stay.

The main factors at the root of this downward trend relate to increasing internal competition following the construction of congress halls within the main hotel complexes, especially the Grand Hotel Emona (Par. 5.1), the reduction in collaboration with the hotel sector and the drop in the number of bed-places. The difficulties encountered in this sphere of activity have led the management to expand cultural activities (theatre, ballet, classical music), musical events (concerts of light music) and films. These activities increasingly target Slovenes (about 75%) and are of only marginal interest to tourists staying at the hotels or in non-hotel accommodation.[29].

[27] "This enterprise must stand on its own feet, which is always hard for an entity that organises cultural events, concerts, films and conventions. National legislation does not help, since only a very small proportion of the contributions freely donated by companies is tax-deductible, giving fewer chances of sponsorship. Furthermore, the economic situation of the Municipality of Pirano makes it difficult to support our activity and above all to make greater investments so as to expand and improve the quality of the infrastructures" (Auditorium Director).

[28] "The congresses organised by the Auditorium have always tried to identify groups of professionals with a high spending capacity; we have therefore targeted publicists (Goldendram), lawyers, stockbrokers, estate agents. One of the new activities that we are considering is a convention for museum directors and barmen" (Auditorium Director).

[29] "Cultural activity, music and films increasingly target Slovene customers, while participation on the part of hotel guests is declining. I believe that this is due to two factors: firstly, hotel operators do not publicise our events: we have asked them to put our programmes in the hotel rooms but they have refused; secondly, the standard of the Portorose clientele is becoming lower and lower and visitors are not prepared to pay for culture" (Auditorium Director).

Figure 9. Trend of congress activity carried out by the Portorose Auditorium

	92	93	94	95	96	97	98	99	00
Congresses									
Congressi	13	21	21	18	18	17	16	9	7
Index	*100*	*162*	*162*	*138*	*138*	*131*	*123*	*69*	*54*
Presences	2.960	4.000	3.835	3.985	2.308	4.165	2.382	2.493	1.230
Index	*100*	*135*	*130*	*135*	*78*	*141*	*80*	*84*	*42*
Average presences	228	190	183	221	128	245	149	277	176
Index	*100*	*84*	*80*	*97*	*56*	*108*	*65*	*122*	*77*

Source: Own analysis on Portorse Auditorium's data.

With regard to *street furniture*, we should mention the activities of the Municipal Service Company. This organisation has been made responsible for managing waste collection and access to the beach, as well as for running the car parks and the port of Pirano. Here we look in detail mainly at the first two points. With regard to waste, all sewage is now channelled and conditioned, with the production of fertiliser, before being discharged into the open sea. Refuse is collected in an increasingly selective fashion, so as to reduce the volumes to be eliminated. As far as the beach is concerned, the company manages admission to the beach, charging a fee linked to the services utilised; it also looks after cleaning and maintenance. Customers are chiefly domestic visitors who come to the resort at weekends: it is estimate that this segment accounts for 60% of users annually, followed by 30-35% represented by tourists staying at the resort, mainly in apartments, and lastly 5-10% of residents.

4.3 Sports facilities

The sports facilities offered by Portorose currently consist chiefly of the Marina, the tennis courts and the potential offered by the area of the salt-flats. In addition, the feasibility of creating a golf course near the airport has recently been under consideration.

The *Marina* is currently a joint stock company. In this case, too, although it was built entirely by the Casino, ownership has since been taken away from the gambling hall. Approximately 1,000 berths are provided, mostly occupied on a regular basis. During the nineties business was not too good, chiefly on account of political instability in the surrounding areas, which often caused demand to fall suddenly in a dramatic fashion. The management has always been quick to respond, however, focussing chiefly on improving quality standards. Recently the Marina obtained the ISO 9001 quality certificate; the 9014 procedure, relating to respect for the environment, is in its final stages. The main problems facing the management relate to the partial "isolation" of this type of facility, which is only marginally complementary to the accommodation sector[30]. Regulars tend to come to the resort by car, stopping only briefly in Portorose before setting off on their cruise, often to Dalmatia; by contrast, the number of in-transit visitors is declining. The effects on the hotel sector are therefore minimal, while there are benefits for tourism-related activities, especially the restaurants and Casino. The

[30] "There is a tendency to measure the impact of a tourist attraction by the number of overnight stays that it generates. Our service produces few, if any, overnight stays, but it generates important secondary activity, undoubtedly at a high level, in restaurants and other facilities in Portorose, including the Casino" (Captain, Portorose Marina).

financial difficulties of the Municipality of Pirano and the restrictions placed on the development of a residential village[31] are holding back the development of the Marina.

Portorose has a number of different *tennis courts*, originally built by the Casino and now belonging to the municipality. These are of great strategic importance for the Metropol Group because the mild climate of the resort is very suitable for tennis, especially in the spring and autumn. A deseasonalised customer target in the average-to-high segment has therefore been developed.

The growing attention being paid to *golf* and the important competitive successes achieved by the Spanish and Portuguese resorts, together with the fact that the game is well suited to the image and customer target of Portorose, have for a long time aroused the interest of public and private operators. A plan is currently being assessed for the creation of an 18-hole course near the airport, so as to create synergy with the hotel sector, the yachting segment and individual visitors using the airport.

Continuing on the subject of tourist facilities, the area around Portorose offers many features that could usefully be integrated into the facilities offered by the resort. One of these, referred to above, is the link with the town of Pirano; the *nature reserve of the salt-flats* should also be mentioned. This is a very large area, in the immediate vicinity of Portorose, with striking historic and natural characteristics, where it is possible to see the activity carried out for centuries for the production of salt. With suitable infrastructures the area could be an ideal location for walks and trips by mountain bike.

5. INFRASTRUCTURES AND PRIVATE SERVICES

This area includes two main groups of activities: accommodation establishments and the Casino.

5.1 Accommodation establishments

The evolution of accommodation establishments in the course of the nineties represents the driving force behind the resort. They have the following characteristics:

- ✓ *Type of accommodation*: bed-places are still provided mostly by hotels. Some time ago several annexes were transformed into apartments and subsequently sold to private operators, but the municipal administration promptly responded by expressly forbidding this type of activity.[32]. Experiments of this type, although not very extensive, created problems for the resort, particularly because hotel tourists have different needs from those of the owners of holiday homes: the former are looking for a lively, dynamic resort while the latter want to relax and rest. In practice, the owners of holiday homes often complain about the night life;

[31] "We would like to build a village consisting of apartments but the Municipality of Pirano has opposed the plan, maintaining that it would generate fixed costs that would have to be paid by the administration. The financial difficulties of the municipality tend to discourage new investments because even basic activities (roads, connections to the sewers, power grid and water supply) tend to be left to the enterprises that undertake new investments. The Marina could be further expanded by equipping a new area but the investments necessary would be enormous" (Captain, Portorose Marina).

[32] "We have passed an ordinance, valid for the Municipality of Pirano only, preventing hotels from being turned into apartments. We are considering a similar measure for the resort of Portorose, even if the problem is more complex in this case. Our decision derives partly from the consideration that, on average, five bed-places in a hotel create one job" (Head of Economic Planning, Municipality of Pirano).

- ✓ *Restructuring*: all the accommodation units of the resort have undergone radical restructuring, now complete or at least in its final stages. Although different options have been chosen by the various establishments, the restructuring processes all tend towards the same aims, chiefly: i) to provide a more specific type of accommodation, ii) to search for new target customers, iii) to deseasonalise arrivals, iv) to improve standards. Below we look at these four points in detail with reference to the main accommodation units.

  The clientele of the *Metropol group* is interested mainly in the Casino. This is particularly true of those who choose the Metropol Resort, a five-star hotel restructured in 1992. However, the disappointing results in terms of occupancy rates have made it necessary, especially since 1997, to review the group's marketing strategy[33], focussing more closely on families, sports (tennis) and congresses. It is still very difficult to avoid being identified with the clientele of the Casino, particularly for the Metropol Resort, which still has a limited occupancy rate and an average length of stay of less than 3 days. By contrast, encouraging results have been achieved by one of the three annexes, Hotel Lucija. It should be remembered that all the accommodation units belonging to the group are managed individually, except for marketing (under the Metropol Group brand name) and accounting. The Hotel Lucija, by developing a "family" approach to management, has succeeded in raising the occupancy rate of its 182 bed-places to 70%, on an annual basis, achieving excellent results with regard to customer loyalty and deseasonalisation[34].

  The *Bernardin Group* consists of three accommodation establishments: the Grand Hotel Emona (5 stars), the Hotel Histrion (3 stars) and Hotel Vile Park (2, 3 and 4 stars[35]). The main project relates to the restructuring of the Emona complex, which has been made into five-star accommodation and equipped with a congress centre consisting of nine halls with a total capacity of 1,200 seats. The dimensions of the Bernardin Group (1,353 bed-places) have allowed it to develop a large number of facilities available to customers staying in the various annexes: leisure centres, covered pools with a total area of 1,000 square metres, a water park and a congress centre. These facilities have allowed it to maintain a good occupancy rate (Fig. 10) and to increase the number of independent travellers.

[33] "Before 1991, the Metropol establishment had an occupancy rate approaching 60%. Subsequently, there was a marked fall, to 45-50%. Our market positioning was chiefly linked to customers who came to Portorose to gamble at the Casino, particularly Italians. This segment tended to prefer weekends, however; so at the Metropol Hotel we have tried to develop new segments for the various seasons, promoting congress tourism and sports tourism (we manage several tennis courts). With reference to the other accommodation belonging to the Metropol Group, we have encouraged the progressive growth of family stays. The results with regard to occupancy rates have been good: we have succeeded in achieving a stable 55%, but we should be able to increase this figure still further" (Sales Manager, Metropol Group).

[34] "Our strategy is very simple: we have tried to develop a family service in a resort that has large accommodation establishments. In our hotel, guests are not numbers but names. We like to spoil our customers, who do not come to us for the Casino but for a variety of attractions that change according to the season. From March to June, tennis is important, then the sea, then congress tourism. This formula has allowed us to acquire many loyal customers and to set up circuits of word-of-mouth recommendation" (Director, Hotel Lucija).

[35] The Hotel Vile Park is currently being restructured; the wing where work has already been carried out (Vila Barka) has been granted 4 stars.

The *Palace Group* has 888 bed-places, divided among four annexes: the Grand Hotel Palace (4 stars, 372 bed-places), Hotel Apollo (4 stars, 176 bed-places), Hotel Mirna (4 stars, 162 bed-places) and Hotel Neptun (3 stars, 178 bed-places). Following the independence of Slovenia, a "wellness programme" was launched in 1995-96, thanks to the creation of a thalassotherapy centre[36]. By the end of the nineties the Palace had been completely restructured and equipped with new swimming pools with waterfalls and fountains. By focussing more and more on the spa segment, it has achieved a particularly high occupancy rate. The substantial investments have gradually led to the development of the spa segment[37];

- ✓ *Average size*: the average size of the establishments in Portorose is 275 bed-places if we consider only the four main hotel complexes, 203 bed-places if we include all kinds of accommodation (totalling 4,867 bed-places). The hotel organisations consider this size to be ideal because it promotes efficient management and makes it possible for important facilities to be available within the establishments, as described in the paragraph above;
- ✓ *Qualitative growth*: if we analyse trends in the number of hotel bed-places by quality category, we can see marked growth in accommodation units of a higher standard: four- and five-star structures represent 55% of the overall number of bed-places (Fig. 11);
- ✓ *Marketing mix*: the need to increase the occupancy rate of the resort has led the main accommodation establishments to create a new marketing mix based on a combination of a leisure clientele, mainly consisting of weekend visitors, and a congress clientele, present during the week;
- ✓ *Future prospects*: at present an animated debate is in progress locally as to what direction accommodation should take in the average-to-long term. The fall in the number of bed-places over the last decade and the need to attain a critical mass that is sufficient to sustain certain services (marina, airport, auditorium, projects for improving the town) lead many operators to predict that it is necessary to double the amount of accommodation over the next 10-20 years. By contrast, other operators underline the need to ensure adequate economic and financial returns for the existing structures before proceeding to increase the accommodation capacity. The issue will be examined in greater detail in Par. 10. It also seems indispensable to restore the old Palace, now abandoned and decaying, since its central position means that it mars the image of the resort.

[36] "At that time we had excess production capacity and so we focussed on wellness. When the thalassotherapy centre had been completed we promoted the new product with an aggressive marketing campaign and contacted specialised agents in Italy, Russia, Germany and Slovenia" (Director, Palace Group).

[37] "In order to amortise our large investments we have increasingly focussed on the growth of spa tourism and thalassotherapy, radically changing our clientele" (Director, Palace Hotel Group).

Figure 10. Accommodation establishments in Portorose: size and occupancy rate

Gruppi alberghieri	Rooms	Beds	Star	Beds per estab.
Hotel Bernardin	**725**	**1353**	**2-5**	**451**
Grand Hotel Emona	242	462	5	462
Hotel Histrion	273	466	3	466
Hotel Vile Park	210	425	2-4	425
Hotel Morje	**343**	**620**	**4**	**310**
Hotel Slovenia	160	272	4	272
Hotel Riviera	183	348	4	348
Hotel Palace	**452**	**888**	**3-4**	**222**
Grand Hotel Palace	195	372	4	372
Hotel Apollo	88	176	4	176
Hotel Neptun	89	178	3	178
Hotel Mirna	80	162	4	162
Metropol Group	**393**	**712**	**3-5**	**178**
Grand Hotel Metropol	104	177	5	177
Hotel Rosa	111	211	4	211
Hotel Lucija	113	182	3	182
Hotel Barbara	65	142	3	142
Total	**1.913**	**3.573**	**-**	**275**

Source: Own analysis on Portorose's Tourism Bureau's data.

5.2 Casino

Following the founding of the Slovene state, the role of the Casino within the resort changed significantly. Previously, the Socialist regime had encouraged important ancillary activities which helped, to a varying degree, to augment the gambling clientele and consequently to develop Portorose as a whole. Currently, besides the normal taxes applicable to all enterprises, the Casino is subject to a state levy amounting to 28% of its *turnover*.

Figure 11. Accommodation by number of stars

Category	Rooms	% of rooms	Beds	% of beds
5 stars	346	14%	639	13%
4 stars	1.061	42%	2.029	42%
3 stars	782	31%	1.474	30%
2 stars	321	13%	725	15%
1 star	-	0%	-	0%
Total	**2.510**	**100%**	**4.867**	**100%**

Source: Own analysis on Portorose's Tourism Bureau's data.

At the same time, there have been important changes in the competitive system: on the one hand, customers are increasingly interested in the new games and the figure of the traditional wealthy gambler is being replaced by a larger number of gamblers with limited spending capacity; on the other hand, the pressure of competition has changed

radically since a casino was opened in Nova Goriča[38]. The management has attempted to respond to these challenges by installing electronic games alongside the traditional ones, but impressions collected locally and the trend of overnight stays at the Hotel Metropol confirm that it is hard to compete.

6. NEW PRODUCT DEVELOPMENT

The development of new products focuses on the following types of activity: i) creation of tourist packages, i.e. combinations designed to reach specific customer targets or to deseasonalise arrivals at certain times of year; ii) organisation of events, chiefly of a cultural nature (theatre, music, cinema, cabaret); iii) development of new forms of tourism.

6.1 Tourist packages

With regard to the creation of tourist packages, the resort of Portorose as a whole has not done very much, but the individual accommodation groups have prepared many different packages, closely connected with the facilities created by recent restructuring. The decision to internalise these facilities (spa, swimming-pools, congress centres, Casino) has enabled them to formulate specific offers even in low season, significantly improving occupancy rates (see Par. 11.4).

There are various problems involved in creating resort packages:

- ✓ High occupancy rates of individual accommodation units;
- ✓ Lack of a booking center for the resort as a whole[39];
- ✓ Rivalry between different operators;
- ✓ Limited amount of accommodation available, which makes it difficult to reach a critical mass large enough for effective marketing[40].

There is certainly high potential in terms of demand. If it were possible to integrate the wide variety of facilities, the resort would become much more attractive, especially at the most difficult times of year (autumn and winter). The problem lies in creating the packages, defining the criteria for customer access to the individual facilities and sharing the costs. The institution of a centralised booking office would clearly help solve these problems, since it would be able to bear any advertising costs, thus modifying the gross margins of the various accommodation units in relation to the number of services offered. The highly complementary nature of the facilities would reduce the amount of internal competition and, taken together, help to put across a new image for Portorose, which would no longer be linked only to the Casino. This type of initiative would also answer the challenge, particularly felt by the accommodation

[38] "The opening of the Nova Goriča Casino has made competition noticeably greater. The formula of this new Casino is different from ours because it controls many ancillary activities; furthermore, entertainment focuses to a large extent on the new games, in the American style (Casino Director).

[39] "The decision to replace the central booking office that existed in the time of the TOP with a number of booking offices, each located in a different hotel, has considerably reduced the likelihood of developing a joint strategy" (Auditorium Director).

[40] "In order to prepare packages at a resort level I think we need more hotel bed-places, giving a critical mass able to support the large investments necessary for promotion" (Director, Palace Group).

operators, of increasing the average value per overnight stay[41]. The package might include chips for the Casino - an experiment that has already been tried - and thus generate tourist flows of a more complementary kind, helping to promote gambling.

6.2 Events

All in all, the resort organises a large number of events, chiefly connected with: i) the Auditorium, ii) the individual accommodation establishments, iii) the Marina. In this case, too, there is little interaction between the various projects: the events tend to remain confined within the boundaries of a specific economic activity, contributing little to the development of the resort's overall image.

The events organised by the Auditorium can be divided into the following categories: i) musical events (light music and pop music), ii) cultural events (theatre, ballet, concerts of classical music), iii) events linked to films, iv) educational events for children. The number of events has tended to increase, partly because of the above-mentioned difficulties in the sphere of congress activity; the target customers tend not to be the hotel guests, however, but rather local residents and the inhabitants of nearby towns.

The individual accommodation establishments often organise important events: for example, a ball for diplomatic staff was organised at the Metropol and there have been tennis tournaments, billiards competitions and dancing contests.

The Marina of Portorose has recently organised important meetings at a European level, able to draw as many as 150-180 boats and a total of over a thousand people to the resort[42].

6.3 From one kind of tourism to many different kinds

As a bathing resort, the attractions of Portorose are fairly limited: it was no accident that the town originally became famous as a spa and that its name is still connected chiefly with the Casino. In recent times, too, we have seen the development of new forms of supplementary tourism, particularly congress tourism and wellness. The success of these formulae is well illustrated by the approach adopted in selling the resort, effectively summed by two tourist indicators: the occupancy rate and the average length of stay. The first indicator has overall figures of about 65-68% on an annual basis (with a peak of 75% in 2000), while the average length of stay is about 3.5 days. The main accommodation establishments work with the congress segment from Monday to Friday, while at weekends they are devoted to leisure visitors[43]. There is obviously an

[41] "Currently, one overnight stay is worth about 100 DM for us. We would like to bring this figure up to 150 DM, not by simply raising prices but by creating the conditions for offering better value for money" (Director, Morje Group). "Our hotel now has a particularly high occupancy rate; our current challenge is chiefly to increase the value of the individual overnight stay. I believe that if we succeed in creating packages drawn up for specific customer targets we can increase the perceived value for the customer and therefore raise prices" (Director, Hotel Lucija).

[42] "In practice, we organise these events at our own expense, because we provide the berths and on-shore facilities free of charge. The 1000 people involved still generate an important amount of collateral value for the resort, but since they do not produce overnight stays they are not given any kind of support" (Captain, Marina of Portorose).

[43] "During the nineties our activity changed radically, partly with regard to the segments served. Our establishments now work with two different weekly customer targets: on weekdays our guests are congress participants, at weekends we have a weekend clientele" (Director, Morje Group).

exception to this formula in the middle of the summer, when the resort has extremely high monthly occupancy rates[44].

7. PROMOTIONAL STRATEGY

The enormous resources invested in restructuring and the need to proceed rapidly in the direction of economic feasibility have in many cases meant a decrease in the financial and entrepreneurial resources available for outside communication. Another problem is that the local tourist organisation, which did not even exist until 1998, has very limited economic resources. With this premise, below we identify the main types of marketing activity necessary, from a strategic and an operational point of view.

7.1 Strategic marketing

The main strategic marketing objectives can be summed up as follows:

- ✓ *Raising quality standards*: the first step to be taken in order to relaunch the image and international prestige of Portorose was that of radically improving the infrastructural standards of the main accommodation units, trying to find special distinguishing characteristics and laying the foundations for offering year-round facilities. In order to minimise the cost of enforced inactivity, work was often carried out in record time. If the service standards had not been improved, any promotional activity would have been liable to generate expectations destined to be disappointed when the service was effectively used;
- ✓ *Rethinking the weekly mix*: the good results already obtained with congress tourism constitute a starting-point for rethinking the marketing mix on a weekly basis, with congress activity on weekdays complementing leisure tourism at weekends;
- ✓ *Orientation towards international markets*: the political instability of the nineties and the need to finance costly investments made it necessary to have large-scale recourse to domestic visitors. The war of '91 cut foreign tourist flows by 82% in a single year, with the loss of almost 900,000 overnight stays. The limited dimensions of the domestic market, which consists of about 2 million individuals, together with the international atmosphere that has always been a characteristic of Portorose, naturally encourage orientation towards the markets of the neighbouring countries;
- ✓ *Development of independent travel*: the improved service standards and the strong points of the resort (location, gourmet food, variety of attractions, competitive prices) are helping to draw more independent travellers, who can provide greater margins and help to increase arrivals by word-of-mouth recommendation and customer loyalty. This phenomenon could be further expanded by means of suitable investments in tourism-related activities;
- ✓ *Value for money*: the tourist development model for Portorose, which originated as a resort for the élite, has progressively tended to focus more on volume, with

[44] "The well-established practice of adding a third and fourth bed leads to some confusion about occupancy rates, particularly in the central months of the year. Is it correct to speak of 4,800 bed-places or would it be more accurate to consider the additional bed-places as well? If we consider only the official bed-places, we sometimes find occupancy rates of nearly 200%" (Director, Portorose Tourist Association).

low prices acting as an important catalyst. At the moment, partly to maximise return on investment, an attempt is being made to increase the average unit value per overnight stay by further raising the level of service offered by the resort as a whole.

- ✓ *Rethinking the seasonal mix*: new investment projects, particularly the airport, are encouraging review of the marketing mix on a seasonal basis: it might continue to focus on leisure tourism - targeting a wider catchment basin of users - in the summer, with congress tourism in spring and autumn and third-age tourism in the winter.

7.2 Operational marketing

From an operational point of view, marketing activity is linked chiefly to methods of a traditional kind, such as: i) taking part in tourist markets and fairs, ii) publishing a price list, ii) printing and distributing informative material, iv) giving economic support to important local events, v) developing an Internet site.

Taking part in tourist markets and fairs represents a key operational marketing activity for Portorose, partly because of the critical nature of the long process (tour operators - retail agencies) in the case of accommodation establishments with over a thousand bed-places. In order to reduce organisational costs, this activity normally involves co-ordination between the local level (SLO) and the central level (STO); furthermore, there is close collaboration with the accommodation operators to ensure that this marketing effort translates into actual arrivals.

In order to support the development of independent travel, the Portorose Tourist Association publishes an annual *price list*, which is sent or given to customers who ask for it. This publication does not include non-hotel accommodation, however, which is normally marketed through regular customers, word-of-mouth recommendation and local agencies.

Printing and distributing informative material represents a very dynamic area and dozens of brochures have already been published. In general, the printing and graphics are of a high standard and the information provided (about establishments, events, itineraries) is exhaustive. Since the geographical area concerned is of limited size, tourists, particularly foreigners, are able to explore the various aspects of the country (mountains and lakes, agritourism, art cities, seasonal products), often becoming regular visitors to Slovenia.

Despite the limited resources of the tourist organisation, it was decided right from its first financial year to set up a small fund to help the organisers of events having a significant impact on Portorose (especially in terms of overnight stays). The event that typified this idea was the "Goldendram" congress. However, there has not been much activity in this area over the last few years.

Portorose has an *Internet site* (www.portoroz.si) which currently provides information about accommodation and a series of links to services offered by the resort and its hinterland. The site acts only as a showcase and has little interactive content.

As already mentioned, the resort has no centrally managed promotional or marketing activities, i.e. activities in which the local tourist association presents particular types of offer and, if the counterpart is interested, makes the booking directly. At present the requests received by the tourist offices (normally from independent travellers) are

forwarded to the hotel booking offices[45]. The main difficulties involved in developing promotional and marketing activities depend on the lack of area packages and the fact that there is no centralised booking office.

P.R. activity is fairly limited, too, partly because of lack of interest in the large-scale events and the tendency for them to take place within the individual accommodation units.

8. INTERNAL MARKETING

The main tools used for internal marketing are the following:

- ✓ *Commissioned or sponsored activities*: many operational marketing activities carried out by the LTO are commissioned by local tourist operators. This is normally the case for the production of printed informative material;
- ✓ *Annual General Meeting*: this represents the most important meeting between operators and the local administration. As already mentioned, the meeting should be attended by all economic operators having the status of partner, but in fact only about 30 members take part in the meeting, representing the major enterprises in the tourism sector. The subjects discussed (approving the balance sheet, formulating tourist guidelines, monitoring progress) make the meeting a particular important occasion for assessing the tourism strategy of Portorose;
- ✓ *Communication of competitive results*: since the LTO was set up, increasing attention has been paid to statistics and to assessing activity from a competitive point of view. The Portorose Tourist Association has also taken on the task of drawing up statistics at the level of the individual enterprise;
- ✓ *Managing Director's report*: this document, sent to the LTO's main partners, sums up the work carried out, divided by area of activity (see diagram in Par. 3.1.3.). For each category, the document describes the work carried out, the resources allocated, the actual costs sustained and a forecast. The report, which is a statutory obligation and is therefore of a formal nature, is beginning to represent an important source of information and an opportunity for discussion and debate among public and private partners;
- ✓ *Informal contacts*: because of the limited size of Portorose and the need to exchange contacts and information between the Tourist Association and the operators (particularly in the accommodation sector), informal contacts take place systematically;
- ✓ *Taking part in markets and fairs*: in order to organise participation in markets, fairs and workshops, collaboration between the various public and private operators is often necessary.

9. TRAINING

It is helpful to divide training activities into three categories: i) professional training for employees, ii) professional training for management, iii) basic specialised training.

[45] "We usually receive 2-3 E-mails per day, forwarded to us by the Portorose Tourist Association, from individual clients requesting quotes" (Sales Manager, Metropol Group).

9.1 Professional training for employees

At Portorose, a number of factors work in favour of this first type of training: tourist flows are deseasonalised and generate permanent jobs, the workforce is mostly local and it is therefore easy to establish long-term relationships, quality standards are rising and a more professional staff is therefore required, there are large accommodation establishments able to mobilitate a "critical mass" large enough to support the organisation of training activities.

Partly because of the economic and financial difficulties mentioned above, training has mainly taken the form of internal courses held by heads of departments.

9.2 Training for management

Management training chiefly involves the middle management and the directors of individual accommodation establishments. Growing attention is being paid to this area, partly because of the radical changes that the major enterprises have had to face, particularly in the accommodation sector. Training activity is often linked to the introduction of incentive systems based on results, with remuneration becoming semi-variable instead of fixed.

9.3 Basic specialised training

In Portorose there is a University Institute for Tourism Studies, a private school founded in '95 which selects 110 students each year from about 250 applications. The institute, which is of a private nature, specialises in hotel training and tourism management. Its declared aim is to students train for positions in middle and higher management in the national tourism industry. The course of study comprises theoretical teaching for the first three years, followed by a year for the thesis, which is normally given a practical slant. The project developed from an observation on the part of the Dean, who noticed that managers in the tourism and hotel sector came from particular branches of university studies (economics, law, languages, sociology) but had no specific training in tourism. Financially speaking, the institute is supported by 12 partners, including the four major accommodation enterprises of Portorose, and by the Slovene state, which pays the lecturers' salaries.

10. RESEARCH ACTIVITIES

In order to support the process of repositioning and developing local tourism, numerous research projects have been carried out, often commissioned by individual enterprises. Here we wish to mention the main evaluation factors that have emerged in defining the prospects for the development of Portorose during the period 2005-2025. This research project was promoted by a number of financing bodies (including the National Institute for Tourism) with the aim of identifying possible directions that the development of the resort might take and, above all, the various types of project (public and private, local and central) necessary to make them operative. The project limited its analysis to the area of Portorose and identified a series of alternatives that might characterise the resort: i) sun and sea, ii) sun and entertainment, iii) beach, iv) "exotic" atmosphere, v) wellness. With regard to the different aspects, the resort has a series of strong points represented by the specialised facilities available (wellness, sauna, Casino,

congress centre), its geographical location near to Italy, Austria and Germany, its history and its traditional resources, both cultural and relating to food and wine.

In the long term (2025), a multi-product outlook can be constructed with the accent on various services: Mediterranean resort, entertainment, wellness, exclusiveness, environment.

This outlook was then translated into three possible scenarios: the first is of a conservative kind and assumes that the amount of accommodation remains constant; the second is distinguished by the expansion of the current number of bed-places by 50% (over the 20-year period); the third is based on rapid growth, with the amount of accommodation doubling. For each scenario, the project formulates quantitative objectives in terms of overnight stays and value for the resort. The estimate is fairly approximate, in view of the short time available and the difficulty encountered in finding economic and financial information, but the document is of value chiefly because it tries to identify different alternatives and to foresee the possible operational implications for the various operators involved.

In the last section of the report, the responsibilities of the Municipality, private management and the national and local tourist organisations are identified for each scenario. The importance of the plan is well reflected by the decision of the Municipality of Pirano to delay approval of the PRG until it has been decided which of the three routes to take, so that the necessary projects relating to building land can be planned in accordance with the choice made. A majority of the operators favour the third scenario, the one with most intense development, partly in order to support the major investments that the resort will have to face, as illustrated in previous paragraphs.

11. STRATEGIC PROCESS: A SUMMARY

11.1 Control mechanisms

In the nineties, control mechanisms did not play a significant part in the process of strategic management because this focused chiefly on reviving what already existed and therefore did not raise problems connected with the use of land, except for a few small projects. In the near future, however, this issue will be critical, especially if the Municipality of Pirano, too, opts for the long-term scenario based on doubling the amount of hotel accommodation. Still on the subject of land use, we have already mentioned how two annexes (belonging to the Morje and Metropol groups) were made into apartments, chiefly because of the companies' pressing need for cash. At a municipal level the tourism model based on second homes has been firmly rejected[46].

We can therefore conclude that the control mechanisms adopted in the nineties were chiefly of an entrepreneurial nature, in the sense that decisions and initiatives were assessed principally with regard to the balance of competition, income and finance.

11.2 How the corporate model works

The development model adopted by the resort can accurately be defined as entrepreneurial, in that the entire process has been thought out, supported and

[46] In this connection, we should not forget the restrictions on use introduced for the hotels of Pirano and the rejection of the project for the construction of a village of apartments near the Portorose Marina.

implemented by the major tourist enterprises of the resort, first and foremost those of the accommodation sector. This model has been defined as "corporate", referring to the large dimensions of the accommodation establishments, particularly as compared with the "community" model of other resorts[47].

The functioning of the corporate model is linked chiefly to controlling the following processes:

- ✓ *Private infrastructures*: this represents the most dynamic area and chiefly involves the hotels and, to a lesser extent, the Casino. As already emphasised, other tourism-related industries (restaurants, non-hotel accommodation, the Auditorium, beach establishments) are less dynamic, for the very reason that they are not affected by the hotel clientele;
- ✓ *Promotional strategy*: it was strategic marketing, more than anything else, that clearly indicated the route to be taken, based on the choice: i) to develop national tourism in the short/medium term, ii) to encourage each individual group to have its own distinct specialisation, iii) to create attractions able to render the resort appealing throughout the year, iv) to internalise facilities so as to bypass the slow reaction times of public capital. This strategic marketing effort has been only partly accompanied by investments on the operational front, mainly because of the slow development of the local tourist organisation (set up in 1998 but endowed with a limited budget) and because of the economic and financial strains resulting from the costly investments undertaken. Looking to the future, it is important to promote marketing initiatives aimed at developing direct relations with the clientele, in view of the limited hotel accommodation currently available and the existence of numerous large towns within a radius of about 400 km (for example, the 2 million inhabitants of Milan and its hinterland). In the medium term, it seems more reasonable to encourage higher prices rather than to increase volumes by offering more accommodation;
- ✓ *Development of new products*: the changes in the accommodation available have in practice laid the foundations for the creation of many new products, particularly in the form of packages. Nevertheless, the problem of integrating the various services managed by the different accommodation groups has led to a reduction in the potential for innovation and in the value perceived by the customer[48]. The difficulties are chiefly due to the reluctance of the various groups to undertake a co-ordinated strategy, partly because of the negative results obtained in the past with the management approach on which the TOP was based;
- ✓ *Public infrastructures*: this undoubtedly represents the most difficult area, where there is a lack of significant projects aimed at rendering the process launched by the accommodation sector more incisive. In this connection, the constitution of the state of Slovenia has harmed the social role previously played by the Casino. On the other hand, the centralised nature of the Republic and the limited jurisdiction of the Municipality of Pirano have led to inaction with regard to the road network, street furniture and the management of numerous services. The lack of this binding factor has caused individual enterprises to

[47] This refers to the distinction introduced by Flagestad and Hope (2000).

[48] A package that includes access to the Casino, the spa centre, the Morje swimming pools (in all seasons) and the congress centres of the Grand Hotel Emona is definitely worth much more than the value generated by each of the facilities on its own.

proceed with investment and development independently, where possible, or at least to keep their own clientele or, when they do not have the necessary financial resources, to look to the domestic market (as in the case of the Auditorium);

- ✓ *Research and study activity*: the deserving effort made in drawing up the Portorose project 2005-2025 has made it possible to identify various possible alternatives for development, the principal resources able to act as catalysts and the initiatives that the various levels of management ought to set in train. However, the research project seems to betray a basic assumption: that the resort must in any case increase the amount of accommodation available. No analysis has been made of the value of overnight stays and of the tourism-related economic activity generated by them; there is therefore no assessment of whether it is better, in terms of value for the resort as a whole, to adopt a model that focuses on volumes or one that focuses on margin.

The lack of a binding factor has caused the various operators to protect their own niches, encouraging the birth of various segments and giving rise to increasing problems of liveability or at least producing a negative impact on the image of Portorose.

11.3Strong and weak points of the local tourist organisation

Remembering that the LTO has only been operating for a short time, the analysis of its organisational structure set out in Par. 3 allows us to identify the following *strong* points:

- ✓ *Integration between public and private sectors*: joint participation by public entities (municipality of Pirano) and private operators (over 1,200 members) represents an important factor in promoting the convergence of the views, investments and priorities of these two fundamental areas;
- ✓ *Wide company base*: the choice behind the law of '98, to extend the status of partner to all the economic activities of the resort, demonstrates recognition of the complex, transversal nature of the tourism sector and of its ability to produce effects (both good and bad) on all the other principal economic activities;
- ✓ *Financial potential*: the potential offered by the wide variety of partners can lead to a significant increase in the income of the SLO, providing that the criteria for collecting resources are revised;
- ✓ *Tool for linking local and national level*: the LTO represents an important link between local and national organisms. It should be remembered that Portorose alone represents about 20% of the country's hotel visitors and that its international visibility is in some ways higher than that of the brand name Slovenia.

Alongside these strong points, the organisational model also reveals certain *weak* points, which can be summed up as follows:

- ✓ *Financial resources*: this is where the main constraint is to be found, since current resources limit the role of the LTO in the principal administrative processes of the resort, especially with regard to its promotional strategy;
- ✓ *Poor integration with the hotel sector*: although they are formally members of the association, the main accommodation establishments have little interaction with the SLO, particularly at the level of top management The impression

received locally is that they prefer to keep control of these processes within the bounds of the enterprise, even if this means sustaining higher costs or doing without interrelations;

- ✓ *Lack of a booking centre*: the creation of a booking centre could give a boost to the local administration policy and lay the foundations for the development of tourist packages and for operational marketing of a more incisive, focussed kind;
- ✓ *Use of tourist taxes*: the decision of the Municipality of Pirano to keep 60% of the total amount levied without introducing specific limits on how the money is spent may lead to the tourist tax being confused with general taxation, in contrast with the original intention of this measure.

11.3.1 Conditions for an effective corporate model

The main factors that render the corporate model effective can be summed up as follows:

- ✓ *Orientation towards volumes*: because of the large dimensions of the enterprises, there is naturally a tendency towards business strategies that focus on volumes, with the adoption of standardised processes;
- ✓ *Large enterprises*: the size of the businesses is of critical importance, especially with regard to their ability to internalise a series of facilities and to control them better while protecting them from possible inefficiencies in other areas of local tourism (e.g. beaches);
- ✓ *Controllability of outside environment*: large enterprises tend to have greater control over the outside environment in two ways: inefficient or critical services can be internalised and influence can be brought to bear on the entities responsible for running important public services;
- ✓ *Wide variety of attractions*: the possibility of managing a large number of bed-places inevitably makes it necessary to solve the problem of seasonality, bringing various other factors to bear besides prices. From this point of view, Portorose is undoubtedly in a strong position because of its outstanding variety of resources, including climate, position, history, food and wine, presence of the sea, historic and cultural aspects, the Casino and other infrastructures created in the course of time;
- ✓ *Differentiated offer*: the possibility of characterising and differentiating the main forms of hotel accommodation available represents a critical, decisive factor in not wasting the value generated by means of price competition, which is difficult to contain;
- ✓ *Expanding market*: this represents a condition of primary importance in order to give practical support to differentiation strategies based on subtle differences in the mix (swimming pools as opposed to wellness, position in the Bernardin park as opposed to the more chaotic Portorose);
- ✓ *Low level of entrepreneurship*: where there is extensive entrepreneurship, it is difficult for the corporate model to establish itself, as is demonstrated by the history of Portorose. The fall in the level of entrepreneurship caused by the Socialist regime and the lack of middle-class capital tend to favour the further consolidation of the corporate model when it is necessary to extend the amount of accommodation available.

11.3.2 Factors that cause the political-entrepreneurial model to be ineffective

The potential conditions for an ineffective model can be summed up as follows:

- ✓ *Orientation towards margin*: the need to ensure coverage of the bed-places in the presence of a prevalently fixed cost structure tends to favour relationships with tour operators and large travel agencies, limiting the development of direct relations. In other words, the accepted development model is anchored to volumes rather than to margin per unit;
- ✓ *Contracting market*: this is a potential risk for the model, particularly in low season, when the segments served tend to be similar and therefore greater price competition could favour a strategy where quotas are stolen from competitors;
- ✓ *Support for tourism-related activities*: the corporate model tends to internalise the facilities available to guests, giving less opportunity for the creation and consolidation of tourism-related activities. From a company point of view, it is clear that an internalised service is easier to control and therefore allows the maintenance or development of high quality standards in many components of the service package purchased by the customer, but this approach can generate the development of different customer targets served by collateral activities, potentially represented by to-and-fro movements;
- ✓ *Development of the brand name Portorose*: the corporate model tends to offer less room for the development of district strategies and above all for the emergence of a multi-product brand; it will tend to insist on the attractions offered by the specific tourist group. It is no accident that Portorose, as a resort, is still linked mainly to the Casino, because all the hotel groups find it to their advantage to offer it.

11.4Competitive results in the nineties

11.4.1 Annual figures

An analysis of the tables given in Appendix I leads to the following conclusions:

- ✓ *Trend of arrivals*: all in all, this indicator rose by 18% over the decade in question. After the dramatic drop in 1991, linked to the fall in international tourism (which decreased by 74% in a single year), it began to rise slowly back to its starting-point, which it reached and passed in 1997;
- ✓ *Trend of average length of stay*: this is one of the indicators that most clearly demonstrate the growth of local tourism. In the course of a decade the average length of stay fell by 27% to 3.8 days;
- ✓ *Trend of overnight stays*: after a contraction of 54% in 1991, only partly offset by growth in domestic tourism, overnight stays increased significantly, reaching their highest figure in the last statistical year considered: 86% of the initial figure, but with a considerably smaller number of bed-places;
- ✓ *Trend in proportion of international visitors*: the political instability of 1991 chiefly affected international tourism, which in 1990 accounted for 71% of all visitors. This percentage has not been reached since, although recently, as a result of fresh promotional activity, there has been a progressive increase in the number of foreign visitors, reaching about 60% of all hotel stays;
- ✓ *Trend of annual occupancy rate*: the trend of the occupancy rate indicates how competitive Portorose is, considering the fall in the number of bed-places. The

ratio, calculated on an annual basis, shows the extent of the decrease in 1991: the occupancy rate of accommodation capacity fell from 73% to 37%. By 1993 a definite recovery can be seen (52%), followed by another big increase in '96 (end of the war in Bosnia). In the course of the financial year 2000, the rate reached 75% and we can therefore conclude that, in terms of occupancy of existing capacity, the starting level has at last been reached and passed.

Figure 12. Portorose: competitive results (1990-00).

Annual data	
OS: -14%	% weight of Sloveni: 42% (00), 29% (90)
A: +18%	% weight of Foreigners: 58% (00), 71% (90)
LS: -27% (3.8 days)	
Winter season	**Summer season**
LS 2000: 3.0 days (1993: 4.7 days)	LS 2000: 4,1 days (1993: 4.3 days)
% weight of winter season: 12% (90), 19% (00)	% weight of summer season: 88% (90), 81% (00)
OS: +33%	OS: -22%
A: +266%	A: +29%
LS: -36%	LS: -5% (OS 2000: 4.1 days)
Foreigners	**Foreigners**
% weight of Foreigners 53% (90), 42% (00)	% weight of Foreigners 74% (90), 61% (00)
OS: +5%	OS: -36%
A: +168%	A: +54%
LS: -32% (OS 2000: 2.9 days)	LS: +9% (OS 2000: 4.2 days)
Sloveni	**Sloveni**
% weight of Sloveni: 47% (90), 58% (00)	% weight of Sloveni: 26% (90), 39% (00)
OS: +65%	OS: +16%
A: +402%	A: +5%
LS: -41% (OS 2000: 3.0 days)	LS: -18% (OS 2000: 3,9 days)
Legend: OS (Overnight Stays), A (arrivals), LS (Length of Stays)	

Source: Own analysis based on data from LTO.

11.4.2 Summer trends

The resort's particularly mild climate led to the idea of creating a summer season seven months long, covering the months from April to October inclusive, in line with the hypotheses defined for the other two seaside resorts. An analysis of chronological data leads to the following considerations:

- ✓ *Summer vocation*: the summer season accounts for 86% of all visitors;
- ✓ *Trend of principal tourism indicators*: the close correspondence between summer tourism and annual tourism means that some of the above-mentioned trends are also relevant to the summer season. Here we would like to draw attention to some specific parameters. With regard to the average length of stay, figures are slightly higher than the annual average, demonstrating that stays are longer in the summer than in the winter; the figures are also more stable.

Arrivals and overnight stays follow the same trend as annual growth, although slightly lower, while the mix of overnight stays by nationality shows a slightly higher percentage of international customers (61%);

- ✓ *Trend of seasonality*: an analysis of overnight stays on a monthly basis shows some improvement, thanks to low growth rates in the months of July and August, which accounted for 52% of total visitors in 1990 and 45% in 2000. Concentration is particularly evident in the domestic market, where over 60% of overnight stays in summer are concentrated in these two months;
- ✓ *Trend of occupancy rate*: the summer occupancy rate is 103%, but it is important to remember the influence of the months of July and August, when the practice of adding a third and fourth bed significantly increases the accommodation capacity of the resort.

11.4.3 Winter trends

An analysis of tourist flows in winter leads to the following conclusions:

- ✓ *Winter vocation*: the importance of the winter season has increased in the course of time; last year it was as high as 20%. Considering the extensive saturation in summer, we can conclude that further quantitative growth must be sought in the months November-March until the amount of accommodation increases;
- ✓ *Trend of arrivals*: arrivals show an extremely dynamic trend, with increases of over 200% in the period considered;
- ✓ *Trend of average length of stay*: the length of stay in winter is about 3 days and has fallen considerably, on account of the progressive reduction of the length of conventions;
- ✓ *Trend of overnight stays*: the greater number of arrivals compensates for the fall in the average length of stay and the figures for the last financial year show that the initial level has been passed, even with about a thousand fewer bed-places;
- ✓ *Trend of international mix*: winter tourism has a good international component, with foreigners accounting for 42% in 2000, although this represented the lowest figure in the chronological series considered;
- ✓ *Trend of overnight stays by month*: monthly distribution shows the importance of the months of November, February and March and the difficulty of the two coldest months, December and January. It is important, however, to emphasise that even these two months have seen good growth, allowing them to reach, and in the case of January exceed, their initial level. In addition, the vigorous growth of the past year, with an increase of almost 80,000 overnight stays (45%), shows the high potential still to be exploited;
- ✓ *Occupancy rates*: the average winter occupancy rate is 34%, up by 12% in a single year. The month of March achieves a ratio of 50%, November is around 40% (as compared with 23% in '99) and February registers 34% (19% in '99). Even in January and February the rate exceeds 20%.

12. APPENDIX I – ACCOMMODATION ESTABLISHMENTS

12.1Annual tourism data

Figure 13. Trend of Italian and foreign annual overnight stays.

	Overnight stays											
Years	**Sloveni**				**Foreigners**				**Total**			
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	
1986	595.000	100		33%	1.195.000	100		67%	1.790.000	100		
1987	572.000	96		32%	1.193.000	100		68%	1.765.000	99		
1988	550.000	92		32%	1.184.000	99		68%	1.734.000	97		
1989	499.000	84		30%	1.153.000	96		70%	1.652.000	92		
1990	436.152	73	100	29%	1.085.043	91	100	71%	1.521.195	85	100	
1991	525.107	88	120	75%	176.910	15	16	25%	702.017	39	46	
1992	457.682	77	105	53%	412.366	35	38	47%	870.048	49	57	
1993	528.785	89	121	55%	431.372	36	40	45%	960.157	54	63	
1994	507.974	85	116	48%	547.754	46	50	52%	1.055.728	59	69	
1995	536.429	90	123	52%	500.189	42	46	48%	1.036.618	58	68	
1996	512.193	86	117	51%	500.046	42	46	49%	1.012.239	57	67	
1997	541.655	91	124	42%	746.947	63	69	58%	1.288.602	72	85	
1998	516.248	87	118	42%	703.942	59	65	58%	1.220.190	68	80	
1999	609.049	102	140	50%	598.913	50	55	50%	1.207.962	67	79	
2000	554.249	93	127	42%	752.205	63	69	58%	1.306.454	73	86	

Source: Own analysis based on data from LTO.

Figure 14. Trend of annual Italian and foreign arrivals.

Years	Arrivals										
	Sloveni				Foreigners				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1986	113.000	100		37%	192.000	100		63%	305.000	100	
1987	108.000	96		35%	197.000	103		65%	305.000	100	
1988	108.000	96		35%	201.000	105		65%	309.000	101	
1989	101.000	89		33%	203.000	106		67%	304.000	100	
1990	87.000	77	100	30%	201.000	105	100	70%	288.000	94	100
1991	109.000	96	125	69%	49.000	26	24	31%	158.000	52	55
1992	98.000	87	113	46%	115.000	60	57	54%	213.000	70	74
1993	115.290	102	133	49%	120.356	63	60	51%	235.646	77	82
1994	114.325	101	131	45%	142.196	74	71	55%	256.521	84	89
1995	118.507	105	136	49%	125.807	66	63	51%	244.314	80	85
1996	120.400	107	138	46%	143.815	75	72	54%	264.215	87	92
1997	131.469	116	151	41%	190.113	99	95	59%	321.582	105	112
1998	126.236	112	145	41%	180.516	94	90	59%	306.752	101	107
1999	158.968	141	183	50%	159.602	83	79	50%	318.570	104	111
2000	151.313	134	174	44%	189.678	99	94	56%	340.991	112	118

Source: Own analysis based on data from LTO.

Figure 15. Trend of Italian and foreign annual length of stay.

	Length of stays										
Years	**Sloveni**				**Foreigners**				**Total**		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1986	5,3	100		90%	6,2	100		106%	5,9	100	
1987	5,3	101		92%	6,1	97		105%	5,8	99	
1988	5,1	97		91%	5,9	95		105%	5,6	96	
1989	4,9	94		91%	5,7	91		105%	5,4	93	
1990	5,0	95	100	95%	5,4	87	100	102%	5,3	90	100
1991	4,8	91	96	108%	3,6	58	67	81%	4,4	76	84
1992	4,7	89	93	114%	3,6	58	66	88%	4,1	70	77
1993	4,6	87	91	113%	3,6	58	66	88%	4,1	69	77
1994	4,4	84	89	108%	3,9	62	71	94%	4,1	70	78
1995	4,5	86	90	107%	4,0	64	74	94%	4,2	72	80
1996	4,3	81	85	111%	3,5	56	64	91%	3,8	65	73
1997	4,1	78	82	103%	3,9	63	73	98%	4,0	68	76
1998	4,1	78	82	103%	3,9	63	72	98%	4,0	68	75
1999	3,8	73	76	101%	3,8	60	70	99%	3,8	65	72
2000	3,7	70	73	96%	4,0	64	73	104%	3,8	65	73

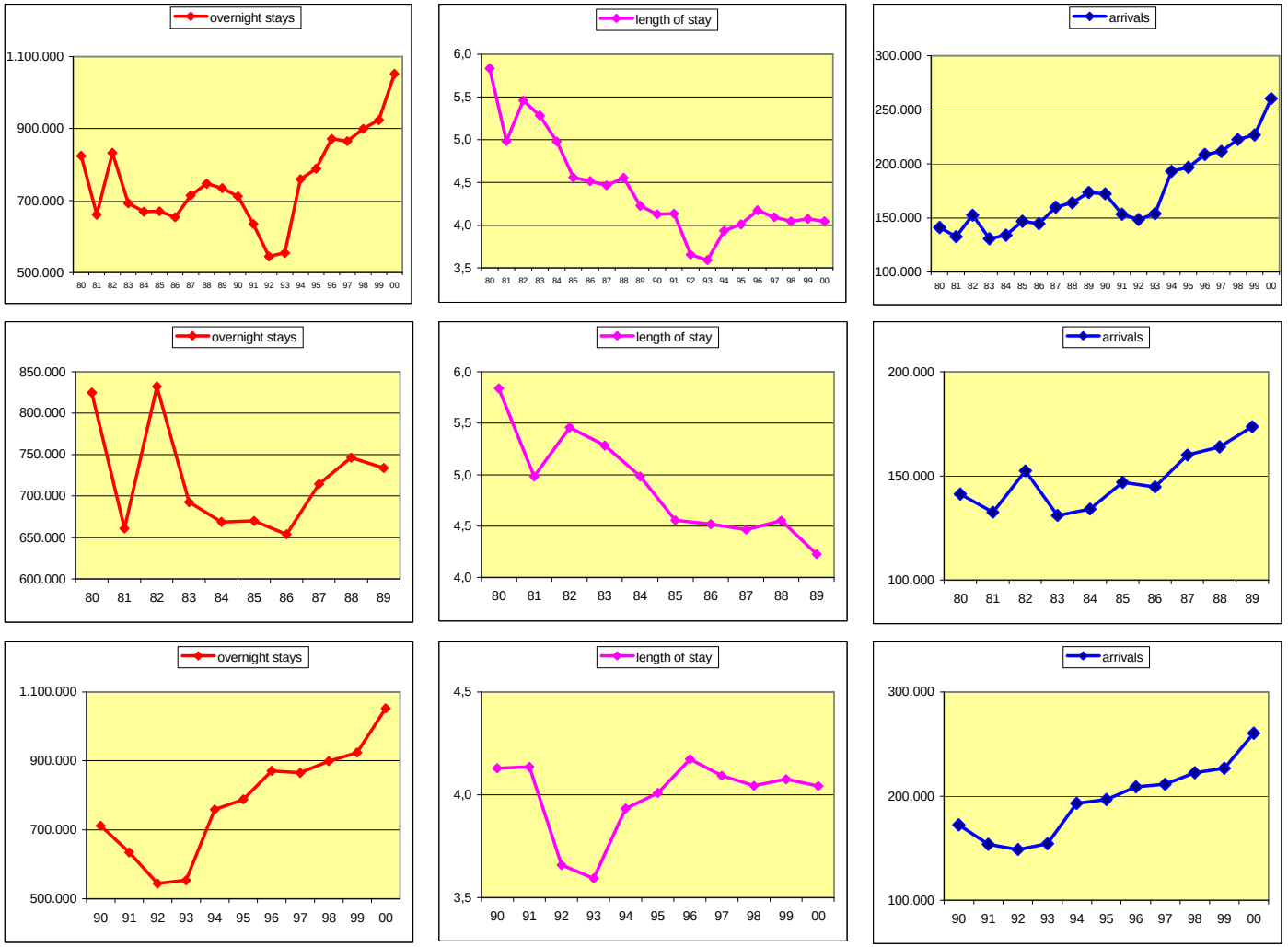
Source: Own analysis based on data from LTO.

Figure 16. Weight of Portorose in relation to national tourism as a whole.

	Overnight stays											
Years	**Sloveni**					**Foreigners**					**Total**		
	Portorose	%	Slovenia	%	% Portorose	Portorose	%	Slovenia	%	% Portorose	Portorose	Slovenia	% Portorose
1986	595.000	33%	2.936.411	32%	20%	1.195.000	67%	6.277.023	68%	19%	1.790.000	9.213.434	19%
1987	572.000	32%	nd	nd	nd	1.193.000	68%	nd	nd	nd	1.765.000	nd	nd
1988	550.000	32%	nd	nd	nd	1.184.000	68%	nd	nd	nd	1.734.000	nd	nd
1989	499.000	30%	2.670.379	31%	19%	1.153.000	70%	5.839.523	69%	20%	1.652.000	8.509.902	19%
1990	436.152	29%	2.611.006	33%	17%	1.085.043	71%	5.345.400	67%	20%	1.521.195	7.956.406	19%
1991	525.107	75%	2.708.809	55%	19%	176.910	25%	2.177.033	45%	8%	702.017	4.885.842	14%
1992	457.682	53%	3.082.951	60%	15%	412.366	47%	2.015.022	40%	20%	870.048	5.097.973	17%
1993	528.785	55%	3.372.180	63%	16%	431.372	45%	2.012.446	37%	21%	960.157	5.384.626	18%
1994	507.974	48%	3.384.526	58%	15%	547.754	52%	2.481.082	42%	22%	1.055.728	5.865.608	18%
1995	536.429	52%	3.447.579	59%	16%	500.189	48%	2.435.467	41%	21%	1.036.618	5.883.046	18%
1996	512.193	51%	3.281.637	56%	16%	500.046	49%	2.550.607	44%	20%	1.012.239	5.832.244	17%
1997	541.655	42%	3.305.662	52%	16%	746.947	58%	3.078.400	48%	24%	1.288.602	6.384.062	20%
1998	516.248	42%	3.232.876	51%	16%	703.942	58%	3.062.432	49%	23%	1.220.190	6.295.308	19%
1999	609.049	50%	3.315.354	55%	18%	598.913	50%	2.741.218	45%	22%	1.207.962	6.056.572	20%
2000	554.249	42%	3.314.903	49%	17%	752.205	58%	3.404.097	51%	22%	1.306.454	6.719.000	19%

Source: Own analysis based on data from LTO.

Figure 17. Summary of annual tourism data.

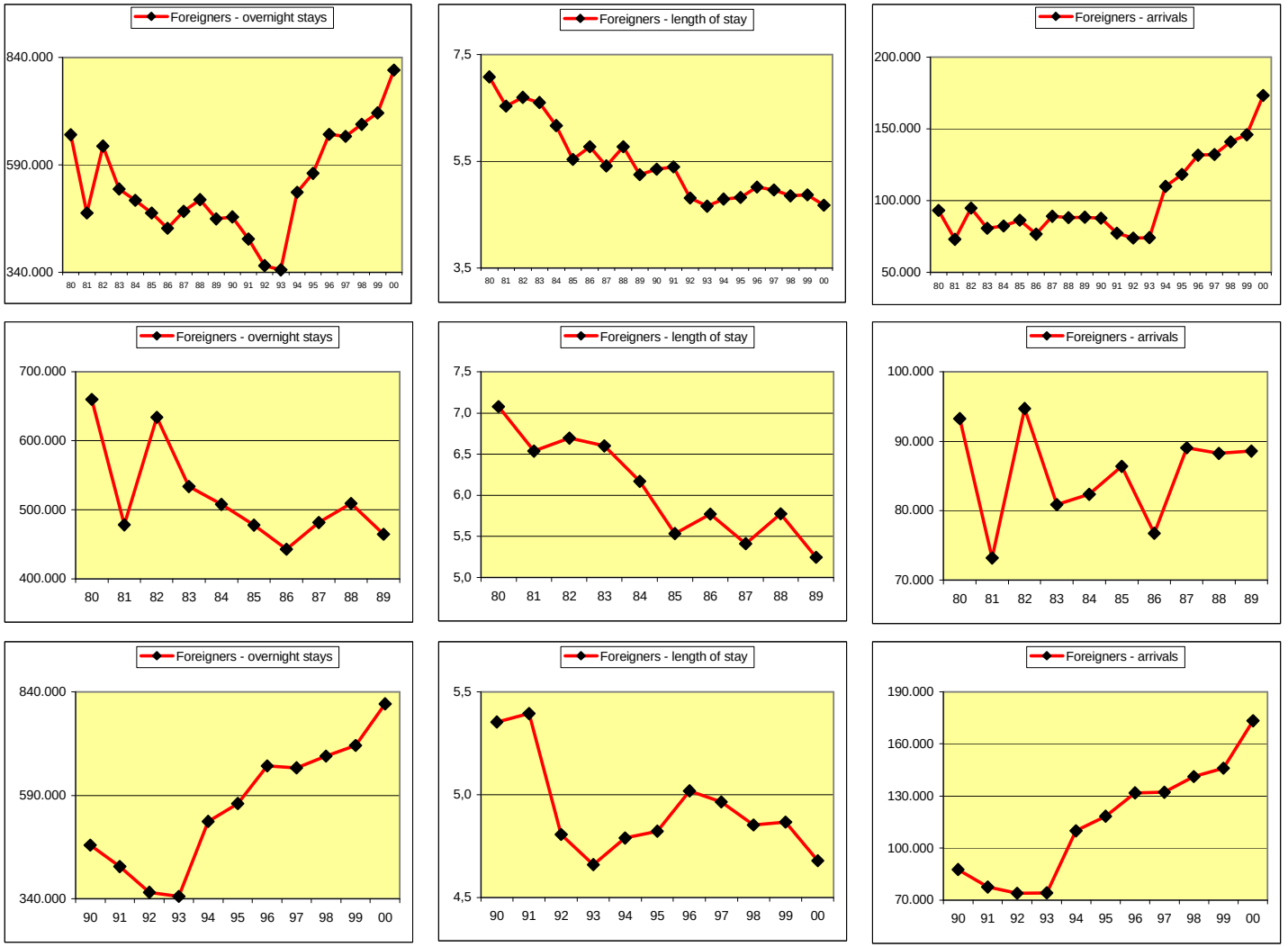


Source: Own analysis based on data from LTO.

Figure 18. Summary of annual tourism data - Slovenes.

Source: Own analysis based on data from LTO.

Figure 19. Summary of annual tourism data - Foreigners.



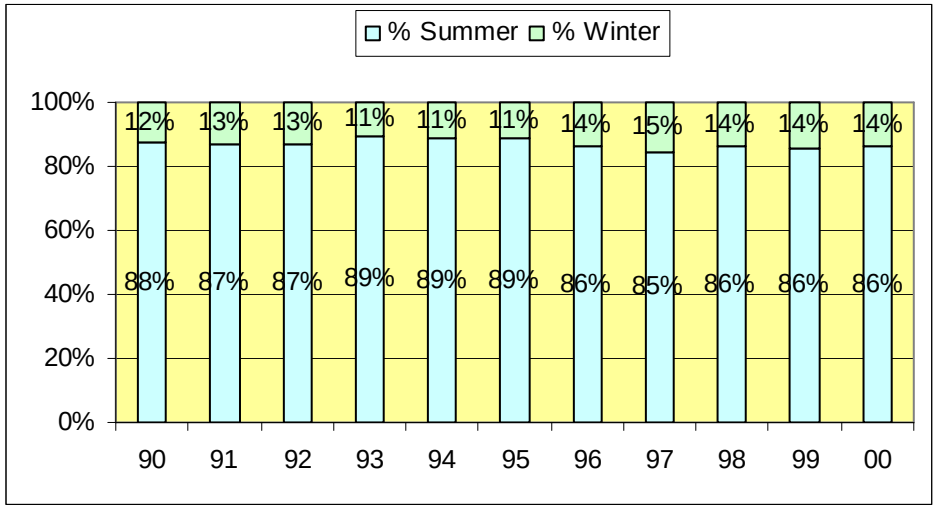
Source: Own analysis based on data from LTO.

Figure 20. Trend of annual occupancy rate.

	ANNUAL RATIO OF GROSS OCCUPATION														
TDO	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00
Year (12 months)	93%	89%	87%	83%	73%	37%	45%	52%	53%	59%	56%	68%	66%	65%	75%
% 1986	100	96	94	90	79	40	48	56	57	64	61	74	71	71	81
% 1990					100	51	61	71	73	81	77	94	91	90	102

Source: Own analysis based on data from LTO.

Figure 21. Trend of weight of summer and winter seasons.



Source: Own analysis based on data from LTO.

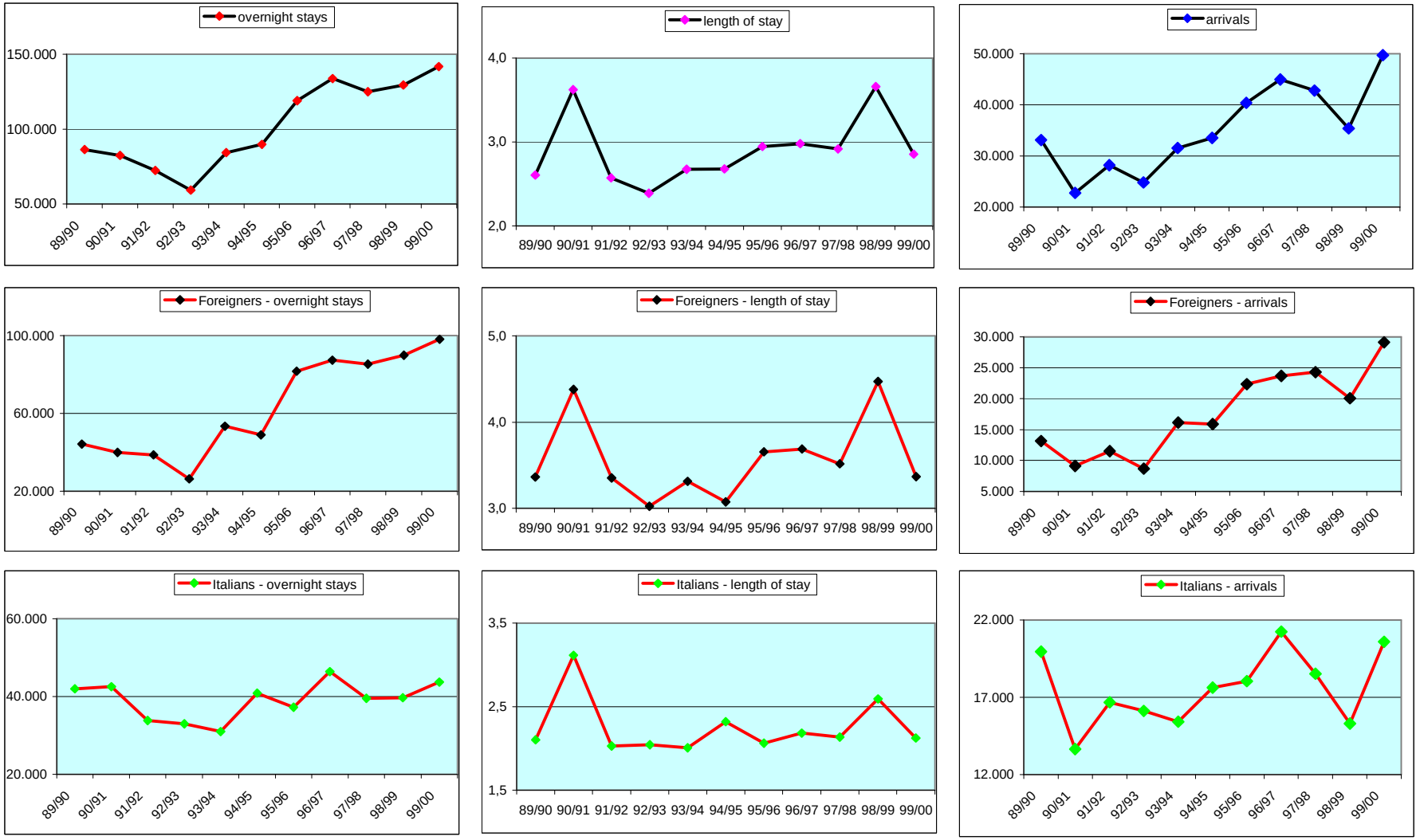
12.2 Winter tourism data

Figure 22. Trend of winter tourism data.

Winter	Overnight stays							
	Sloveni			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1989/90	86.171	100	47%	97.559	100	53%	183.730	100
1990/91	50.593	59	38%	83.733	86	62%	134.326	73
1991/92	82.851	96	60%	55.339	57	40%	138.190	75
1992/93	48.430	56	46%	56.363	58	54%	104.793	57
1993/94	50.006	58	47%	55.753	57	53%	105.759	58
1994/95	44.649	52	44%	56.439	58	56%	101.088	55
1995/96	49.510	57	50%	49.232	50	50%	98.742	54
1996/97	74.115	86	43%	99.927	102	57%	174.042	95
1997/98	71.495	83	45%	86.712	89	55%	158.207	86
1998/99	78.475	91	46%	90.426	93	54%	168.901	92
1999/00	142.472	165	58%	102.634	105	42%	245.106	133
Winter	**Arrivals**							
	Sloveni			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1989/90	nd			nd			nd	
1990/91	nd			nd			nd	
1991/92	nd			nd			nd	
1992/93	9.325	100	42%	12.995	100	58%	22.320	100
1993/94	15.507	166	40%	23.607	182	60%	39.114	175
1994/95	15.537	167	39%	24.000	185	61%	39.537	177
1995/96	16.785	180	43%	22.642	174	57%	39.427	177
1996/97	25.329	272	42%	35.052	270	58%	60.381	271
1997/98	22.460	241	41%	32.811	252	59%	55.271	248
1998/99	27.288	293	46%	32.555	251	54%	59.843	268
1999/00	46.804	502	57%	34.803	268	43%	81.607	366
Winter	**Length of stays**							
	Sloveni			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1989/90	nd			nd			nd	
1990/91	nd			nd			nd	
1991/92	nd			nd			nd	
1992/93	5,2	100	111%	4,3	100	92%	4,7	100
1993/94	3,2	62	119%	2,4	54	87%	2,7	58
1994/95	2,9	55	112%	2,4	54	92%	2,6	54
1995/96	2,9	57	118%	2,2	50	87%	2,5	53
1996/97	2,9	56	102%	2,9	66	99%	2,9	61
1997/98	3,2	61	111%	2,6	61	92%	2,9	61
1998/99	2,9	55	102%	2,8	64	98%	2,8	60
1999/00	3,0	59	101%	2,9	68	98%	3,0	64

Source: Own analysis based on data from LTO.

Figure 23. Summary of winter tourism data.



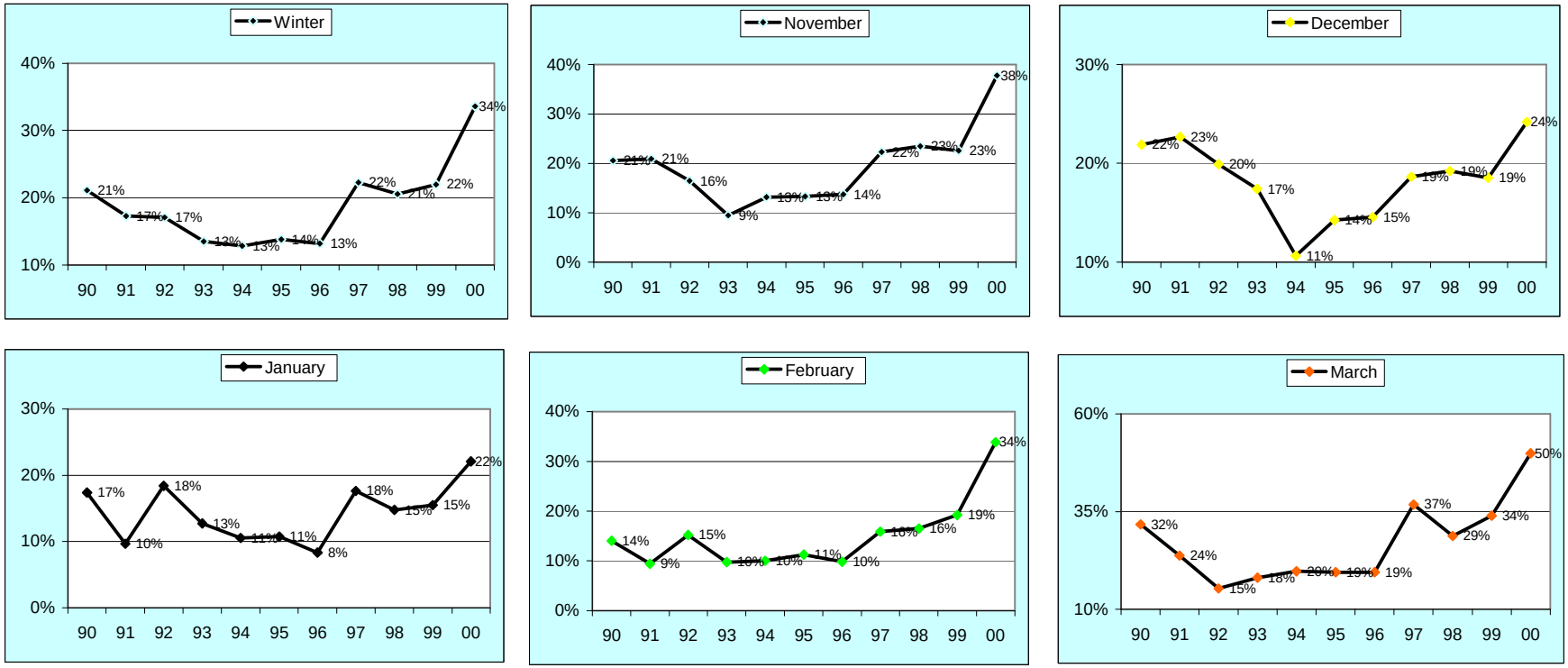
Source: Own analysis based on data from LTO.

Figure 24. Monthly perceptual winter overnight stays.

	Overnight stays										
	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
November											
number	35.792	32.536	26.699	14.715	21.770	19.476	20.538	34.893	36.201	34.752	55.231
% (winter)	19%	24%	19%	14%	21%	19%	21%	20%	23%	21%	23%
% (1990)	100	91	75	41	61	54	57	97	101	97	154
December											
number	38.142	35.268	32.260	27.031	17.596	20.911	21.853	29.135	29.624	28.510	35.327
% (winter)	21%	26%	23%	26%	17%	21%	22%	17%	19%	17%	14%
% (1990)	100	92	85	71	46	55	57	76	78	75	93
January											
number	30.277	14.992	29.829	19.776	17.412	15.717	12.462	27.600	22.750	23.790	32.246
% (winter)	16%	11%	22%	19%	16%	16%	13%	16%	14%	14%	13%
% (1990)	100	50	99	65	58	52	41	91	75	79	107
February											
number	24.383	14.645	24.590	15.169	16.493	16.493	14.715	24.850	25.373	29.583	49.403
% (winter)	13%	11%	18%	14%	16%	16%	15%	14%	16%	18%	20%
% (1990)	100	60	101	62	68	68	60	102	104	121	203
March											
number	55.136	36.885	24.812	28.102	32.488	28.491	29.174	57.564	44.259	52.266	72.899
% (winter)	30%	27%	18%	27%	31%	28%	30%	33%	28%	31%	30%
% (1990)	100	67	45	51	59	52	53	104	80	95	132
Winter	183.730	134.326	138.190	104.793	105.759	101.088	98.742	174.042	158.207	168.901	245.106

Source: Own analysis based on data from LTO.

Figure 25. Winter gross occupancy rate.



Source: Own analysis based on data from LTO.

12.3Summer tourism data

Figure 26. Trend of summer tourism data.

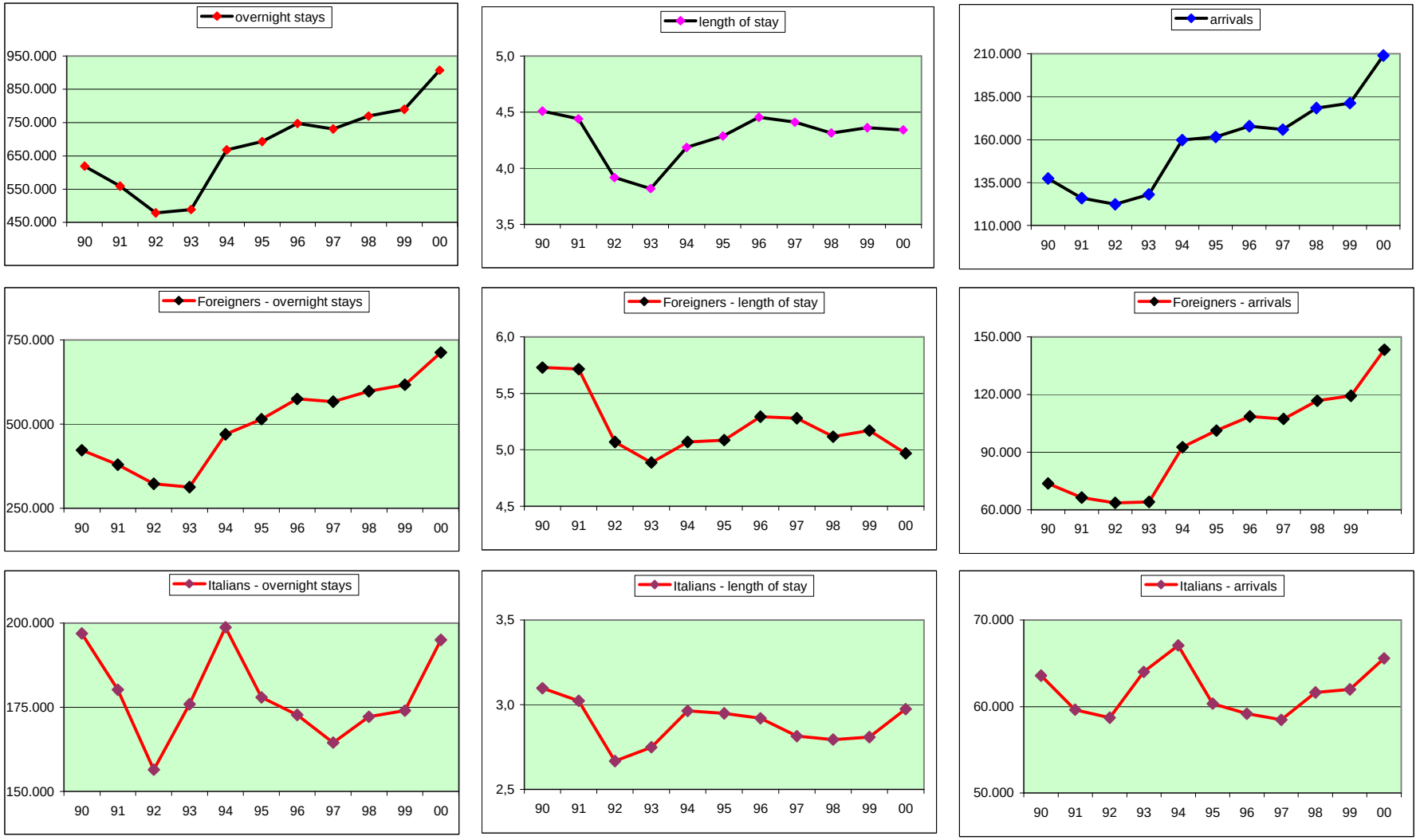
Summer	Overnight stays							
	Sloveni			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1990	353.312	100	26%	990.283	100	74%	1.343.595	100
1991	447.929	127	78%	128.607	13	22%	576.536	43
1992	408.142	116	54%	340.929	34	46%	749.071	56
1993	478.444	135	56%	379.300	38	44%	857.744	64
1994	459.575	130	48%	489.373	49	52%	948.948	71
1995	487.908	138	52%	445.618	45	48%	933.526	69
1996	451.215	128	51%	440.645	44	49%	891.860	66
1997	472.423	134	42%	640.340	65	58%	1.112.763	83
1998	444.421	126	42%	620.125	63	58%	1.064.546	79
1999	507.805	144	50%	503.960	51	50%	1.011.765	75
2000	411.184	116	39%	638.143	64	61%	1.049.327	78

Summer	Arrivals							
	Sloveni			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1990	nd			nd			nd	
1991	nd			nd			nd	
1992	nd			nd			nd	
1993	99.805	100	51%	97.687	100	49%	197.492	100
1994	97.862	98	45%	117.676	120	55%	215.538	109
1995	102.845	103	50%	102.268	105	50%	205.113	104
1996	98.658	99	46%	117.522	120	54%	216.180	109
1997	109.224	109	42%	153.740	157	58%	262.964	133
1998	101.945	102	41%	148.401	152	59%	250.346	127
1999	124.901	125	49%	127.624	131	51%	252.525	128
2000	104.955	105	41%	150.509	154	59%	255.464	129

Summer	Length of stays							
	Sloveni			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1990	nd			nd			nd	
1991	nd			nd			nd	
1992	nd			nd			nd	
1993	4,8	100	110%	3,9	100	89%	4,3	100
1994	4,7	98	107%	4,2	107	94%	4,4	101
1995	4,7	99	104%	4,4	112	96%	4,6	105
1996	4,6	95	111%	3,7	97	91%	4,1	95
1997	4,3	90	102%	4,2	107	98%	4,2	97
1998	4,4	91	103%	4,2	108	98%	4,3	98
1999	4,1	85	101%	3,9	102	99%	4,0	92
2000	3,9	82	95%	4,2	109	103%	4,1	95

Source: Own analysis based on data from LTO.

Figure 27. Summary of summer tourism data.



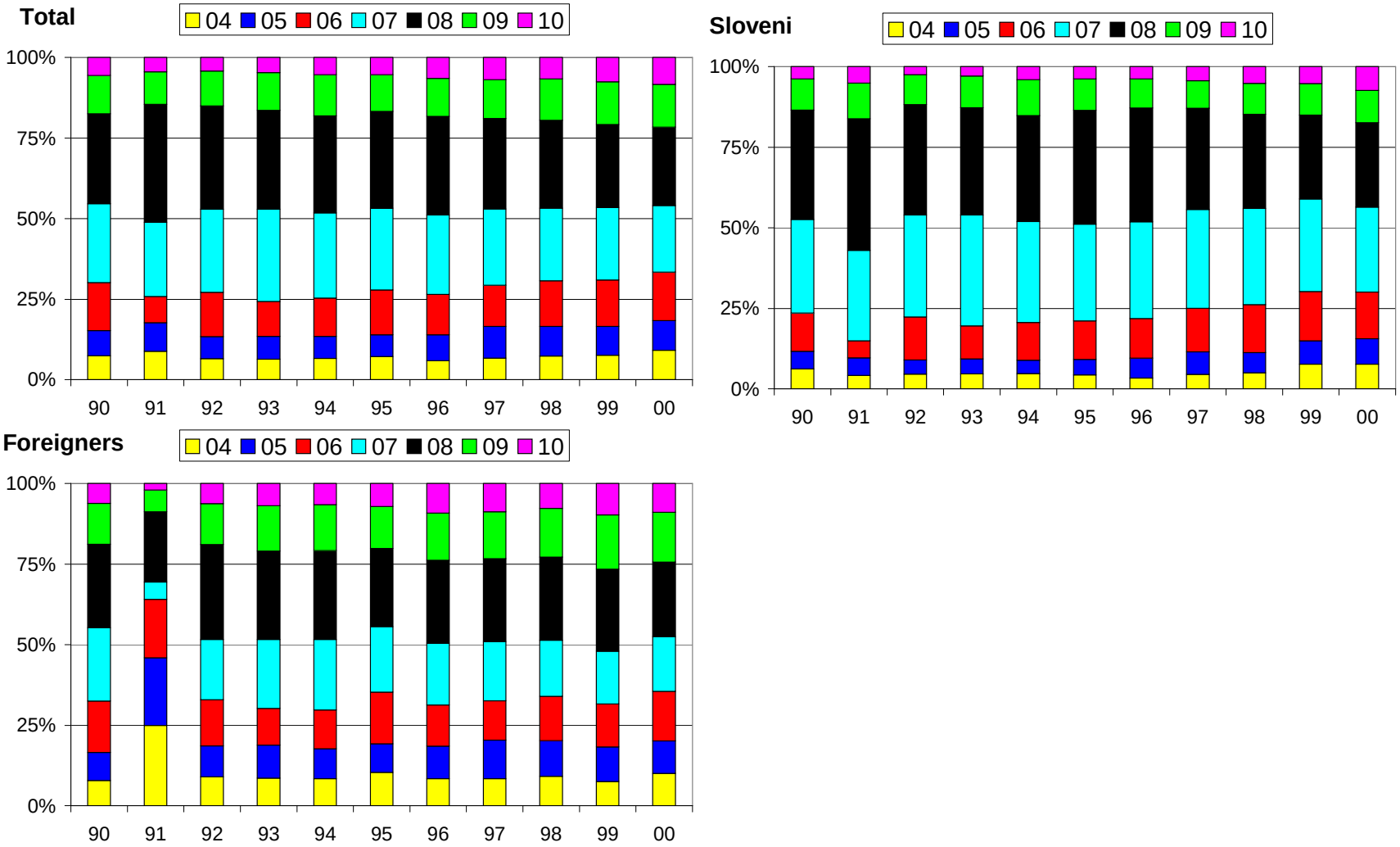
Source: Own analysis based on data from LTO.

Figure 28. Monthly perceptual summer overnight stays.

	Overnight stays										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
April											
number	99.605	50.963	49.207	54.831	62.821	67.324	52.304	74.616	78.449	76.829	95.696
% (winter)	7%	9%	7%	6%	7%	7%	6%	7%	7%	8%	9%
% (1990)	100	51	49	55	63	68	53	75	79	77	96
May											
number	105.455	51.114	50.834	61.004	64.656	63.342	72.015	109.816	97.225	90.884	96.673
% (winter)	8%	9%	7%	7%	7%	7%	8%	10%	9%	9%	9%
% (1990)	100	48	48	58	61	60	68	104	92	86	92
June											
number	199.581	46.834	103.453	92.463	112.953	129.476	111.884	142.402	151.213	145.144	158.025
% (winter)	15%	8%	14%	11%	12%	14%	13%	13%	14%	14%	15%
% (1990)	100	23	52	46	57	65	56	71	76	73	79
July											
number	328.915	132.664	192.875	245.377	251.019	236.804	220.283	262.617	240.284	228.004	216.687
% (winter)	24%	23%	26%	29%	26%	25%	25%	24%	23%	23%	21%
% (1990)	100	40	59	75	76	72	67	80	73	69	66
August											
number	375.079	211.374	240.008	263.564	285.748	280.519	272.539	312.723	289.901	260.827	255.292
% (winter)	28%	37%	32%	31%	30%	30%	31%	28%	27%	26%	24%
% (1990)	100	56	64	70	76	75	73	83	77	70	68
September											
number	160.088	58.164	81.344	100.639	121.173	105.940	104.953	133.282	136.379	133.872	139.745
% (winter)	12%	10%	11%	12%	13%	11%	12%	12%	13%	13%	13%
% (1990)	100	36	51	63	76	66	66	83	85	84	87
October											
number	74.872	25.423	31.350	39.866	50.578	50.121	57.882	77.307	71.095	76.205	87.209
% (winter)	6%	4%	4%	5%	5%	5%	6%	7%	7%	8%	8%
% (1990)	100	34	42	53	68	67	77	103	95	102	116
Summer	1.343.595	576.536	749.071	857.744	948.948	933.526	891.860	1.112.763	1.064.546	1.011.765	1.049.327

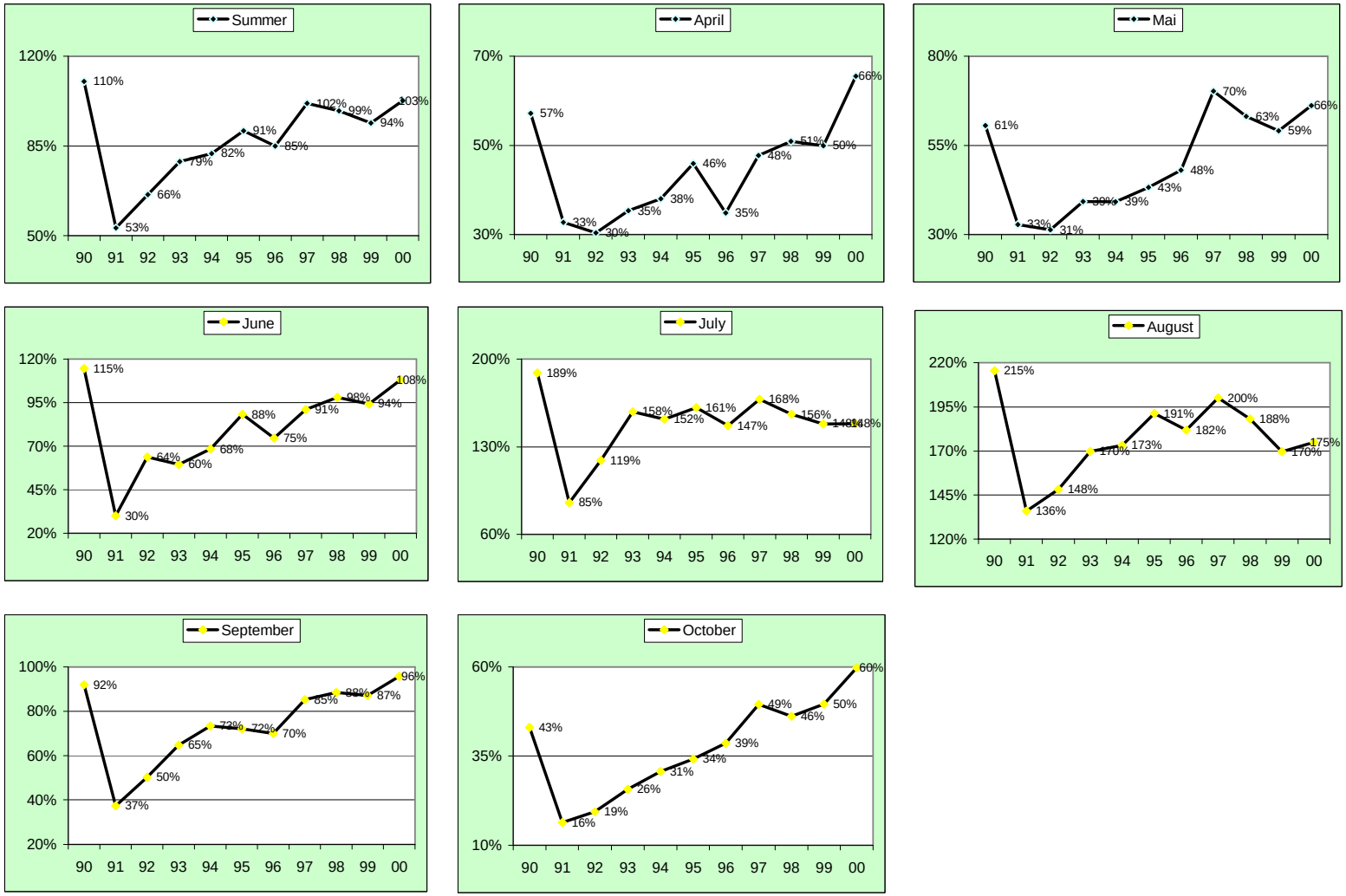
Source: Own analysis based on data from LTO.

Figure 29. Monthly perceptual summer overnight stays.



Source: Own analysis based on data from LTO.

Figure 30. Summer gross occupancy rate.



Source: Own analysis based on data from LTO.

12.4Appendix II - Auditorium

Figure 31. Trend of activity of Portorose Auditorium.

	92	93	94	95	96	97	98	99	00
I Congresse									
Congresse	13	21	21	18	18	17	16	9	7
Index	*100*	*162*	*162*	*138*	*138*	*131*	*123*	*69*	*54*
Presence	2.960	4.000	3.835	3.985	2.308	4.165	2.382	2.493	1.230
Index	*100*	*135*	*130*	*135*	*78*	*141*	*80*	*84*	*42*
Average presence	228	190	183	221	128	245	149	277	176
Index	*100*	*84*	*80*	*97*	*56*	*108*	*65*	*122*	*77*
II Music									
Events	185	251	241	264	294	377	368	318	407
Index	*100*	*136*	*130*	*143*	*159*	*204*	*199*	*172*	*220*
Presence	34.232	56.631	59.948	61.223	61.415	78.334	82.651	75.829	91.024
Index	*100*	*165*	*175*	*179*	*179*	*229*	*241*	*222*	*266*
Average presence	185	226	249	232	209	208	225	238	224
Index	*100*	*122*	*134*	*125*	*113*	*112*	*121*	*129*	*121*
III Film									
Events	75	99	112	109	141	216	205	168	201
Index	*100*	*132*	*149*	*145*	*188*	*288*	*273*	*224*	*268*
Presence	11.839	25.754	26.610	23.179	28.573	42.621	45.854	33.385	39.634
Index	*100*	*218*	*225*	*196*	*241*	*360*	*387*	*282*	*335*
Average presence	158	260	238	213	203	197	224	199	197
Index	*100*	*165*	*151*	*135*	*128*	*125*	*142*	*126*	*125*
IV Cultural events									
Events	75	84	87	117	117	119	126	120	178
Index	*100*	*112*	*116*	*156*	*156*	*159*	*168*	*160*	*237*
Presence	13.943	18.967	24.083	28.926	26.186	25.848	27.150	31.851	39.815
Index	*100*	*136*	*173*	*207*	*188*	*185*	*195*	*228*	*286*
Average presence	186	226	277	247	224	217	215	265	224
Index	*100*	*121*	*149*	*133*	*120*	*117*	*116*	*143*	*120*

Source: Own analysis based on data from Auditorium.

12.5Interviews

Antolovič M., Director, Gruppo Morje.
Babič, Director, Portorose Casino.
Bertok L., Head of Economic Planning, Municipality of Portorose.
Daneu D., President, Palace Group.
Gržinič P., Head of Statistics, Portorose Tourist Association.
Kočevar B., Head of Town Planning, Municipality of Pirano.
Kovšca A., Director, Portorose Airport.
Kvarantan R., Sales Manager, Metropol Group.
Matevljič M., Captain, Portorose Marina.
Puhov V., Head of Municipal Service Company.
Silič I., Director, Portorose Tourist Association.
Silič I., Director, Hotel Bernardin.
Sparemblek S., Director, Hotel Lucija.
Tolja J., Director, Portorose Auditorium.
Tralcič M., Dean, University Institute for Tourism Studies, Portorose.

Chapter 9
The Case of Taormina

1. THE CHALLENGES OF THE NINETIES

The first settlements in Taormina date back to somewhere between the 13th and 12th centuries B.C., and were established by the Siculians[1]. Tauromenion, taken from the name of Mt. Tauro (397 m above sea level), built up solid relationships with the Greeks who had settled in the Riviera belt, in fact founding the colony of Naxos. Taormina sought autonomy from nearby Syracuse with variable luck. The Greeks left an enormous cultural inheritance to the stronghold symbolized by the Greek Theater that today, 2000 years later, still fascinates the modern visitor to the city. The ruins of this ancient public work, which have also been excellently preserved, describe the greatness of the Greek people and their passion for beauty, drama and theatrical tragedy.

With the beginning of the Roman Empire, the city was conferred the title "Civitas federata" because of its strategic importance and its loyal alliance with Rome, thus enjoying special immunities and tax benefits that found few parallels in Sicily of that time. Rome assured the execution of important public works, including several road networks.

The town shared the fate of the Byzantines in Sicily when the Roman Empire fell. Towards the end of the 9th century it was even indicated as the capital of the Byzantine dominions. In 902, following the Saracens' lengthy siege, the city was razed to the ground. After rising again to new splendor as Almuzia, taken from the name of caliph Al Muizz who fell in love with the beauty of the place, it was conquered by the Norman soldiers under Roger d'Altavilla in 1079. A period of peace finally opened up for the city, only to be interrupted by the Messina's siege, which wanted to challenge its autonomy. Taormina was sacked during the 1168 and 1261 uprisings. Having remained loyal to the crown of Spain, the city was often the object of trade and barter following the arrival of the Aragonese.

In more recent times, Taormina actively took part in the struggle against the rulers of the two Sicilies during the Bourbon age. Following Garibaldi's arrival (May-June 1880) and the exploits of the Thousand, Taormina joined the Kingdom of Italy.

Taormina's tourism history started in 1700, although the pleasantness of its geographic site and the beauty of the Mediterranean setting have always constituted a strong lure. Artists, painters, photographers, writers, poets and men of letters, scholars of various branches of learning and great travelers have contributed to nourishing and creating the present-day image of the Sicilian stronghold. Among others, Goethe and Da Maupassant visited the city. But it was above all the German nobleman von Geleng (1863) who significantly contributed to Taormina's development. In fact, he depicted the city with picturesque canvases, where the Greek Theater, the sea, the city and Etna all appear in the same view. When he returned to his country, many questioned the veracity of that panorama, and the German nobleman made a wager with a group of critics that if they should go to Taormina, they could admire exactly the same panorama he had painted. And so elitist Central European tourism began.

1.1 Taormina at the threshold of the nineties

Taormina certainly represents a model of tourist development that many other Southern Italy resorts have tried looked to with changeable success. It is above all its ability to have developed an elitist tourism able to guarantee important economic

[1] All historic information given in this section was taken from Valdes, 1998.

repercussions and to preserve the town's features that has made Taormina an exception to the rule. Nevertheless, these traits have partially tended to dissolve in the aftermath of the great tourist boom that Italy, and especially the South, has been experiencing since the 1960's and 70's.

Compared with the other cases taken into consideration, identification of the resort's competitive context at the end of the 1980's proves to be more difficult, especially because of a profound redevelopment of the public and private ruling class. This premise being stated, several considerations relating to the infrastructural supply, mass cultural tourism development, and trends under way in seaside tourism follow. Lastly, we will analyze the competitive results of Taormina over the course of the 1980's.

1.2 The infrastructural supply

Sicily's millenary history makes Taormina a city of art to all intents and purposes. Nevertheless, its tourism characterization remains chiefly anchored to seaside tourism development.

Its accommodation facilities at the end of the 1980's are mainly centered on the hotel facilities, and there is a significant presence of four- and five-star facilities that represent 40% of total beds. Actually, the supply is predominantly unbalanced and leans toward the four-star hotels since only one facility, San Domenico Palace Hotel of Taormina, is operating in the luxury segment. Its reputation is of world renown and its hotel history dates back to 1896. The hotel situation however exhibits several signs of weakness that can be summed up this way:

- ✓ *Evolution of the quantity of bedspace:* the total amount of bedspace marks a progressive decline and a few important accommodation facilities are closing their doors, whereas those that in the past left the market are not reopening;
- ✓ *Quality standards*: evolution in the tourists' behaviors and lifestyles together with increased competitiveness between the tourist resorts considerable increases the standards demanded of an accommodation facility. The hotels in Taormina, beyond significant exceptions, display a certain static nature that is also favored by the city's charm, which assures significant position yields;
- ✓ *Average hotel size:* analysis of the average sizes of the accommodation facilities reveals strong polarization depending on the category. Whereas the 4- and 5-star structures have bedspace equivalent to approximately 150 units, the 3-start hotels have about 80 units, whereas the 1- and 2-star facilities have only 30. On the whole, growth of the average size was recorded, and this occurred above all because the smaller units have left the scene. Therefore, potential weakness of the 1- and 2-star units, representing 31% of the hotel bedspace in 1989, can be pointed out.

Other problems concerning the resort to be noted are the approach routes, local road conditions and the urban facilities and sports equipment.

Taormina is mainly affected by international tourism that arrives at the resort almost exclusively by plane. Segments of foreign European tourists who undertake the long trip by car really are not lacking, but they certainly depict a marginal segment. The growth of Sicily's total tourist influxes makes the Catania airport, 70 km away, increasingly inadequate.

The problem of road conditions is complex. The high number of resident tourists (who rent cars) and commuter tourists are poorly compatible with Taormina's

characteristics of being a small castled town devoid of large parking lots and moreover, with local road conditions largely closed to traffic and weighed down by the movements that the seaside resident tourists have to tackle in order to reach the beach (remember that the city is located 200 meters above sea level).

As regards urban facilities and sports equipment, even though the resort has many historical attractions including its magnificent Villa Comunale Duca Colonna di Cesarò public park, it denotes poor dynamism in developing this asset. In particular, two projects tied to developing golf and building a port have never been completed.

Also management of the resort's image is rather neglected, above all in proportion to its enormous renown on the domestic and international markets.

1.3 Commuter tourism

Taormina is affected by a growing influx of commuter tourism, the primary segments of which can be summarized as follows:

- ✓ *Students*: the Greek Theater is a destination particularly sought after by Sicilian students and, more in general, by Italian students. The mighty ruins are in fact capable of impressing strong emotional insight on the study of Greek-Roman history. This influx is predominantly concentrated in the spring, and brings numerous groups into the theater that often break the magical atmosphere the visitor breathes inside the theater with their shouts and noise;
- ✓ *Cruise tourism:* many cruise ships sailing the Mediterranean bring their customers to Taormina for a day[2]. Normally they arrive in the citadel at a landing place in a neighboring port following by bus transfer. Cruise ship passengers more rarely reach Taormina directly from the sea;
- ✓ *Resident tourists from neighboring resorts:* a third commuter tourism segment originated from resident tourists who chose to spend their vacations at a resort close to Sicily[3].

These commuter segments have built up significant allied industries of trade businesses mainly specialized in selling souvenirs, sightseeing guides and gadgets. Even though the three targets have greatly differentiated features and differing earning power, the three targets in any case tend to generate very moderate per capita spending and to create problems of coexistence with resident tourism, although with different accents.

1.4 Evolution of seaside tourism

The resident tourism that affected the resort over the 1980's was mainly seaside in nature. Thanks to its competitive positioning, Taormina is little affected by the competition built up by the new emerging destinations that are normally oriented towards the mass market and characterized by a close bond with international tour operators. Nonetheless, the effects of the new summer vacation use models - and above all the progressive decline of the length of stay - affect Taormina as well. Moreover, the progressive opening up of the resort to a mass commuter tourism and, to a lesser extent, to a low-segment resident tourism (the target served by the 1- and 2-star units) partly

[2] "Development of cruise tourism stimulates growing flows of passengers. A ship bringing tourists here to us sets sail from Malta every two days" (Belcuore).

[3] "Taormina is a highly desirable destination for tourists staying at other resorts. It is above all its charm and fame that attract these tourists" (Belcuore).

makes a dent in its international image, as is documented by a drop – even though modest – of foreign tourists.

1.5 Competitive results

Reading of the competitive results through official accommodation facility statistics finds several restrictions linked to the fact that a hotel time series on a monthly basis is available only since the end of the 1980's. It therefore proves difficult to single out elements of fundamental importance, such as the weight and progress of the winter season, the degree of concentration of presences in the summer and winter, and time distribution of the main segments served. With this premise, analysis of the official hotel statistics allows us to describe a competitive picture summed up like this:

- ✓ *Evolution of arrivals*: following an early leap in 1981 (+8%), the arrivals returned to the starting levels until 1986 to then spin out a series of hikes that bear witness to the decade's balance at +23%;
- ✓ *Evolution of the average stay:* the length of stay in 1980 is equivalent to 5.8 days and at the end of the 1980's it settled at 4.2 days, recording an overall decline of 28%. The time series points out a brusque drop in 1981 (-15%), a certain hold in the two-year period of 1982-83, then a sharp fall in 1985 (-22% compared to the starting data) and a second significant decline in 1989;
- ✓ *Evolution of presences*: the trend described by this indicator sums up the arrivals and average stay trend. On the whole, the presences dropped by 11% over the course of the decade and reached their peak in 1982, towed along by the growth of arrivals (+8%) and by a resurgence of average stay. A heavy cutback was witnessed in subsequent years, and so much so that in 1986 the drop was equivalent to –21%. Growth of arrivals during the last three-year period set the foundations for a growth of presences, even if there was a reduction of the average stay. The final balance of 734,000 presences was quite far off from the 824,000 presences of 1980;
- ✓ *Evolution of the degree of internationality:* Taormina distinguishes itself due to its high degree of internationality in its tourist influxes, especially if read in terms of presences. In 1980 the contribution made by foreigners was 80% of overnight hotel stays. A progressive decline of the international component was witnessed over the course of the decade, and it touched bottom (63%) precisely in 1989;
- ✓ *Evolution of foreign tourists:* presences fell by 30% owing to the sum of the reduction in stays (2%) and arrivals (5%). International customers in any case present a higher average stay than the average (5.2 versus 4.2, respectively – 1989 data);
- ✓ *Evolution of Italian tourists:* domestic presences rose by 64%, drawn by the explosive growth of arrivals (77%), whereas the average stay dropped by 8%. This latter measures a length of stay equivalent to 3.2 days;
- ✓ *Evolution of the accommodation mix:* analysis of the tourist influxes is based solely on the hotel influxes since they bring about 94% and 95% of the total presences over the course of the entire decade. Despite its small size, the non-hotel section as well manifested a high propensity to international markets;
- ✓ *Evolution of the employment rate:* evolution of the employment rate displays a negative dynamics, since presences dropped off by 11% compared with the modest growth of bedspace (+2%). A nine-month season was surmised in

calculating the employment rate. The rate obtained, equivalent to 60% of the theoretical capacity, dropped over the years to bottom out in 1985 (46%), to then rise and settle at 50% in 1989;

- ✓ *Evolution of presences by stars:* even though there is a limited time series[4], the breakdown of presences by stars in 1985 showed a prevalence of presences originated by the 4- and 5-star facilities (38%), followed by the 1- and 2-star units (32%) and the 3-star facilities (30%). A profound change was recorded at the end of the 1980's: 40% of the presences was given rise to by the 3-stars, and the 4- and 5-stars dropped to 35% while the 1- and 2-star unit fell back to 24%. This change of mix is particularly significant since whereas the bedspace of the 4- and 5-star facilities considerably grew (+20%), that of the 3-star hotels dropped by 8%.

1.6 Conclusion

Analysis of the competitive indicators (figure 1) confirms a series of weaknesses in Taormina's supply system. They are reflected in lower international competitiveness, a reduction of employments rates, a variation of the mix of presences in favor of the 3-star facilities, and in a progressive loss of competitiveness of the accommodation units having a lower qualitative level.

Figure 1. Taormina: Competitive results.

Annual data
LS 1989: 4,2 days (1981: 5,8 days)
OS: -11%
A: +23%
LS: -28%
Foreigners
% weight of foreigners: 80% (80), 63% (89)
OS: -30% (mean annual decrease: -11%)
A: -5%
LS: -26% (OS 1989: 5,2 days)
Italians
% weight of Italians: 20% (80), 37% (89)
OS: +64% (mean annual decrease: -11%)
A: +77%
LS: -8% (OS 1989: 3,2 days)
Legend: OS (Overnight Stays), A (arrivals), LS (Length of Stays)

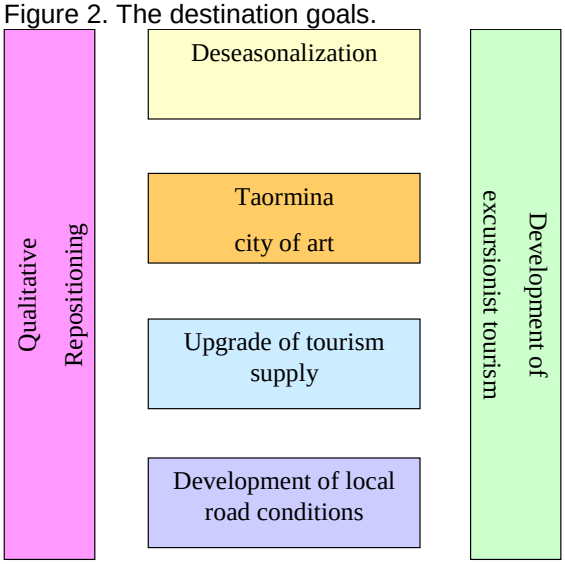
Source: Own analysis of AAST's data.

[4] Up until 1984 a different criterion for classifying the accommodation units was, in fact, in effect. It was centered on distinguishing between hotels and guesthouses, and later broken down by category (any not by stars). A complete time series drawn up according to the star criterion has instead been used since 1985.

2. THE LINES OF ACTION

Figure 2 identifies a series of objectives that tangibly translate the major aims pursued by the public and private players over the course of the 1990's. The single points tend to give content to a basic aim, and that is fostering a progressive repositioning of Taormina toward customers in the top segment, creating entrepreneurial opportunities that make accommodation facility development easier (above all salvaging those facilities abandoned in the past, often due to generational problems) and increasing the employment rates for the hotels already set up. Next to this goal arrives another one of dubious consistency, the fruit more often of "emergent" rather than "studied" strategies depicted by a development of excursionist tourism. The two basic aims are graphically opposite. The main lines of action are analyzed in detail below.

Figure 2. The destination goals.



Source: Own analysis.

2.1 Qualitative repositioning

As documented by the historical analysis, the resort progressively promoted a repositioning towards a medium segment throughout the 1980's, often according to emergent strategies. High segment customers were instead identified as the reference target for resident tourism during the 1990's. This goal depicts a sort of cause for quarrel for all activity of superordinate management.

2.2 Deseasonalization

Taormina enjoys a climate and mix of attractions that permit it to satisfy various customer segments throughout the entire year, although with different attractions. Analysis of the competitive indicators reflects the existence of a long season (from March to October) that should be further extended to give greater continuity to its relationship with hotel personnel and to increase profitability of the investments.

2.3 Taormina, city of art

The natural attractions the town has have made it one of the classic seaside destinations of domestic and international elitist tourism. Taormina however also has a significant mix of historical resources, among which the Greek Theater is certainly the number one attraction, that fully place it among the cities of art, a segment able to attract numerous visitors and that is subject to less competitive pressure. This orientation finds broad approval among operators[5].

2.4 Completion of the high segment tourism offer

The intense public and private system development activity falls within this goal. On the private front, attempts are made to encourage progressive reorganization of the existing accommodation facilities while assuring, wherever possible and opportune, a growth of the category level. Also the progressive recovery of those units that closed down during the 1970's and 1980's falls within this goal. Taormina is trying to stimulate qualitative growth on the trade front as well.

Next to this recovery of competitiveness of the private sector, the public sector is devoting itself to producing large sports and seaside equipment and urban facilities works. The need to develop a tourist port, promote the development of golf tourism and beautify the old town center has indeed been stated.

2.5 Infrastructure development to support road conditions

The growth of resident and excursionist tourism is creating growing problems of road conditions for the small and castled town. The municipal administration decided to construct underground parking lots, a ring road, and strengthen transportation systems between Taormina and Mazzarò (its seaside country ward).

2.6 Excursionist tourism development

As mentioned previously, Taormina's attractions draw different though growing influxes of excursionist tourism[6]. A divergent evaluation regarding the importance of this form of tourism is felt inside the resort. The managers of the accommodation units and of the qualified allied tourist industries perceive it as a drawback or at least a nuisance for the qualitative repositioning process in progress. On the other hand, the predominantly trade and gastronomic allied industries that has progressively become specialized in serving this segment hopes it will grow. In fact, this dialog did not produce any particular stance on the part of the administration and of the other

[5] "The attempt under way to increasingly characterize us as a city of art rather than a seaside resort is tied to the increased amount of competition that affects this latter form of tourism. There are many seaside resorts and Taormina, even though it has a plus in terms of image and services, risks being one of many destinations. On the other hand, the number of cities of art is restricted and their form of supply is by definition incomparable" (Monte Tauro director).

[6] "Taormina's historical attractions are exhaustible for an excursionist tourist in one day, but have the ability to make a strong impression on those who tour them. It was from here that the increasingly resolute decision was made by organized tourism to propose Taormina as the gateway to Sicily. Proposing Taormina curtails the risks of disappointment on the first day of vacation, the most critical one" (AAST director).

superordinate management bodies over the 1990's, and this actually fostered an "emergent strategy" of growth[7].

3. THE SUBJECTS INVOLVED

Among all the subjects that are involved in various capacities, even for contingent reasons, in managing the tourist resort, the Local Tourist Board (*Azienda Autonoma di Soggiorno e Turismo*, hereinafter AAST), the Taormina Art Committee and the Municipality of Taormina have special importance. Then still others that perform an important function of a hinge between the aforementioned subjects and the individual operators can be added. They are typically the trade associations, and in particular the Hotel Association and the Merchants' Association. Nevertheless, because of their lesser incisiveness on the resort's management processes, the competences, organizational set-ups and financial resources of those subjects "institutionally" in charge of destination management will be analyzed below.

3.1 The Local Tourist Board of Taormina

Tourism Promotion Enterprises (*Aziende di Promozione Turistica*, hereafter APT) replaced the figure of the AAST on a national level. Nonetheless, Sicily's nature of being a region with special autonomy slowed down the adjustment process of local legislation. According to the text of Art. 1 of Italian Presidential Decree no. 1042 of Aug. 27, 1960, AAST's constitution is restricted to recognition of status as a "therapy, holiday and tourist resort" through a decree issued by the Minister for Tourism and Entertainment, in agreement with the Minister of the Interior and the Minister of Finance[8].

3.1.1 The competences

The AAST's are provided with administrative autonomy and have public law legal personality. Article 6 actually details the major competences that fall under the AAST's. In particular, they must be:

- ✓ "Promote and carry out events, shows and other initiatives of tourist interest, also with the contribution of the local bodies and associations involved;
- ✓ Provide propaganda for awareness of the resort;
- ✓ Set up tourist assistance services;

[7] "Development of the allied industries is closely tied to the nature and intensity of the influxes of customers. When there are qualified accommodation facilities, it is normal that a development of trade and gastronomic allied industries just as qualified will be witnessed. Our city did not make a clear strategic choice regarding the segments it intends to serve. The progressive development of excursionist tourism linked to the schools, buses, and cruises has helped develop a partially undifferentiated low-end allied trade industry that instead clashes with the increasingly qualified allied industries generated by the accommodation facilities" (San Domenico Palace Hotel director).

[8] The judicial inquiry normally starts from the local level, "with the proposal of the municipal council or councils involved, with the proposal of the provincial council or provincial body for tourism, or of the chamber of commerce, industry and agriculture, having heard the main tourism council and the municipal council involved when the proposal comes from another body" (Art. 1). As can be noted, the constituent procedure immediately places emphasis on the central level of government, and this also explains the slowness in adjusting the regulatory procedures to the altered local tourism picture.

- ✓ Promote initiatives aimed at the building, establishment and improvement of systems and communications mainly of tourist interest, in addition to weather station systems;
- ✓ Carry out activities that increase the value of the landscape and the artistic and historic patrimony, and that aesthetically improve the resort" (art. 6);
- ✓ Generate local tourism statistics.

3.1.2 The organizational set-up

The organizational structure of the AAST's revolves around three organs: i) the chairman, ii) the Board of Directors, and iii) the Board of Auditors.

The chairman of the board is nominated with a decree of the Ministry for Tourism and Entertainment after the prefect is heard, and stays in office four years (art. 8). The chairman legally represents the enterprise, summons and presides over the board of directors (BoD), issues the acts needed so the body runs smoothly, and watches over the exact and timely execution of measures decided by the board of directors. In the case of urgency, he adopts the relative measures for settling problematic situations. Nomination of one member of the BoD who replaces the chairman in all his tasks in case he is absent or hindered is envisaged.

The BoD is always named with a decree of the Ministry for Tourism and Entertainment and, in addition to the chairman, is made up of i) a representative of the provincial tourism board, chosen by the board from among its members that do not hold the office of chairman of the AAST, or chosen from among experts outside the body who reside in the resort; ii) two employers and two employees belonging to the economic categories affected by the tourism movement, chosen in accord with the Ministry of Labor and Social Security on shortlists indicated by the trade union organizations; iii) the mayor of the municipality or a municipal councilman he delegates or mayors and their delegates if the resort comprises more than one municipality; iv) a health official appointed by the health council; and v) from one to three experts designated by the prefect[9].

Article 10 regulates the competences of the BoD that decides on: I) the general directives and activity programs; ii) the budgets, relative changes and final accounts; iii) payment of personnel under the legal and economic aspect; iv) regulations concerning the organization and operation of the body's services; v) purchases, sales and leasing of real estate; and vi) the tasks it is assigned for carrying out certain tourist activities. The BoD meetings are valid in first call with the presence of at least half the members and in second call with at least one-third the members.

Lastly, the board of auditors carries out a general auditing activity.

3.1.3 The financial structure

This is one of the most controversial points of the present-day local tourist organization. In fact, faced with the numerous and strategic competences falling under the AAST, the financial assets are characterized by a limited stock of resources and by a particularly critical management in the second half of the 1990's. Approval of Art. 24 of

[9] Art. 9 however also contemplates the possibility of a different procedure. "The Ministry for Tourism and Entertainment can give the prefect the power to name members of the BoD, with the exception of the chairman."

regional law 10/99 in fact envisaged abolition of the AAST's throughout Sicily. This bill was in actual fact accompanied by a drastic cut of financial resources disbursed by the region in the 99-00 two-year period. AAST's already meager budget, equivalent to approximately ITL 700-800 million, thus became completely inadequate for coping with the personnel costs. The regional measure has however lapsed since the law introduced a time limit within which the AAST's had to be abolished. And so it returned to the status quo with difficulty.

According to Italian Presidential Decree no. 1042 of 1960, the operational expenses of the AAST's are covered i) with the revenues foreseen by the regulations in force, ii) with the property and operating income and revenues, iii) with the contributions of private bodies and associations and with any other earnings. Note that with abolition of the visitor's tax, commensurate with the presences, the first of the three sources actually came out less. The second then has a nature that is often theoretical since many of the activities taken up by the AAST's do not generate as much operating income as they do outlays (think of the printing of the informative material and its distribution, the organization of events or the launch of new products). And so the third source remains, i.e. the public contributions disbursed to the AAST's.

The financial difficulties and risks of the current organizational set-up have prompted AAST management to design a possible transformation of the body into a consortium, trying to involve – also actively – the local tourist operators[10] and developing additional integrations with the other tourist bodies and local administrations.

3.2 The Taormina Art Committee

The Taormina Art Committee was established on April 16, 1996 and as the name itself expresses, it gives prominence to the project of fostering the transition of the resort's image as a seaside city to a city of art. The committee, which assumes full management of the city's cultural activities (music, cinema and theater), also presents itself as an important interlocutor for developing new events characterized by a clear tourism end and scheduled during the summer period[11].

The committee's competences are summarily identified in Art. 2 of its charter[12], which assigns organizational and promotional competences within the cultural sphere to the body, i.e. according to the text of Art. 1, in the activities of cinema, music and theater.

The members of the Taormina Art Committee are represented by the Municipality of Taormina, and by the Municipality and Province of Messina. Art. 4 envisages that these three figures take part in the management committee with the same weight.

[10] "The financial difficulties and, more in general, the curtailed resources we have helped us to systematically involve the operators, thus increasing the incisiveness and effectiveness of our actions while gathering and developing precious suggestions" (AAST director).

[11] "The events organized by the Taormina Art Committee are concentrated in the summer period, typically from mid-July until mid-August. We tried in the past to extend our cultural season until mid-September, but this way we necessarily had to make a choice since we had a fixed budget: either increase the number of events while cutting back on their importance, or dilute our calendar over a longer time horizon. In the end we opted to stay concentrated in the traditional summer period, also due to the growing seasonality of the month of July" (Taormina Art Committee director).

[12] "The committee will promote the international film show and culture theatrical and musical entertainment events in the spirit of agreement between [the founding bodies], with particular regard given to the summer period and to the centrality of their offices in Taormina, the relationship with the territory, and above all of the province, being understood" (Taormina Art Committee Charter, Art. 2).

Nevertheless, the mayor of Taormina has the capacity of designated officer and receiver of the contributions disbursed to the committee for obvious reasons of logistics. This means that, in the concrete, the mayor authorizes the expenses the body takes upon itself.

In addition to the management committee, which actually restricts itself to deciding on previously formulated projects, the council has particular importance. It is a mostly operative organ and the management committee names its members. It is basically the council that puts together proposals regarding the organization of cultural events[13].

3.2.1 The financial structure

The committee has a budget equivalent to approximately ITL 8 billion and it is mainly tied, to the extent of 65%, to the contributions disbursed by the Regional Councilor's Office for Tourism. Remember that other backers include the Entertainment Department of the Ministry of Cultural Assets, and the "private" receipts linked to the sale of tickets and to sponsorship activities. With regard to future management, it plans to develop the latter component, also in order to guarantee the committee increased autonomy[14].

4. THE DESTINATION FACILITIES: PUBLIC INFRASTRUCTURES

Now let us take a look at the resort's management processes by starting off with the infrastructures and public services, and in particular with the following activities: i) routes of access and local road conditions, ii) urban facilities; and iii) sports facilities.

4.1 Routes of access and local road conditions

The routes of access to the resort permit Taormina to be reached by water, air and land. Nonetheless, the great importance of its international customers sees to it that the chief means used is the airplane and, to a limited extent in the Catania-Taormina stretch, the bus, taxi or car (rental). As it is a regional stretch, the effectiveness and efficiency of this gateway to Taormina is depicted by the frequency of flights and their connection with the catchment areas. It therefore becomes essential to initiate targeted partnership policies with specific carriers. This awareness is at the heart of several important activities carried out by the AAST. An early action was linked to the American market, predominantly served by the national airline, Alitalia. The company, concerned about a low load factor on its East Coast connections, decided to cut the number of flights in half in the mid-1990's if the rate of filled seats fell below 62%. The AAST proposed to hold some workshops targeted at the country's colder areas so as to propose Taormina during the low season periods, when its climate may appear still warm and comforting for those who are used to much colder temperatures. Parallelly, the national carrier was asked to eliminate the distinction between economy and business fares so as to prevent a portion of the seats in business from remaining structurally uncovered. The initiative

[13] "For more widespread participation in the organizational and cultural choices, the [management] committee is assisted by a council, in which the bodies representing more directly involved interests in addition to cultural components of the provincial enterprise intervene" (art. 7).

[14] "The representative private receipts item currently has a rather moderate weight; we believe that the committee however presents many potentials, as also the significant leap that these types of financing recorded last year documents" (Taormina Art Committee director).

met with encouraging results since it was able to count on the resort's tourist product and tailor-made connections combination. A similar initiative was carried out on the German market in collaboration with the LTV airline. Also in this case it was partnered with a targeted activity of preparing suitable air connections. The airline said it was willing to make the flight as long as it could accommodate at least 168 passengers in its 737's (250-passenger aircraft), the number indicating its break-even point. The AST formulated a tailor-made notice of competition in which it undertook to cover any difference between the turnover the airline made and operating costs. Once the contract was entered into, moves were made to stimulate the German tourist market through targeted operations with tour operators and other tourism players who were contacted through workshops. It enjoyed overwhelming success since LTV had regularly flown with an 88% load factors and therefore the AAST never had to contribute to coverage of a failed break-even point. LTV currently guarantees four weekly flights to Catania.

Three large projects were implemented to tackle local road conditions in order to cope with the impressive mass of resident and commuter tourists: i) cable transport along the Taormina-Mazzarò stretch, ii) Lumbi and Excelsior parking lot, and iii) development of the coastal train.

A lift system connecting the city's center, castled on the slopes of Mt. Tauro, with the coastal area was built during the 1980's. The cable system built by Leitner has a capacity of approximately 250 people/hour. The high public influx, equivalent to about 500,000 people per year, led the city-owned services company, *Azienda Servizi Municipalizzata* (ASM), to strengthen the service. On April 8, 1993 a new system with a 680 people/hour capacity, again built by Leitner, was put into operation. The number of people transported immediately reached 700,000 people per year (see appendix II), to then grow further over the years to come. The exceptional travel levels attained make this small system the structure having the highest usage rate in Europe. Analysis of the monthly flows measures a strong seasonality. Approximately 65% of the annual flows is concentrated in the months of June to September. Given the large degree of uniformity of the monthly distribution of hotel tourist influxes (§ 11.5), it can be assumed that this service tends to be more greatly used by the seaside commuter customers, who are more widely present above all during the middle summer months.

A second area of interest is depicted by the large parking lots placed at the extremities of the town. Taormina currently has a facility at the entrance to the town, the Lumbi covered parking lot, which is able house 965 vehicles, 40 of which are buses and more than 900 cars. The ratios between the two classes of vehicles obviously vary according to the type of incoming flows. The number of buses tends to be predominant during the day, and cars instead in the evening. But the mix also depends on the attractions the city offers and therefore on the type of public served. The majority is cars during theatrical performances and concerts. The Lumbi parking lot was complete in 1997, and since this date it has a time series regarding its influxes. As can easily be deduced from an analysis of the data, also in this case the facility has full saturation of its productive capacity and it is estimated that the people who use the parking service on an annual basis total about one million. Analysis of the influx data, broken down on a monthly basis, documents the existence of an influx of commuter tourists that in some months reaches 4,000 people per day, compared to an often smaller number of resident tourists.

We wish to call to mind a few stages of the Lumbi parking realization process and of its management. The parking lot sustained heavy delays during its construction, also

due to the change of regulations regarding financing and the competent public agencies, with consequent cost increases. The facility, located on the outskirts of Taormina, was supposed to build a connection between the parking lot and the city center by using several horizontal and vertical elevators. However, the project was abandoned, also owing to several objective limitations[15].

A second problem pertains to covering the distance between the parking lot and the old town center. A connection bus currently exists, which however generates sizeable costs for the city-owned company. With an investment of about ITL 2 billion, a connection with escalators could be built, which would result in much lower operating costs and a higher service level. Since it is impossible that the Lumbi parking lot can meet the entire parking demand, the municipality is building a second facility that will also be managed by the Taormina *Azienda Servizi Municipalizzata*. It is the Excelsior parking lot, located at the other end of town, and will have a capacity of about 600 parking spaces for cars. The two parking lots will also be connected by a tunnel, currently in the completion stage, that will serve as a by-pass, and this will allow the residents of Castelmola (country ward located above Taormina) to reach the town without having to go through the citadel.

A third project in the advanced study stage and that will shortly be built is the coastal connection between Mazzarò and Mazzeo (another important tourist center located in the immediate proximity of Taormina on the sea) using a cable connection (a sort of small train) having a capacity of 600 people/hour. It is to be built in collaboration with Leitner and will be placed about 5 meters above the ground. The service will allow a high-frequency shuttle to be built, thus permitting a competitive alternative to automobile travel to be created and a decongestion of internal road conditions to be fostered.

In analyzing the various efforts made by the municipal administration, we note an extreme delay in the procedures and difficulty in keeping the building costs of the large public works and their actual effectiveness under control. In this connection, the laborious procedure of building the parking lots and the serious inconsistencies that emerged during the execution stage, often already obvious during project evaluation, are indicative. This lack of efficiency is certainly linked to a public management that is not very entrepreneurial and to the objective limitation of national regulations on the subject of public contracts. Another example is depicted by the potential imbalance that exists between the productive capacity of the Taormina-Mazzarò cable system and the extraordinary influx of customers, with the consequent formation of lines of people waiting. In this case as well it would appear opportune to carry out an additional strengthening of the hourly capacities. In order to assess the inherent potential in terms of managerial improvement, fostering a gradual passage from a public logic to a more "privatistic" one, consider the improvement made by the Taormina *Azienda Servizi Municipalizzati* following its conversion into a joint-stock limited company. As appendix II documents, during the financial year of 2000, which was characterized by the new legal change (from city-owned company to a joint-stock company under private law), a sharp improvement in its main economical parameters, solidity, liquidity and

[15] "The size and number of people moved from the parking lot clashed with a badly-hit situation of connections with the city. There was the idea of developing these elevators in the original project, but there is a total imbalance between the people moved and the hourly capacity of the elevators" (Taormina *Azienda Servizi Municipalizzati* director).

development are observed. The increased space for making decisions also increased the motivation of corporate management[16].

A complete analysis made by ASM regarding the impact of the cost of personnel on the total turnover in comparison with another two city-owned companies, ACEA in Rome and AEM in Milan, reveals a strong imbalance of the Taormina company. It is proper to recall the profound differences the companies assumed as references under the dimensional profile and in relation to the activities carried out.

4.2 Urban facilities

Management of the urban facilities does not present particular dynamism over the 1990's. The city's major attraction is the pedestrian street, Umberto I, a walk down about one kilometer lined with downtown shops, bars and restaurants, from where one can admire panoramas projecting over the sea, the smoking spire of Etna and the citadel's colors and monuments. According to the quantitative information given in the previous section, the large numbers that Taormina attracts tend to pour into the old town center, although with different rhythms and hours depending on the period of the year and the day of the week. In any case, pedestrian traffic is always rather intense and reaches peaks of actual saturation in concomitance with the summer season. The structure of the walk, as it is along only one street, makes sure that the tourist has to walk down it twice, once going and once coming back, and this contributes to further saturating the spaces. One possible alternative is the development of a second pedestrian street, the present-day via Roma, which would permit a sort of ring to be created with the junction of other small streets and including corso Umberto I, via Roma and via Teatro Greco. This new attraction could also accommodate a particularly qualified trade offer, mainly addressed to the segment of hotel guests who choose the four- and five-star facilities[17].

The municipality of Taormina completed the Convention Building during the 1990's, a work starter during the 1960's and that in some ways represents the emblem of the inefficiency and bureaucratic delays in executing public works. The building in fact had to go through numerous interruptions following changes of regulations and competent public agencies[18]. The consequences on the economic-financial level are easy to imagine: the deficits are structural. But even more serious are the consequences on the

[16] "We inherited a particularly heavy economic situation from the previous administration. The transformation have new impetus and increased motivation. We want to manage this enterprise like an actual company, with attention paid to costs, revenues, and to economic and financial balances. It is interesting to note how in only one year we were able to go from a structural loss of about ITL 650 million in 1999 to a profit of about ITL 530 million, realizing an increase of more than ITL 1,100 million" (Taormina *Azienda Servizi Municipalizzata* director).

[17] "Although it is quite charming, the walk along corso Umberto I brings out more and more problems of the spaces becoming saturated. Also extremely differentiated segments of customers tend to blend together on the street, as the trade offer documents quite well, ranging from selected shops of the highest quality to undifferentiated shops" (San Domenico Palace director).

[18] "The convention building construction process was extremely disjointed and costly. The work laboriously chased after the changes of regulations on the subject of financing public buildings and on the subject of safety. This extended the realization time enormously. Once the work was completed, it was never decided who is responsible for its management" (Municipal councilman for public works). "The work was started in 1960 and it was completed only in the early 1990's, but its management has never been efficient, even though it has hosted several important conferences. It is for this reason we are thinking about contracting it out to private firms" (Deputy mayor of Taormina).

tourism business. The accommodation facilities affected by convention tourism had to develop expressly equipped rooms in their interiors. The municipal administration has recently been evaluating the advisability of transferring management directly to the tourism operators through payment of an annual. Nevertheless, many considered the size of the fee as excessive in proportion with the entrepreneurial risks the manager would take upon himself.

One of the other facilities that is part of the urban facilities that should be mentioned is the Duchi di Cesarò park that, owing to its surface area and its proximity to the Greek Theater, is often a relief valve for commuter tourism (students or organized groups often eat their sack lunches here). The public that patronizes the park in this case as well changes to a significant extent during the hours of the day, and is where the resident customers go mainly starting in the late afternoon.

4.3 Sports facilities

Poor dynamism is recorded also among the sports facilities. The city's supply is limited to several traditional services, such as tennis and the soccer field. A swimming pool is on the drawing board, but the project has not yet come to a head despite the fact it has been in the planning stage for 30 years. Recently two important development projects linked to the sports facilities inside the resort are being evaluated: a golf course and the construction of a port near Villagonia.

With regard to the first project, it started off as a research project carried out by the Taormina AAST director, to whom reference will constantly be made. The positive trend of sports tourism, and golf in particular, is in conflict with an extremely limited supply in Sicily, which currently has only one 18-hole golf course located on the slopes of Mt. Etna. In comparing the critical success factors for a golfing activity (airport connections, climate, number of courses, and quality of the accommodation facilities) with the features of the area between the Catania airport and the Taormina resort, some high potential stands out. As was clarified in the section devoted to new product development, the marketing of a sea-golf-mountains package met with considerable success, a sign that the traditional made in Italy attraction factors could further represent a service plus.

As far as the second project is concerned (construction of a tourist port), at present no preliminary analysis activity has yet been carried out. So it is a question of an orientation that identifies an enormous opportunity for sustaining Taormina's requalification process in the development of a tourist marina.

5. INFRASTRUCTURES AND PRIVATE SERVICES

Two large groups of activities fall within this area: i) the accommodation facilities, and ii) the commercial activities.

5.1 Accommodation facilities

The evolution shown by the accommodation facilities over the course of the years can be summed up like this:

- ✓ *Accommodation facility mix*: the mix of bedspace remains firmly anchored to the hotel accommodation facilities, which represent about 95% of the entire accommodation consistency, according to official statistics. The importance of

this proportion is also confirmed in a variant to the PRG introduced by the municipal administration in 1995, according to which the surface area to be allocated to apartments less than 50 sq. m in size cannot exceed 25% of the usable livable surface area. Because of the high cost per square meter in Taormina, this rule discouraged the development of apartments. In fact, apartments larger than 50 sq. m would have a particularly high cost;

- ✓ *Renovations:* the need to adapt the hotel facilities to the new standards demanded by the customers encouraged a lively renovation process that was often also supported by several contributions distributed without security. The process fostered the passage upwards in terms of hotel category. Indeed, over the decade there was a 4% growth of bedspace compared to a 20% drop in the one- and two-star bracket, a 9% growth in the three-star bracket and a 17% increase in the five-star bracket. This latter category also benefited from the reopening of the Timeo Hotel. Four-star Mazzarò Sea Palace recently obtained its fifth star;
- ✓ *New entrepreneurial class*: the new entrepreneurial activities carried out in the five-star hotel bracket are linked to hotel chains. Moreover, a growing division between ownership and management is being witnessed, the latter often being entrusted to outside directors.

5.2 Retailing

We have already pointed out the dualism that exists between high-end trade predominantly linked to resident influxes and low-end trade drawn by commuter tourism. This overlapping has generated a certain friction also between the merchants' and hotel associations and between representatives of the two trade groups (the high and the low segments). The critical point is obviously ascribable to the role and weight that commuter tourism must have inside the citadel. Accommodation facility operators are proposing a restriction through opportune curtailment systems. To the contrary, the low-end trade operators stress the importance of commuter tourism and the size of the generated allied industries, which tend to above all support Taormina commercial entrepreneurs. As regards the potential problems of coexistence of the segments, there is a tendency to minimize the risk since the high-end customers tend to spend a lot of time in the hotel and, in any case, haunt completely different places, shops and restaurants.

6. NEW PRODUCT DEVELOPMENT

The development of new products is inserted into three types of activity: i) the creation of tourist offers, i.e. packages studied to reach specific customer targets or to deseasonalize the presences in certain time spans; ii) the organization of events that are mainly cultural in nature (theater, music, cinema and variety); and iii) the development of new forms of tourism.

6.1 Tourist offers

The resort records poor dynamism on the tourist offer front, even in consideration of the modest financial resources available to AAST. On the other hand, a flurry in the commercial management carried out by the individual accommodation facilities is noted. However, we have recently witnessed an attempt to create packages on a

destination level revolving around long seasonality and particular products, with a precise tourist aim.

One first initiative was a golf-ski package. The idea was born in collaboration with the Picciolo Golf Club and with the Etna lifts[19]. The package envisages special hotel rates and issue of the "Sicily Golf Card", which pay the green fee with a 20% discount plus gain access to a series of facilities. The package, which lasts five days, also includes three days of playing at the Picciolo Golf Club and two days of skiing on the slopes of Etna. The contrast between the services offered (golf, sea and snow), and the charm of destination of Sicily and Taormina in particular, have attracted the interest of many enthusiasts, assessed at 13-14,000 people[20]. The initiative received international recognition in Orlando because of its originality.

Another initiative is linked to the creation of a package centered on the main cultural event the city organizes: the Taormina FilmFestival (see the next section). AAST, the Taormina Art Committee and four local travel agencies developed the package. In terms of services, the initiative offers special rates arranged with the accommodation facilities, admission tickets to the various events and other services of tourists' interest. The period of use runs from June 20 to September 9.

6.2 Cultural events

The major events the city organizes can be summed up this way: i) film events, ii) musical events, iii) theatrical events, and iv) fashion-related events.

Taormina Filmfest is a film show now at its 47th edition and that is acquiring growing international renown. Felice Laudadio has managed the festival since 1997[21]. The 2001 program took place in the Greek Theater from June 29 to July 7. The film festival starts with the Silver Ribbons awarded by the National Union of Italian Journalists and Film Makers and closes with a concert given by Miriam Makeba. The 2001 program was completely centered on English-speaking films ("made in English") and therefore of enormous interest for the city's cosmopolitan public. The entire program took place inside the Greek Theater and in the halls of the Convention Building. The film festival is no longer competitive since 2000.

The *musical events* revolve around big names of pop and classical music (to cite only a few: Bob Dylan, Makeba, José Carreras, Segundo, and Baglioni). These big events tend to be concentrated at the end of July when the resort normally has unused capacity, even though it has high occupation rates[22]. Taormina also hosts Festival Bar, a traditional summertime singing engagement, which in 2001 was broken down into three prestigious stages: Taormina, Rome and Pompei.

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[19] Remember that Mt. Etna exceeds 3,400 meters in height and this allows skiing to be practiced. The area is equipped with a cable car and a series of T-bar lifts, in addition to special motor vehicles that allow skiers to go on excursions near the areas at the top of Europe's tallest volcano.

[20] "The package was organized within a very short time, but the market's response was exhilarating. One of the aspects that struck the participants most is the contrast between the various attractions we can offer" (AAST director).

[21] Remember that the director's resume includes appointments of primary importance: director of the Festival of Venice, of the Europe Cinema Festival and chairman of Cinecittà Holding.

[22] "The bulk of the cultural events organized by Taormina Art are concentrated in the month of July since our city has some unused accommodation capacity" (Taormina Art Committee secretary general).

The *theatrical events* number a variety of engagements typically devoted to a domestic audience. Very famous actors are involved in this case as well. By way of example, the artistic director for the 2001 edition was Albertazzi.

As regards *events* linked to *fashion*, it must be mentioned that the traditional "Moda Mare" appointment hosted in the past by Positano took place in Taormina in 2001. The fashion show was broadcast live by the Mediaset networks and had a large national audience with international highlights. Organization of this event reflects the good relationships existing between the AAST and the Hotel Associations. In fact, Taormina needed 50 VIP rooms free of charge in order to hold the event. The association was contacted, and several accommodation facility operators undertook to host the show's staff at their own expense[23].

The city's cultural activity also avails itself of the contribution given by the private entrepreneurs, among which Tout Va should be mentioned. As it is completely private, it must necessarily reach the breakeven point on the individual events it carries out by more or less completely saturating the 5-6,000 seats at the Greek Theater[24].

The evaluation of the work done overall on the cultural plane is positively assessed by many operators, above all the greater attention to the numbers and tourist repercussions. This was possible by directing production towards high-level events that are however able to draw the interest of a wider audience. In the past, the production in fact tended to address market niches. The greater exploitation of the Greek Theater, instead of the Convention Building, also considerably contributed to increasing the organizers' interest in Taormina. In order to further strengthen the tourist repercussions, it has however become necessary to schedule the production farther in advance so as to make the commercial spin-offs easier[25].

The analysis performed allows several considerations concerning the main aims that the events imply to be made:

- ✓ The events are intended to help identify Taormina more as a cultural city than as a seaside resort;
- ✓ The events must generate spin-offs on the hotel business and thereby on all the allied industries, and identify an evolved tourist interested in art and culture and equipped with a good spending capacity as a potential target[26];
- ✓ Scheduling is centered on a small number of large events having large media impact and national interest;

[23] "It was necessary to make 50 VIP rooms available to the staff in order to organize the event in Taormina. It is clear that, like AAST, we would have found ourselves in enormous difficulty in taking this cost upon ourselves. So we asked the hotel association for a contribution and received significant response. So 'Moda Mare' will take place here this year instead of in Positano" (AAST director).

[24] "Our approach to cultural programming is by necessity very different than that of the Taormina Art Committee, since we do not receive any form of outside economic support. Reaching the breakeven point requires us to almost completely saturate the Greek Theater. It is very difficult for us to have access to this monument, and in any case it is very costly. The Greek Theater has a backdrop that is so filled with atmosphere that it makes engaging the artists and the event's success easy" (Tout Va manager).

[25] "The development marked by the city's cultural production is undeniable. Nonetheless, the repercussions on the accommodation facilities are still limited since we do not have a final calendar with due advance notice available. So it proves difficult for us to properly exploit these attractions" (Hotel Association chairman).

[26] "It is important for Taormina to become more and more popular with a mixed target of young people and adults aged 25 to 50, who are interested in culture, travel, cinema and theater of the medium-high economic-social class" (Taormina Art Press Conference, Hotel Timeo, p. 3).

- ✓ The development of solid relationships between the Taormina Art Committee and the Cultural Assets Office has allowed the Greek Theater to be used for the various events, as it is the ideal venue. This ensures a charming backdrop that often satisfies the visitor on its own. On the other hand, use of the Theater often allows maintenance activities to be performed often, and this actively contributes to its state of preservation and enjoyment of the monument[27].

6.3 From one type of tourism to many

The wide variety of attractions that characterizes Taormina, and in particular its climate, make it permeable to forms of tourism that are alternatives to seaside tourism. One particularly important segment is convention tourism that, indeed, holds a weight that although it is not leading, is certainly not marginal, despite the limitations of the Convention Building[28]. The potentials of convention tourism are also heightened by Taormina's proximity to the Catania airport and by the resort's international and cosmopolitan image.

7. PROMOTIONAL STRATEGY

The promotional strategy is tangibly implemented in a set of instruments conceived for developing specific segments, for consolidating the time influxes, and for coming up with new methods for communicating and marketing the destination's supply. Besides this operative marketing activity, it is however important to single out the strategic marketing's guidelines. They depict the basic coordinates that then give concrete implementation to the promotional strategy itself.

7.1 Strategic marketing

The goals of strategic marketing are obviously in line with the resort's goals identified in section 2, and in particular with the attempt to characterize Taormina's image as not only a seaside resort, but also as a city of art[29] and with the presence deseasonalization process. A third goal is added to this list, and that is to identify in the air carriers a subject of primary importance for encouraging true marketing of the Taormina resort.

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[27] "The relationships that link the Taormina Art Committee and the [Cultural Assets] Office are oriented toward a long-term collaboration. The organization of cultural events often allows small routine maintenance activities to be carried out. For example, in concomitance with the cultural events, we see to pulling out the weeks and thus contribute to making the theater itself more hospitable" (Taormina Art Committee secretary general).

[28] "Approximately 15% of the resort's total presences are generated by convention tourism. This portion avails itself more of the private facilities within the four- and five-star hotel bracket" (AAST director).

[29] "Elite tourism was not chiefly attracted by either Taormina's sea or sun. In fact, the aristocracy boasted of its light complexion and it was not by chance that the railroad line, built at the turn of the century, goes along the coast, quite close to the beaches. I believe that still today the asset we should be focusing on is not the sea, but rather culture, our enormous asset. Egypt is one destination that is meeting with enormous success, and certainly not only because it offers the sea, but because it documents an incredibly fascinating historical period with its monuments. So I ask myself what Sicily's potentials could be, since it boasts of an artistic patrimony that embraces 3000 years of history" (Grand Hotel Timeo director).

Still on the subject of strategic marketing, it is important to outline a few elements at the heart of the communications philosophy shared by the local development managers, which can be summed up this way: i) few highly effective communications, ii) precise reference target, iii) clear tourist aims, iv) evaluation of the effectiveness, and v) orientation toward the foreign markets.

7.2 Operative marketing

Taormina's promotional strategy is linked to the joint course of action of the AAST and the Taormina Art Committee, the main activities of which can be summarized as follows: i) activities aimed at specific markets, ii) a price list, iii) promo-marketing, iv) printing and circulation of informative material, v) an Internet site, vi) participation in trade fairs, vii) PR activities, viii) tailor-made promotional channels, and ix) the Taormina trademark.

The primary marketing activity of AAST's entrepreneurial and financial energies is the plan of investments predominantly made in the German and American markets in order to build presences during the low season periods. These are activities carried out in close collaboration with the air carriers, while always trying to create the conditions required so that the airlines are able to make high enough load factors that will justify maintaining or developing the course to Catania.

The *price list* is drawn up directly by the Taormina Hotel Association and in addition to giving information about the hotels, it provides news and attractions in the city. Although it is embellished with many color photographs, this tool does not reflect the resort's image. The descriptive portions also tend to be very heavy, and thus often discourage the reader. Lastly, the detailed information about the hotels supplied with photographs of their façades is placed on the last page, compared with a very thick list placed on the first page. Also economic information is lacking, and therefore the potential customer who may want to make comparisons would be forced to contact the individual accommodation facilities.

The *promo-marketing activities* are in fact unknown entities owing to the limitations of the tourist regulations, which exclude the marketing of tourist products from AAST's provinces.

The *printing and circulation of informative material* above all includes management of the requests put forward by the customers already present at the tourist resort. As was previously stated, the entity of the excursionist influxes makes this demand take on a considerable quantitative importance. In order to respond punctually and with a cost compatible with AAST's resources, a front/back map was made where the monuments of historic interest and eight sightseeing itineraries are given, and they are described in detail on the back. The peculiarity of this tool is that it is printed in blocks with a very low unit cost compared with traditional brochures.

The *Internet site* can depict a particularly effective tool in managing customer relationships, especially for customizing replies (also in terms of services) to the specific needs of the interlocutors. This awareness however clashes with a restricted development of this tool. In fact, the sites www.taormina.it and www.taormina-arte.com are characterized more as shop windows where information can be gained than as an interactive multimedia area.

AAST normally takes part in trade fairs in collaboration with the Taormina Art Committee and the Municipal Councilman's Office. The appointments currently attended are limited in number and regard the major markets (Milan, Rome, Berlin and

London). Taormina was also recently introduced to the cities of art fair held in Ferrara to strengthen its image as a historical-cultural city. The loss of interest that many operators have had for individual tourist destinations has however led AAST management to set up targeted workshops for tourism operators.

The *PR* activity AAST carries out in close collaboration with the hotel association and several accommodation units is a particularly important operative marketing tool. The receivers are normally sales departments of prominent tour operators or airline companies, which are invited for a stay in Taormina free of charge[30]. The axis created between the various institutional parties and the accommodation facility operators has allowed important activities to be carried out with extremely modest costs. It is the operators' opinion that involvement of agency, airline and tour operator managers has given encouraging responses on the commercial level[31].

Then *tailor-made information channels* are organized to promote specific resort attractions. One interesting example of this is the communications campaign concerning the Taormina Filmfest and the 2001 theatrical and musical events. The AAST, in collaboration with the Taormina Art Committee, put together a communications campaign focused on the major national theaters (Rome, Milan, Ferrara, Turin, Naples and the chief provincial cities in Sicily). The Filmfest program is also presented in all the Italian multiplex movie theaters thanks to an agreement drawn up with the multiplex theaters, which did not result in any cost for the AAST.

As far as management of the *Taormina trademark* is concerned, neither specific registration nor, as a consequence, marketing activities were detected. Nonetheless, its long tourism tradition together with its competitive positioning increasingly make the name of the resort interesting.

8. INTERNAL MARKETING

The main internal marketing tools can be summed up this way:

- ✓ *Co-marketing and sponsorship activities:* this is a particularly important area of collaboration, contact and dialog between district management and entrepreneurs;
- ✓ *Press conferences*: in order to give maximum visibility to the major activities carried out, press conferences attended not only by operators and local institutions, but also by the press and outside interlocutors, are often set up inside the resort. The conferences, which are normally held at the chief accommodation facilities, therefore take on the twofold capacity of internal and external communications. As a chance for internal marketing, they help the following goals to be reached: i) give visibility to the course of action being taken, ii) foster dialog that can suggest concrete lines of action for maximizing

[30] "Even though AAST has a very meager budget, it tries in every way it can to promote our area, and often appeals to our hotelkeepers. And so I hosted the Air One [airline] sales department in my hotel. They are important initiatives because those who get to know us then help us, most of all because when he is talking with the customer he has who we are and what we offer in mind. This type of activity is often extended to the sales personnel of tour operators or large agencies, and the results are certainly positive" (Gran Hotel Mazzarò Sea Palace director).

[31] "Carrying out educational programs aimed at journalists and travel agency sales assistants that last seven days at the hotels marketed by the tour operators has proved to be a very important activity. Whoever experiences the product of our resort then handles it in a different way. We hosted 3,000 people in three-day shifts on the occasion of LTV's 50th anniversary" (Hotel Monte Tauro CEO).

the effectiveness or efficiency of the action, and iii) encourage full participation of the local moving forces;

- ✓ *Communication of the competitive results*: this is an activity handled directly by the AAST director and that is outlined in a report on the resort's local tourism. The tool's degree of detail and continuity make it particularly effective also for the accommodation facility operators;
- ✓ *Informal relationships*: the small size of the town, together with the stable weave of relationships that are normally established between the various tourism players, depict an important though hard to manage information channel.

9. TRAINING ACTIVITY

Depending on the receivers, the training activity can be usefully categorized in training directed at entrepreneurs and employees.

9.1 Training directed at entrepreneurs

Taormina's entrepreneurial class is rather heterogeneous under the professional profile, also in consideration of the complexity of the business managed, with its tradition and with its connection that more or less exists with economic groups (think of the hotel chains or business concerns that are part of a chain). The considerations that follow mainly refer to the accommodation business.

The customers' growing demand for quality and the sudden repositioning process of the city's supply fostered the birth and development of an entrepreneurial class for the most part prepared and qualified. This process was speeded up thanks to the entry of hotel chains and outside managers. However, improvised entrepreneurial profiles attracted by the sector's promising opportunities and often by the existence of family structures live side by side with these dynamics.

9.2 Training directed at employees

The progressive repositioning of the accommodation supply is intensifying the demand for professional training. The success of a facility is in fact based on a delicate and dynamic balance between facility and service. In this process, the prominence that human resources play is of primary importance, as above all the five-star hotel directors remind us. Faced with this importance, the first challenge for assuring high quality and continuous personnel training is tied to an additional lengthening of the tourist season so as to be able to initiate ongoing relationships between accommodation facilities and personnel. The recent opening of the Mediterranean Institute for Tourism and Training, in partnership with the renowned school in Geneva, slightly opens up another opportunity for encouraging the continuous learning of employees.

10. RESEARCH ACTIVITY

This has been poorly developed and denotes the "lack of a project culture," as several operators interviewed observed. This deficiency is above all evident in those public parties summoned in various capacities to design and manage tourist services.

11. THE STRATEGIC PROCESS: A CONCISE VIEW

11.1 The control mechanisms

The control mechanisms can be usefully split up into two large groups:

- ✓ Control mechanisms linked to utilization of the land;
- ✓ Control mechanisms linked to observance of the economic policies.

Issue of the permits relating to trade and accommodation activities typically fall within the instruments of the first group. The programming interventions of the trade activities, as was previously documented, bring out the absence of a precise strategy regarding the optimum relationship between resident hotel tourism and commuter tourism. In particular, an excessive issue of permits to hawkers and, more in general, to shops having poor qualitative content then fostered a permissive policy aimed at expanding commuter tourists. In parallel, a high-level trade section growth process is being detected. In a different way, interventions aimed at regulating accommodation activities show greater effectiveness and above all a clear underlying strategic decision: that of restricting the vacation home phenomenon and promoting progressive specialization of the hotel accommodation facilities toward a medium-high quality segment. The renovation processes that concerned the majority of the hotel facilities met with the support and backing of the municipal administration that, wherever possible, often allowed their volumes to be enlarged.

Various types of instruments having the purpose of translating the district's orientations into widespread practice among the individual operators, thus creating the premises for "implementing" the resolved strategy, fall within the second group. A large degree of awareness, above all on the part of accommodation facility operators, of the need to implement a unitary strategy within which the particular choices of the various tourist enterprises are changing is detected from this point of view.

The control mechanisms can be concisely defined as twofold. In fact, an uncertainty in developing the necessary support investments (tourist facilities and road conditions) and poor awareness of the levels commuter tourism has reached is detected in far-seeing interventions, above all as regards the accommodation activity (incentives for renovation and reclamation of abandoned facilities, introduction of constraints for building vacation homes).

11.2 The functioning of the dual model

The following conclusions can be drawn by analyzing the chief processes carried out over the course of the 1990's:

- ✓ *Public services*: even though the interventions made on the local road conditions front are notable, in this way preventing a collapse of traffic, the citadel's situation still remains chaotic. Certainly completion of the Excelsior parking lot and the opening of new traffic should further lighten traffic, in part solving the parking problem. Nevertheless, the underlying problem relating to defining a precise orientation regarding the balance to be built between resident and commuter tourism remains unsolved;
- ✓ *Private infrastructures*: these make up the fundamental pillar of the 1990's strategy and are a strongly leading factor in development of the qualitative level;

- ✓ *New product development*: this is an area characterized by poor dynamism but by great potential. The major problem to be solved pertains to overcoming the current regulation that prevents the promo-marketing activities to be carried out by the AAST. The strengthening of events, and above all of packages, could in fact permit the following: i) further reducing the seasonality so as to create premises for an expansion of the number of accommodation units open year round while also taking the allied trade industry in tow, and ii) further selecting the customer segments served, maximizing Taormina's exclusiveness and image (with consequent raising of the premium price);
- ✓ *Promotion*: the leading promotional activities build the "entrepreneurial" axis between metamanagement parties and hotel accommodation facility entrepreneurs. Even though the initiatives carried out have limited resources, they have obtained significant commercial returns, as the chief tourism indicators analyzed in section 11.5 document;
- ✓ *Support processes*: internal marketing activities, training and research show poor development.

11.3 Strong and weak points of the organizational model

The organizational model within which the strategic management of the Taormina resort borrows presents several *strong* points that can be traced back to the positive collaboration between the public and private sectors reached on several projects, to the progressive characterization of Taormina as a cultural city, and to the introduction of performance measures for evaluating interventions carried out on specific markets.

Beside these strong points, the organizational model also points out several *weak* elements that can be traced back to the high amount of centralism of the institutional model of the tourist bodies; to the risk of politicization; to the inadequate responsibility characterizing the public sphere, above all regarding decisions and results; to the slowness of interventions; to a mix of financial resources exclusively dependent on public capital; to the failure to develop promo-marketing activities; to the poor managerialization of the offices[32]; to the insufficient coordination with the district; and to the duplication of superordinate duties and activities[33].

11.3.1 The effectiveness conditions of the political-entrepreneurial model

The main background conditions that make the political-entrepreneurial model effective can be summed up as follows:

- ✓ *Uniqueness of the natural resources*: the mix of historical, cultural and climatic resources that Taormina enjoys quite easily substitute the chief infrastructural

[32] We don't so much want to express a negative opinion regarding the people currently presiding over the district management facilities as to indicate a possible weak point regarding future management. The nomination criteria, marked by political criteria, strongly curtail the possibility to managerialize the facilities.

[33] Even thought they have different aims and jurisdictions, the presence of two local tourism bodies (the AAST and the Taormina Art Committee) appears to be inadequate in proportion with the size of the local tourist influxes (equivalent to about one million presences) and with the numerous spheres of synergies that can be made.

limitations identified previously, above all in the public component[34]. This mix is able to make the resort interesting throughout the year and to thus be able to serve a set of segments and particularly broad types of tourism;

- ✓ *Resort image*: Taormina benefits from a particularly strong image on the domestic and international market;
- ✓ *Quality level of the hotel facilities*: the growing specialization of the hotel accommodation units along top segment structures of an average size allows many services missing in the destination's supply to be internalized, reducing the tourists' perception of a shortage;
- ✓ *Strong characterization of the various accommodation units*: the size of the accommodation facilities is on the one hand sufficiently small so as to prevent intense competition between the various units, but high enough (5,461 bedspace capacity in 2000) so as to require a significant stock of customers in order to guarantee good coverage of the productive capacity. Nonetheless, the high characterization that qualifies the mix of resources offered by the various hotels, above all in the five-star bracket, make internal competition not very intense, thus encouraging the dialog and collaboration of the various operators;
- ✓ *Development of promotion centered on large events*: the resort's strategy heavily rests on the organization of society events of high social and media impact that allow Taormina's cosmopolitan and exclusive image to be maintained and consolidated;
- ✓ *Cosmopolitan competitive positioning*: Taormina's traditional international trend, which was significantly sharpened over the 1990's, depicts an important strong point since it allows deseasonalization of the tourist influxes to be made "naturally" (see section 11.5 on this subject);
- ✓ *Importance of the hotel chains and top segment facilities*: the entrance of hotel chains and more generally the progressive qualitative growth of the supply tend to favor the presence of a managerial class that is more sensitive to the size of the destination and therefore to the need to actively take part in cooperative strategies;
- ✓ *Growth of outside entrepreneurs*: the number of managers and entrepreneurs coming from outside Taormina is growing, and this tends to soften natural rivalries and local parochialism, fostering dialog inside the resort and implementation of cooperative strategies;
- ✓ *Pressing town planning constraints*: its nature of being a city of art, which in actual fact characterizes a large part of the city and certainly the castled part, has been an particular effective tool for restricting building development not in compliance with Taormina's architecture;
- ✓ *Approach routes to the resort*: the resident customers tend to reach Taormina mainly by air, considerably cutting down on the number of cars linked to resident tourism. The growing supply of rental cars is however giving rise to a growing organized parking demand.

[34] "Sicily and Taormina in particular offer everything man desires, above all in terms of quality of life. Their colors, fragrances, welcome, history and culture make our guests forget the stress of modern life and put them at peace with the world. Whoever comes here forgets schedules after a few days. Taormina has the ability to reawaken new feelings. It often happens that is see couples with twenty or thirty years of marriage behind them that rediscover the pleasure of taking a walk holding hands or other signs of affection forgotten a long time ago" (Grand Hotel Timeo director).

11.3.2 The ineffectiveness conditions of the political-entrepreneurial model

The potential ineffectiveness conditions of the model can be summarized this way:

- ✓ *Excessive growth of the local accommodation supply*: one crucial point of the current working model is tied to an effective link that has been set up between accommodation facility operators and several members of the resort's tourist management. This balance was built on a broad-mindedness of the accommodation facility operators who, also thanks to the low level of internal competition, actively take part in the destination strategies. As has already been mentioned, a high segment accommodation supply growth process is under way, above all through the reclamation of a group of accommodation units that were abandoned in the past. If the accommodation capacity should alter the good balance between demand and supply that currently exists (as the occupation rates document), a growth of internal competition and greater focus on one's own entrepreneurial interests may occur, to the detriment of the district strategy;
- ✓ *Segment cannibalization*: the strong growth of commuter tourism tends to produce negative effects on top segment resident tourism. The lack of a precise district policy concerning regulation of the excursionist influxes and their strong growth drawn by Taormina's brand may lead to a difficult coexistence between elite customers and mass tourism.

11.4 The competitive results of the 1990's

The competitive results of the 1990's draw a positive picture both in quantitative terms – presences rose 48%, the average length of stay remained stable, and the degree of international overture grew again with a weight of foreigners higher than 75% - and in qualitative terms, with continuation of the influx deseasonalization process, growth of the four- and five-start facilities' contribution, and the accommodation mix remaining strongly tied to the hotel accommodation facilities.

11.4.1 Annual results

Analysis of the tables given in appendix I annual section allows us to draw the following conclusions:

- ✓ *Evolution of arrivals*: over the course of the 1990's, Taormina showed signs of enormous dynamism from the viewpoint of its attractions. The overall number of resident tourists arriving in the citadel grew by 51%, taking 1990 as the basis of reference. The overall data actually conceals a period of weakness tied to the '91-'93 three-year period that was distinguished by a domestic monetary policy marked by defense of the Italian lira's rate of exchange with the particularly high European currencies. Nevertheless, an analysis of this indicator on a domestic basis measures a drop of both Italian (-6% in 1993) and foreign (-11% again in 1993) customers. The 1993 leap (+23% compared to 1990 data) is certainly to be connected with Italy's exit from the European Monetary System and the consequent strong devaluation of the lira, and thus the increased competitiveness of Italian supply. It is not by chance that in 1994 domestic arrivals recorded a modest 4% whereas international arrivals rose by 40%;

- ✓ *Evolution of the average length of stay*: compared to the dramatic drop of average length of stay during the 1980's (-26% annually), considerable stability was noticed in the 1990's, with a slight decline of 2% for the decade. This data should actually be carefully read. The length of Italian customers' stays dropped by 3%, whereas that of the foreigners (representing 75% of total presences) fell off 13%. The positive final balance, marked by a draw, is justified precisely by the change of mix in terms of nationality. Growth of the foreign component, which on the average shows a higher length of stay than that of the Italians by about 2 days, makes the overall annual average remain substantially stable. Therefore, we can draw the conclusion that the resort was able to stabilize its average length of stay through new development of international arrivals, even in the presence of a negative trend of both segments;
- ✓ *Evolution of the presences*: since they are the product between arrivals and average length of stay, the presences present a positive evolution led by expansion of the arrivals. The time series in fact measures a total growth of 48%, with a positive trend except for the '91-'93 three-year period when a 22% drop was recorded, caused by a decline of domestic (-14%) and international presences (-26%). In 1994 the trend reversed thanks to the strong increase of foreigners (+38% compared to 1990 figures), which also continued over the years to come, to finally hit +73% in 2000;
- ✓ *Evolution of the degree of internationality*: as previously mentioned, over the course of the 1990's Taormina confirmed its cosmopolitan trait. The evolution of the international mix went from 51% in 1990 to 67% in 2000 in terms of arrivals, and from 66% to 77% in terms of presences. The importance of this evolution is to be looked for in a series of advantages that guarantees foreigners: a longer average length of stay, monthly distribution of the more homogeneous and however complementary presences compared to the monthly peaks of the Italians, and greater diversification of the customer portfolio;
- ✓ *Evolution of foreign tourists*: growth in the 1990's is entirely led by the international component. Annual arrivals grew by 51%, meaning approximately 88,000 units, compared to a 67% development of the international component, for a variation of approximately 86,000 arrivals. Annual presences show a positive variation of 48% in relative terms, and equivalent to approximately 340,000 units in absolute terms. Foreign presences rose by 73%, giving rise to growth in absolute terms equivalent to 341,000 presences. It has already been noted how the stability of the average length of stay is to be completely ascribed to the positive performance of the international component. We can therefore conclude that the entire growth process of the 1990's is hinged on Taormina's cosmopolitan vocation;
- ✓ *Evolution of Italian tourists*: the domestic component basically remained unaltered over the course of the 1990's. Arrivals grew by 3%, the average length of stay recorded a marginal decline of 3%, and presences remained stable in percentage terms while a small variation in absolute terms was recorded. The growth of foreigners therefore did not generate any "crowding out" effect on domestic customers, which is confirmed as an important "ceiling";
- ✓ *Evolution of the accommodation mix*: analysis of the accommodation mix is restricted to taking into consideration the evolution of the hotel and non-hotel presences. On the whole, the non-hotel section shows clear signs of weakness.

Its presences in fact measured a 29% drop during the 1990's, after having touched a record fall of 38% in 1995. The chief causes are to be found in the negative evolution of Italian presences (-53%) and to a lesser degree of foreign presences (-12%). Implications on the mix between Italian and foreign presences are appreciable and make the weight of international tourists increase in significant measure, representing 73% of the total non-hotel presences in 2000. Based on the official data, the picture appears troubling, above all if put in comparison with the extremely positive data of the hotel section. The percentage weight of non-hotel presences on the total accommodation sector at this point appears negligible; in fact it is equivalent to 2% in 2000. The time series therefore suggests the advisability of identifying a district strategy that is more attentive to the problems and requirements of this form of supply;

- ✓ *Evolution of the accommodation mix in terms of stars*: the breakdown of presences into three hotel category classes representing the 4- and 5-star hotels, the 3-star facilities, and the 1- and 2-star hotels clearly shows how also a qualitative growth flanked the quantitative growth of presences over the course of the 1990's. This assertion is supported in two schemes of considerations. On the one hand, the percentage distribution clearly shows how the percentage weight of presences in the 4- and 5-star segment in 2000 totals 47%. On the other hand, the time series shows how the increased percentage development is always linked to the highest segment, which jumped from 40% (1990) to 47% (2000). Evolution of the presences of the 3-star facilities also shows positive development, rising from 34% (1990) to 36% (2000). Lastly, evolution of the 1- and 2-star hotels shows a significant drop, falling from 26% (1990) to 16% (2000). It is interesting to note how particular differences are not perceived when breaking down the analysis by nationality. The composition of the Italians in the high segment rose from 41% in 1990 to 48% in 2000, and foreigners leaped from 39% (1990) to 47% (2000). In the middle segment, Italians grew from 32% in 1990 to 36% in 2000, and foreigners went from 35% to 37%. Italians showed a decline in the lowest segment by dropping from 26% to 160%, exactly like the foreigners;
- ✓ *Evolution of the 4- and 5-star facilities*: development of presences in the high segment is linked to the positive combination of growth of arrivals (+67%) and average length of stay (+5%). The implications on the presences are significant, recording a 75% growth for the decade. In terms of mix, growth is carried forward by international tourist in a large part, which indeed brought about 77% of total presences in 2000, versus 66% in 1990. In terms of occupation rate[35], the section shows great dynamism, rising from 48% to 72%. In terms of bedspace, the top bracket recorded overall growth of 17%, going from 2,180 beds (1990) to 2,550 (2000);
- ✓ *Evolution of the 3-star facilities*: also the three-star section shows a significant improvement in the main tourist indicators. Presences rose by 58%, arrivals by 72%, and the average length of stay recorded a small drop of 8%. In terms of mix, a significant growth of international customers is noted, growing by 114% in terms of arrivals and by 79% in terms of presences. The international contribution to the creation of total hotel presences jumped from 68% in 1990 to

[35] The occupation rates were calculated referring to a nine-month season (270 days).

77% in 2000. It is interesting to note how resident tourists on the average represent the foreign customer segment. In fact, the average length of stay is equivalent to 6 days in 1990 and 5.1 days in 2000. Evolution of the occupation rate shows even higher percentages of the top section, and in particular saturation of the productive capacity rose from 58% in 1990 to 85% in 2000. In terms of bedspace, the middle bracket recorded a 9% growth, increasing from 1,548 units (1990) to 1,680 (2000);

- ✓ *Evolution of the 1- and 2-star facilities*: evolution of the 1- and 2-star segment shows signs of weakness, even if scaled down during the last year. Arrivals in fact dropped by 5%, however hitting much larger falls in previous years (-33% in '93, -19% in '97 and in '99). Also the average length of stay shows negative two-digit values until 1996, and then they realign with the starting values. On the whole, presences recorded a 7% drop, compared however with an 11% increase of foreigners and a 32% decline of Italians. It is nevertheless proper to integrate this analysis by taking into consideration the occupation rate and evolution of the amount of bedspace. The occupation rate recorded overall growth, rising from 44% in 1990 to 51% in 2000. The final data is considerably less than the 3-star section (85%) and the 4- and 5-star section (72%). Evolution of the bedspace instead shows a marked decline equivalent to 9%, falling from 1,541 units in 1990 to 1,231 in 2000. We can therefore conclude that the drop of the tourist indicators is to be ascribed more to the decline of the accommodation facilities and not to a crisis in the strict sense of the term inasmuch as the occupation rate analysis shows greater weakness in the low section;
- ✓ *Evolution of the annual occupation rate*: the degree of annual saturation of the accommodation capacity[36] suffered a sharp decline during the 1980's, falling from 60% to 50% (-17%). The drop continued during the early 1990's and bottomed out in 1992 (37%, meaning –38% compared to the 1980 value), to then record progressive growth. The final value of 71% records a percentage increase of 19% compared to the 1980 value and 60% compared to 1990.

11.4.2 Summer results

The existence of a ten-year long time series on a monthly basis allows us to go into detail on the seasonalities. In going back to the methodological information supplied by the AAST, a summer season comprising the months going from April to October was defined, while the remaining months were allocated to the winter season. This choice justifies itself, considering the resort's exceptional climate, which is still mild in the month of October and already warm and welcoming in April. With this premise, the analysis of the summer influxes lets us draw the following considerations:

- ✓ *Summer vocation*: the weight of the summer season generates 86% of the total hotel presences. The entity of the data is to be connected with the resort's natural summer vocation and with the number of months that define the length of the summer season, which totals seven months;
- ✓ *Evolution of the main tourist indicators*: the strong identification between summer tourism and annual tourism allows us to extend a portion of the trends previously described to the summer season. Here we would like to call attention to a few parameters. As regards the average length of stay, a value higher than

[36] A nine-month (270 days) length of season was considered in this case as well.

the annual average is recorded. It documents a longer length of vacations during the summer period compared to the winter. The growth rates of the arrivals and of the presences follow the annual trend, whereas the mix of presences by nationality denotes an even more marked pre-eminence of the international customers (79%);

- ✓ *Evolution of the seasonality*: the analysis of presences on a monthly basis documents how the average summer growth of presences, equivalent to 47%, is distributed fairly homogeneously over the seven months. The month that shows the greatest weakness is August, and this trend is certainly to be emphasized with the growth of foreign presences that tend to favor the other months of the year, particularly May and September. The graphic analysis on a monthly basis clearly shows the more homogeneous distribution of international presences and the high complementarity between foreign and domestic tourism. Note that in 2000 five out of seven months, making up 100, summer presences give values of 14, whereas the month of August shows a ratio of 17 and September 16. So we can conclude that the distribution is almost perfectly homogeneous and reflects the careful segmentation work done by local management[37];
- ✓ *Evolution of the occupation rate*: the time series shows high growth of the accommodation capacity's degree of saturation[38], which jumped from 56% in 1990 to 79% in 2000. The most manifest data is however depicted by the homogeneity that stands out when breaking this parameter down onto a monthly basis. In 2000 a fluctuating gross occupation rate between 72% and 79% is seen in the months of April, May, June and July[39], whereas this ratio rises to 92% and 88% in the months of August and September, respectively.

The competitive results on the whole draw a decidedly positive picture not only under the quantitative profile, but also and above all on the qualitative profile (degree of international spread, monthly distribution of the presences and solidity of the results attained).

11.4.3 Winter results

Analysis of the winter tourist influxes allows us to draw the following conclusions:

- ✓ *Evolution of the arrivals*: although it plays a fairly marginal role in terms of months (five) and above all of tourist attractions, the winter season denotes an extraordinary development of arrivals by increasing from 33,000 to approximately 50,000 units, almost exclusively taken in tow by foreign tourists (+121%);

[37] It is in fact noticed that Italian customers are highly concentrated in August, and so a limited number of foreigners follows. In a different way, international customers stay in Taormina from May until October, when domestic presences are extremely limited. This play of segments allows an overall summer distribution almost perfectly distributed on a monthly basis to be formed.

[38] Reference is made to a gross occupation rate that solicits a 7-month (210 days) length of summer season.

[39] July's occupation rate settled in at 75% in 2000 and presents an evolution assimilable to the months of April, May, June and October. This data questions the advisability of concentrating the big cultural events in the month of July, and in particular during the second half of the month. The quantitative data instead suggest moving the programming to the winter months, when the resort's productive capacity has lower saturation ratios.

- ✓ *Evolution of the average length of stay*: their short stays, equivalent to 3 days, characterize winter customers, even though the overall data denotes a slight but significant growth (+10%). This trend is above all linked to the variation of mix that was recorded over the 1990's to the benefit of the international customers, who show a higher length of stay than Italian tourists by about 1.5 days;
- ✓ *Evolution of presences*: the growth of winter presences is 64%, and was brought forth by the strong development of international influxes that grew by 122%, in comparison with a faint +4% growth of domestic customers;
- ✓ *Evolution of the international mix*: the winter season was characterized at the start of the 1990's by an almost joint weight between Italian and foreign customers. Domestic tourists reached 56% in the early 1990's to then be again surpassed by the foreign influxes that came in at 69% in the 1999-2000 season;
- ✓ *Evolution of the monthly presences*: growth of the winter influxes presents strong mismatches on the monthly basis: the month of November indeed recorded a 179% increase to then be followed by a modest +11% growth in December;
- ✓ *Evolution of the monthly concentration*: analysis of the monthly presences reflects significant concentration in the months of March (37%) and November (25%); the months of December and February (14%) and January (11%) follow at a considerable distance;
- ✓ *Occupation rates*: the decline that the presences registered is reflected in the occupation rates. In general, the rates are rather small and hit the 30% mark only in the case of the month of March.

Figure 3. Taormina's competitive results (1990-00).

Annual data	
OS: +48%	% weight of Italians: 23% (00), 34% (90)
A: +51%	% weight of Foreigners: 77% (00), 66% (90)
LS: -2% (4.0 days)	% weight of 4-5 star: 47% (00), 40% (90)
% weight of hotellerie: 94% (00), 94% (90)	% weight of 3 star: 36% (00), 34% (90)
% weight of parahotellerie: 6% (00), 6% (90)	% weight of 1-2 star: 16% (00), 26% (90)
Winter season	**Summer season**
LS 2000: 2,9 days (1990: 2,6 days)	LS 2000: 4,3 days (1990: 4,5 days)
% weight of winter season: 12% (90), 13% (00)	% weight of summer season: 87% (90), 86% (00)
OS: +64%	OS: +47%
A: +50%	A: +52%
LS: +10%	LS: -4%
Foreigners	**Foreigners**
% weight of Foreigners 51% (90), 69% (00)	% weight of Foreigners 68% (90), 79% (00)
OS: +122%	OS: +69%
A: +121%	A: +94%
LS: 0% (OS 2000: 3,4 days)	LS: -13% (OS 2000: 5,0 days)
Italians	**Italians**
% weight of Italians: 49% (90), 31% (00)	% weight of Italians: 32% (90), 21% (00)
OS: +4	OS: -1%
A: +3%	A: +3%
LS: +1% (OS 2000: 2,1 days)	LS: -4% (OS 2000: 3,0 days)
Legend: OS (Overnight Stays), A (arrivals), LS (Length of Stays)	

Source: Own analysis of AAST 's data.

12. APPENDIX I – ACCOMMODATION STRUCTURE

12.1 Evolution of the hotel accommodations

Figure 4. Evolution of the hotel bedspace, classified by stars.

	85	86	87	88	89	**Δ 89/85**	90	91	92	93	94	95	96	97	98	99	00	**Δ 00/90**
4-5 stars																		
beds	1.741	1.741	1.741	1.741	2.082	**20%**	2.180	2.180	2.400	2.400	2.400	2.265	2.308	2.370	2.450	2.535	2.550	**17%**
%	33%	33%	33%	34%	40%	**-**	41%	41%	44%	43%	45%	46%	45%	45%	46%	47%	47%	-
hotels	11	11	11	11	14	**27%**	15	15	16	16	16	15	15	16	17	18	18	**20%**
beds/hotels	158	158	158	158	149	**-6%**	145	145	150	150	150	151	154	148	144	141	142	**-3%**
3 stars																		
beds	1.588	1.588	1.711	1.938	1.467	**-8%**	1.548	1.495	1.582	1.625	1.625	1.497	1.599	1.619	1.671	1.645	1.680	**9%**
%	30%	30%	32%	37%	28%	**-**	29%	28%	29%	29%	30%	30%	31%	31%	31%	30%	31%	**-**
hotels	20	20	22	24	19	**-5%**	20	20	21	22	22	21	22	22	23	22	23	**15%**
beds/hotels	79	79	78	81	77	**-3%**	77	75	75	74	74	71	73	74	73	75	73	**-6%**
1-2 stars																		
beds	1.933	1.892	1.849	1.509	1.632	**-16%**	1.541	1.583	1.481	1.499	1.355	1.190	1.266	1.272	1.222	1.243	1.231	**-20%**
%	37%	36%	35%	29%	31%	**-**	29%	30%	27%	27%	25%	24%	24%	24%	23%	23%	23%	**-**
hotels	67	62	62	54	54	**-19%**	51	51	47	47	45	40	40	40	38	38	38	**-25%**
beds/hotels	29	31	30	28	30	**5%**	30	31	32	32	30	30	32	32	32	33	32	**12%**
Total																		
beds	**5.262**	**5.221**	**5.301**	**5.188**	**5.181**	**-2%**	**5.269**	**5.258**	**5.463**	**5.524**	**5.380**	**4.952**	**5.173**	**5.261**	**5.343**	**5.423**	**5.461**	**3,64%**
%	**100%**	**100%**	**100%**	**100%**	**100%**	**-**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**-**
hotels	**98**	**93**	**95**	**89**	**87**	**-11%**	**86**	**86**	**84**	**85**	**83**	**76**	**77**	**78**	**78**	**78**	**79**	**-8%**
beds/hotels	**54**	**56**	**56**	**58**	**60**	**11%**	**61**	**61**	**65**	**65**	**65**	**65**	**67**	**67**	**69**	**70**	**69**	**13%**

Source: Own analysis of AAST's data.

12.2 Annual tourism data

Figure 5. Evolution of Italian and foreign annual overnight stays.

Years	Overnight stays										
	Italians				Foreigners				Total		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	164.594	100		20%	660.153	100		80%	824.747	100	
1981	182.466	111		28%	478.232	72		72%	660.698	80	
1982	198.045	120		24%	634.138	96		76%	832.183	101	
1983	158.782	96		23%	533.757	81		77%	692.539	84	
1984	160.745	98		24%	507.911	77		76%	668.656	81	
1985	191.809	117		29%	477.909	72		71%	669.718	81	
1986	210.886	128		32%	442.818	67		68%	653.704	79	
1987	232.698	141		33%	481.706	73		67%	714.404	87	
1988	237.008	144		32%	509.363	77		68%	746.371	90	
1989	269.519	164		37%	464.495	70		63%	734.014	89	
1990	242.381	147	100	34%	469.371	71	100	66%	711.752	86	100
1991	217.442	132	90	34%	417.461	63	89	66%	634.903	77	89
1992	188.585	115	78	35%	355.565	54	76	65%	544.150	66	76
1993	208.103	126	86	38%	345.774	52	74	62%	553.877	67	78
1994	232.850	141	96	31%	526.646	80	112	69%	759.496	92	107
1995	218.086	132	90	28%	570.352	86	122	72%	788.438	96	111
1996	210.147	128	87	24%	660.979	100	141	76%	871.126	106	122
1997	209.174	127	86	24%	656.270	99	140	76%	865.444	105	122
1998	215.032	131	89	24%	684.519	104	146	76%	899.551	109	126
1999	213.046	129	88	23%	710.801	108	151	77%	923.847	112	130
2000	241.187	147	100	23%	810.907	123	173	77%	1.052.094	128	148

Source: Own analysis of AAST's data.

Figure 6. Evolution of Italian and foreign annual arrivals.

	Arrivals										
Years	**Italians**				**Foreigners**				**Total**		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	48.010	100		34%	93.276	100		66%	141.286	100	
1981	59.412	124		45%	73.185	78		55%	132.597	94	
1982	57.698	120		38%	94.705	102		62%	152.403	108	
1983	50.188	105		38%	80.876	87		62%	131.064	93	
1984	51.880	108		39%	82.335	88		61%	134.215	95	
1985	60.610	126		41%	86.385	93		59%	146.995	104	
1986	67.975	142		47%	76.730	82		53%	144.705	102	
1987	70.946	148		44%	89.045	95		56%	159.991	113	
1988	75.660	158		46%	88.238	95		54%	163.898	116	
1989	85.075	177		49%	88.569	95		51%	173.644	123	
1990	84.703	176	100	49%	87.670	94	100	51%	172.373	122	100
1991	76.136	159	90	50%	77.397	83	88	50%	153.533	109	89
1992	74.805	156	88	50%	73.969	79	84	50%	148.774	105	86
1993	79.954	167	94	52%	74.212	80	85	48%	154.166	109	89
1994	83.147	173	98	43%	109.963	118	125	57%	193.110	137	112
1995	78.436	163	93	40%	118.256	127	135	60%	196.692	139	114
1996	77.083	161	91	37%	131.704	141	150	63%	208.787	148	121
1997	79.235	165	94	37%	132.211	142	151	63%	211.446	150	123
1998	81.403	170	96	37%	141.050	151	161	63%	222.453	157	129
1999	80.690	168	95	36%	146.039	157	167	64%	226.729	160	132
2000	86.916	181	103	33%	173.352	186	198	67%	260.268	184	151

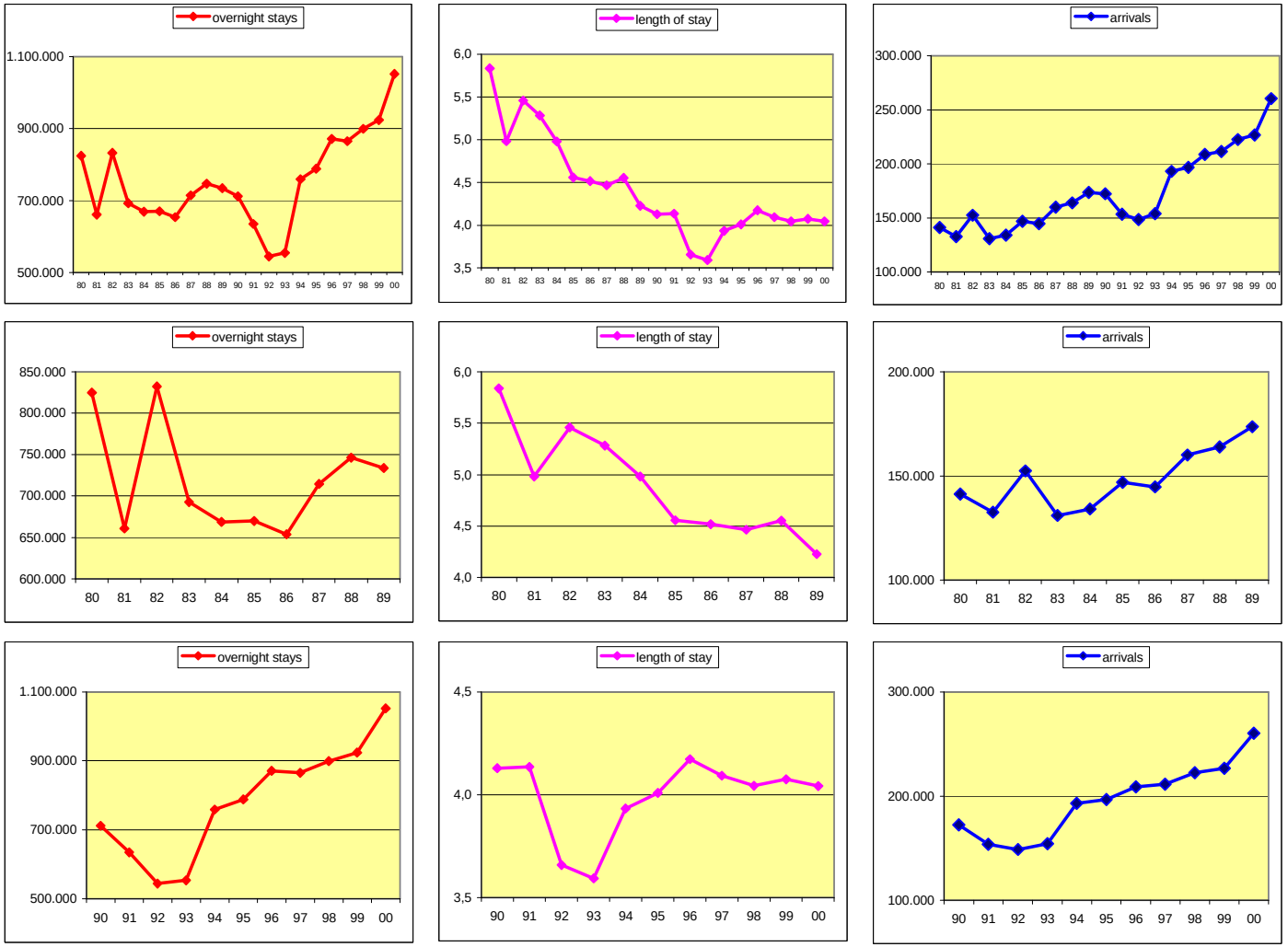
Source: Own analysis of AAST's data.

Figure 7. Evolution of Italian and foreign annual length of stays.

	Length of stay										
Years	**Italians**				**Foreigners**				**Total**		
	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)	% (total)	number	% (1980)	% (1990)
1980	3,4	100		59%	7,1	100		121%	5,8	100	
1981	3,1	90		62%	6,5	92		131%	5,0	85	
1982	3,4	100		63%	6,7	95		123%	5,5	94	
1983	3,2	92		60%	6,6	93		125%	5,3	91	
1984	3,1	90		62%	6,2	87		124%	5,0	85	
1985	3,2	92		69%	5,5	78		121%	4,6	78	
1986	3,1	90		69%	5,8	82		128%	4,5	77	
1987	3,3	96		73%	5,4	76		121%	4,5	76	
1988	3,1	91		69%	5,8	82		127%	4,6	78	
1989	3,2	92		75%	5,2	74		124%	4,2	72	
1990	2,9	83	100	69%	5,4	76	100	130%	4,1	71	100
1991	2,9	83	100	69%	5,4	76	101	130%	4,1	71	100
1992	2,5	74	88	69%	4,8	68	90	131%	3,7	63	89
1993	2,6	76	91	72%	4,7	66	87	130%	3,6	62	87
1994	2,8	82	98	71%	4,8	68	89	122%	3,9	67	95
1995	2,8	81	97	69%	4,8	68	90	120%	4,0	69	97
1996	2,7	80	95	65%	5,0	71	94	120%	4,2	71	101
1997	2,6	77	92	64%	5,0	70	93	121%	4,1	70	99
1998	2,6	77	92	65%	4,9	69	91	120%	4,0	69	98
1999	2,6	77	92	65%	4,9	69	91	119%	4,1	70	99
2000	2,8	81	97	69%	4,7	66	87	116%	4,0	69	98

Source: Own analysis of AAST's data.

Figure 8. Summary's annual tourism data.

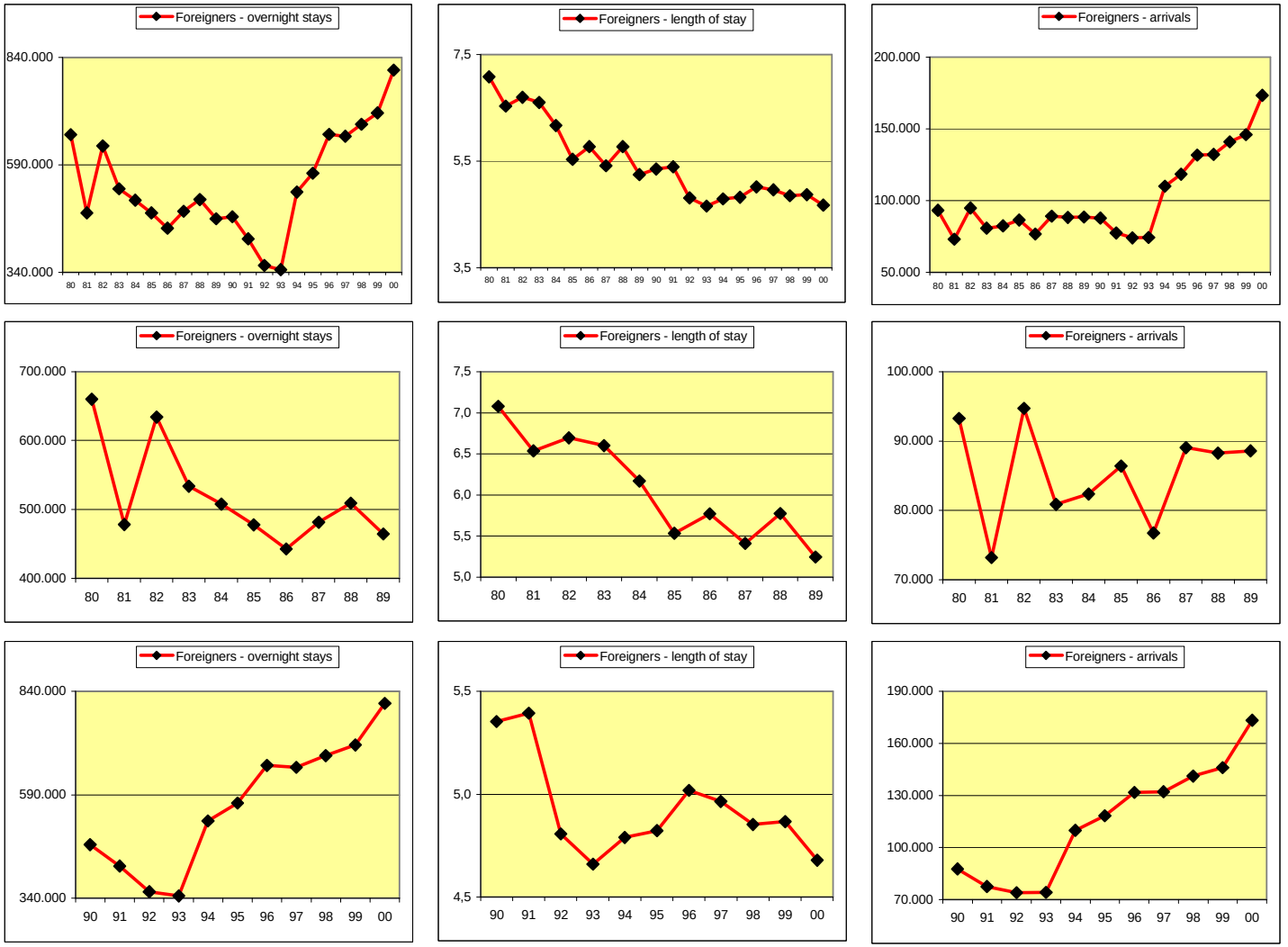


Source: Own analysis of AAST's data.

Figure 9. Summary's annual tourism data - Italians.

Source: Own analysis of AAST's data.

Figure 10. Summary's annual tourism data - Foreigners.



Source: Own analysis of AAST's data.

Figure 11. Evolution of overnight stays – Hotellerie and Parahotellerie.

	Hotellerie - overnight stays								Parahotellerie - overnight stays							
Years	Italians	% (1990)	% (total)	Foreigners	% (1990)	% (total)	Total	% (1990)	Italians	% (1990)	% (total)	Foreigners	% (1990)	% (total)	Total	% (total)
1980	164.594	100	20%	660.153	100	80%	**824.747**	**100**	34.551	100	71%	13.852	100	29%	**48.403**	**100**
1981	182.466	111	28%	478.232	72	72%	**660.698**	**80**	27.591	80	63%	15.872	115	37%	**43.463**	**90**
1982	198.045	120	24%	634.138	96	76%	**832.183**	**101**	32.570	94	67%	16.209	117	33%	**48.779**	**101**
1983	158.782	96	23%	533.757	81	77%	**692.539**	**84**	24.814	72	63%	14.560	105	37%	**39.374**	**81**
1984	160.745	98	24%	507.911	77	76%	**668.656**	**81**	25.051	73	63%	14.514	105	37%	**39.565**	**82**
1985	191.809	117	29%	477.909	72	71%	**669.718**	**81**	24.304	70	62%	15.136	109	38%	**39.440**	**81**
1986	210.886	128	32%	442.818	67	68%	**653.704**	**79**	20.987	61	62%	12.980	94	38%	**33.967**	**70**
1987	232.698	141	33%	481.706	73	67%	**714.404**	**87**	23.496	68	58%	16.744	121	42%	**40.240**	**83**
1988	237.008	144	32%	509.363	77	68%	**746.371**	**90**	19.137	55	53%	16.744	121	47%	**35.881**	**74**
1989	269.519	164	37%	464.495	70	63%	**734.014**	**89**	26.714	77	61%	17.072	123	39%	**43.786**	**90**

	Hotellerie - overnight stays								Parahotellerie - overnight stays							
Years	Italians	% (1990)	% (total)	Foreigners	% (1990)	% (total)	Total	% (1990)	Italians	% (1990)	% (total)	Foreigners	% (1990)	% (total)	Total	% (1990)
1990	242.381	100	34%	469.371	100	66%	**711.752**	**100**	15.431	100	41%	21.968	100	59%	**37.399**	**100**
1991	217.442	90	34%	417.461	89	66%	**634.903**	**89**	16.982	110	47%	19.516	89	53%	**36.498**	**98**
1992	188.585	78	35%	355.565	76	65%	**544.150**	**76**	10.780	70	45%	13.289	60	55%	**24.069**	**64**
1993	208.103	86	38%	345.774	74	62%	**553.877**	**78**	4.669	30	28%	11.744	53	72%	**16.413**	**44**
1994	232.850	96	31%	526.646	112	69%	**759.496**	**107**	10.457	68	44%	13.198	60	56%	**23.655**	**63**
1995	218.086	90	28%	570.352	122	72%	**788.438**	**111**	10.134	66	44%	12.867	59	56%	**23.001**	**62**
1996	210.147	87	24%	660.979	141	76%	**871.126**	**122**	10.880	71	42%	14.804	67	58%	**25.684**	**69**
1997	209.174	86	24%	656.270	140	76%	**865.444**	**122**	10.765	70	41%	15.497	71	59%	**26.262**	**70**
1998	215.032	89	24%	684.519	146	76%	**899.551**	**126**	9.761	63	35%	17.969	82	65%	**27.730**	**74**
1999	213.046	88	23%	710.801	151	77%	**923.847**	**130**	7.775	50	29%	19.319	88	71%	**27.094**	**72**
2000	241.187	100	23%	810.907	173	77%	**1.052.094**	**148**	7.244	47	27%	19.281	88	73%	**26.525**	**71**

Source: Own analysis of AAST's data.

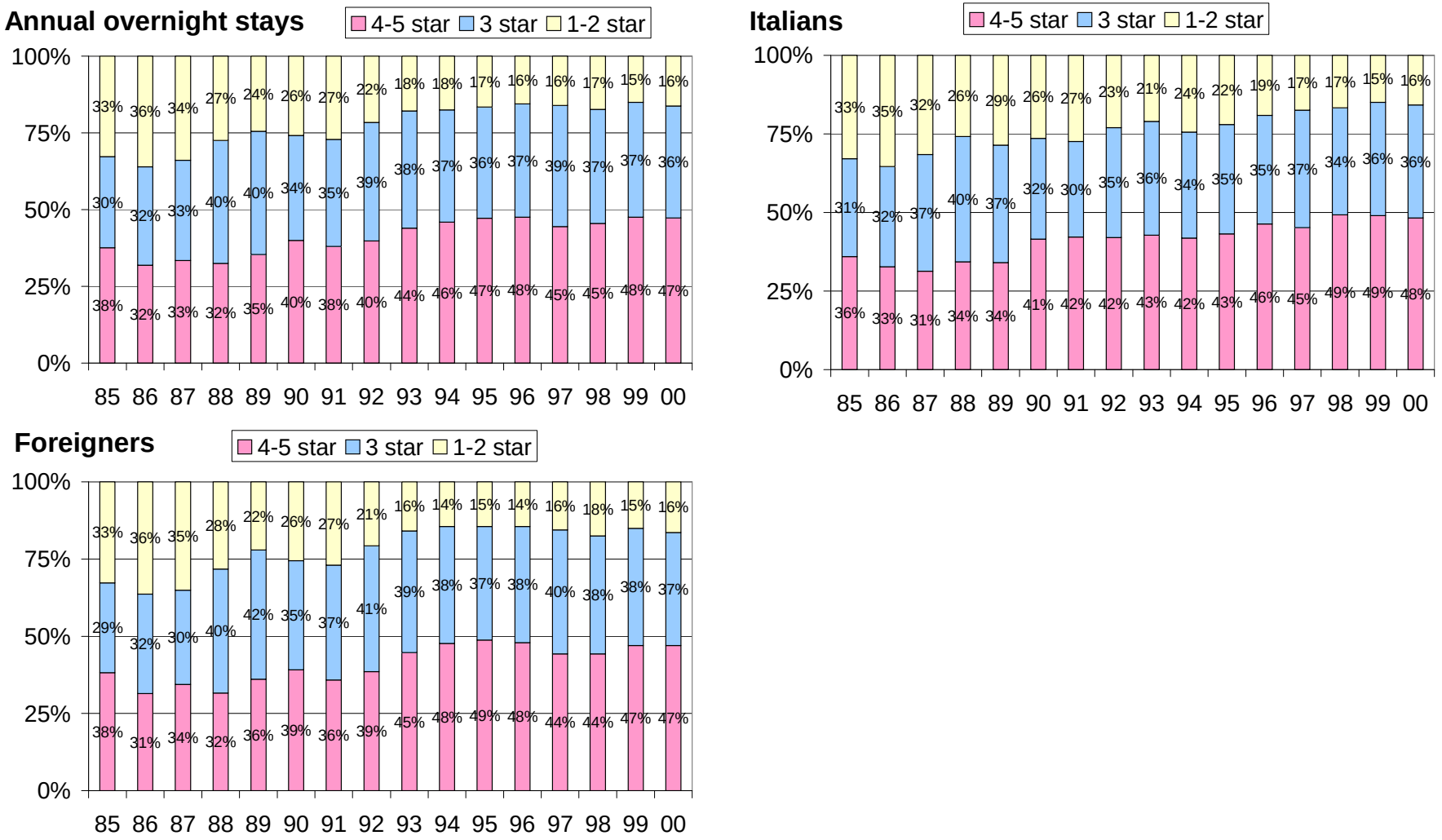
Figure 12. Evolution of overnight stays – Hotellerie and Parahotellerie.

Hotellerie						Parahotellerie						Total				
Italians	% (total)	Foreigners	% (total)	Hotellerie	% (total)	Italians	% (total)	Foreigners	% (total)	Hotellerie	% (total)	Italians	% (total)	Foreigners	% (total)	Total
164.594	83%	660.153	98%	824.747	94%	34.551	17%	13.852	2%	48.403	6%	**199.145**	**23%**	**674.005**	**77%**	**873.150**
182.466	87%	478.232	97%	660.698	94%	27.591	13%	15.872	3%	43.463	6%	**210.057**	**30%**	**494.104**	**70%**	**704.161**
198.045	86%	634.138	98%	832.183	94%	32.570	14%	16.209	2%	48.779	6%	**230.615**	**26%**	**650.347**	**74%**	**880.962**
158.782	86%	533.757	97%	692.539	95%	24.814	14%	14.560	3%	39.374	5%	**183.596**	**25%**	**548.317**	**75%**	**731.913**
160.745	87%	507.911	97%	668.656	94%	25.051	13%	14.514	3%	39.565	6%	**185.796**	**26%**	**522.425**	**74%**	**708.221**
191.809	89%	477.909	97%	669.718	94%	24.304	11%	15.136	3%	39.440	6%	**216.113**	**30%**	**493.045**	**70%**	**709.158**
210.886	91%	442.818	97%	653.704	95%	20.987	9%	12.980	3%	33.967	5%	**231.873**	**34%**	**455.798**	**66%**	**687.671**
232.698	91%	481.706	97%	714.404	95%	23.496	9%	16.744	3%	40.240	5%	**256.194**	**34%**	**498.450**	**66%**	**754.644**
237.008	93%	509.363	97%	746.371	95%	19.137	7%	16.744	3%	35.881	5%	**256.145**	**33%**	**526.107**	**67%**	**782.252**
269.519	91%	464.495	96%	734.014	94%	26.714	9%	17.072	4%	43.786	6%	**296.233**	**38%**	**481.567**	**62%**	**777.800**

Hotellerie						Parahotellerie						Total				
Italians	% (total)	Foreigners	% (total)	Hotellerie	% (total)	Italians	% (total)	Foreigners	% (total)	Hotellerie	% (total)	Italians	% (total)	Foreigners	% (total)	Total
242.381	94%	469.371	96%	711.752	95%	15.431	6%	21.968	4%	37.399	5%	**257.812**	**34%**	**491.339**	**66%**	**749.151**
217.442	93%	417.461	96%	634.903	95%	16.982	7%	19.516	4%	36.498	5%	**234.424**	**35%**	**436.977**	**65%**	**671.401**
188.585	95%	355.565	96%	544.150	96%	10.780	5%	13.289	4%	24.069	4%	**199.365**	**35%**	**368.854**	**65%**	**568.219**
208.103	98%	345.774	97%	553.877	97%	4.669	2%	11.744	3%	16.413	3%	**212.772**	**37%**	**357.518**	**63%**	**570.290**
232.850	96%	526.646	98%	759.496	97%	10.457	4%	13.198	2%	23.655	3%	**243.307**	**31%**	**539.844**	**69%**	**783.151**
218.086	96%	570.352	98%	788.438	97%	10.134	4%	12.867	2%	23.001	3%	**228.220**	**28%**	**583.219**	**72%**	**811.439**
210.147	95%	660.979	98%	871.126	97%	10.880	5%	14.804	2%	25.684	3%	**221.027**	**25%**	**675.783**	**75%**	**896.810**
209.174	95%	656.270	98%	865.444	97%	10.765	5%	15.497	2%	26.262	3%	**219.939**	**25%**	**671.767**	**75%**	**891.706**
215.032	96%	684.519	97%	899.551	97%	9.761	4%	17.969	3%	27.730	3%	**224.793**	**24%**	**702.488**	**76%**	**927.281**
213.046	96%	710.801	97%	923.847	97%	7.775	4%	19.319	3%	27.094	3%	**220.821**	**23%**	**730.120**	**77%**	**950.941**
241.187	97%	810.907	98%	1.052.094	98%	7.244	3%	19.281	2%	26.525	2%	**248.431**	**23%**	**830.188**	**77%**	**1.078.619**

Source: Own analysis of AAST's data.

Figure 13. Evolution of the hotel presences, classified by stars.



Source: Own analysis of AAST's data.

Figure 14. Evolution of the hotel presences, classified by stars: high segment.

	4-5 Star																	
Years	**Italians**							**Foreigners**							**Total**					
	A	%90	OS	%90	LS	%90	% ITA.	A	%90	OS	%90	LS	%90	% FOR.	A	%90	OS	%90	LS	%90
1990	38.045	100	100.551	100	2,6	100	35%	39.997	100	183.657	100	4,6	100	65%	78.042	100	284.208	100	3,6	100
1991	34.051	90	91.614	91	2,7	102	38%	32.263	81	149.613	81	4,6	101	62%	66.314	85	241.227	85	3,6	100
1992	33.957	89	79.263	79	2,3	88	37%	31.894	80	136.924	75	4,3	93	63%	65.851	84	216.187	76	3,3	90
1993	35.994	95	88.993	89	2,5	94	37%	36.926	92	154.604	84	4,2	91	63%	72.920	93	243.597	86	3,3	92
1994	36.445	96	97.483	97	2,7	101	28%	56.531	141	250.922	137	4,4	97	72%	92.976	119	348.405	123	3,7	103
1995	34.723	91	94.091	94	2,7	103	25%	61.157	153	278.139	151	4,5	99	75%	95.880	123	372.230	131	3,9	107
1996	35.206	93	97.267	97	2,8	105	23%	66.176	165	316.660	172	4,8	104	77%	101.382	130	413.927	146	4,1	112
1997	36.146	95	94.508	94	2,6	99	25%	63.438	159	290.683	158	4,6	100	75%	99.584	128	385.191	136	3,9	106
1998	38.821	102	105.755	105	2,7	103	26%	70.555	176	303.521	165	4,3	94	74%	109.376	140	409.276	144	3,7	103
1999	38.661	102	104.465	104	2,7	102	24%	75.283	188	334.368	182	4,4	97	76%	113.944	146	438.833	154	3,9	106
2000	40.457	106	116.386	116	2,9	109	23%	89.620	224	381.209	208	4,3	93	77%	130.077	167	497.595	175	3,8	105

Source: Own analysis of AAST's data.

Figure 15. Evolution of the hotel presences, classified by stars: middle segment.

	3 Star																	
Years	**Italians**							**Foreigners**							**Total**					
	A	%90	OS	%90	LS	%90	% ITA.	A	%90	OS	%90	LS	%90	% FOR.	A	%90	OS	%90	LS	%90
1990	25.508	100	77.649	100	3,0	100	32%	27.452	100	165.542	100	6,0	100	68%	52.960	100	243.191	100	4,6	100
1991	22.291	87	66.192	85	3,0	98	30%	25.260	92	155.004	94	6,1	102	70%	47.551	90	221.196	91	4,7	101
1992	24.789	97	65.884	85	2,7	87	31%	28.028	102	144.780	87	5,2	86	69%	52.817	100	210.664	87	4,0	87
1993	27.865	109	75.336	97	2,7	89	36%	25.489	93	136.206	82	5,3	89	64%	53.354	101	211.542	87	4,0	86
1994	27.474	108	78.533	101	2,9	94	28%	36.922	134	199.490	121	5,4	90	72%	64.396	122	278.023	114	4,3	94
1995	26.470	104	75.884	98	2,9	94	27%	38.941	142	209.469	127	5,4	89	73%	65.411	124	285.353	117	4,4	95
1996	26.650	104	72.608	94	2,7	90	23%	46.134	168	248.874	150	5,4	89	77%	72.784	137	321.482	132	4,4	96
1997	29.157	114	78.101	101	2,7	88	23%	49.397	180	263.115	159	5,3	88	77%	78.554	148	341.216	140	4,3	95
1998	27.101	106	73.406	95	2,7	89	22%	47.785	174	260.904	158	5,5	91	78%	74.886	141	334.310	137	4,5	97
1999	29.362	115	76.714	99	2,6	86	22%	50.024	182	269.273	163	5,4	89	78%	79.386	150	345.987	142	4,4	95
2000	32.080	126	86.630	112	2,7	89	23%	58.758	214	296.775	179	5,1	84	77%	90.838	172	383.405	158	4,2	92

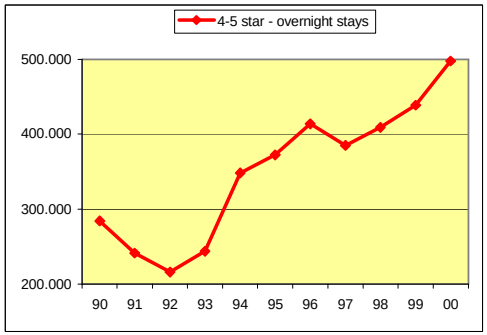
Source: Own analysis of AAST's data.

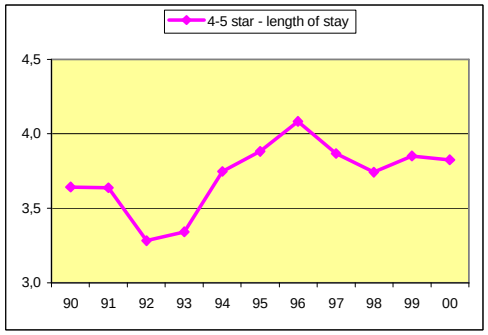
Figure 16. Evolution of the hotel presences, classified by stars: low segment.

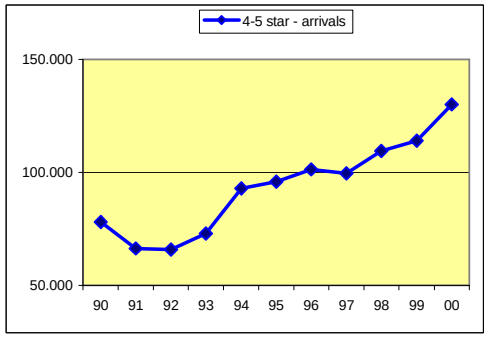
	1-2 Star																	
Years	**Italians**							**Foreigners**							**Total**					
	A	%90	OS	%90	LS	%90	% ITA.	A	%90	OS	%90	LS	%90	% FOR.	A	%90	OS	%90	LS	%90
1990	21.150	100	64.181	100	3,0	100	35%	20.221	100	120.172	100	5,9	100	65%	41.371	100	184.353	100	4,5	100
1991	19.794	94	59.636	93	3,0	99	35%	19.874	98	112.844	94	5,7	96	65%	39.668	96	172.480	94	4,3	98
1992	16.059	76	43.438	68	2,7	89	37%	14.047	69	73.861	61	5,3	88	63%	30.106	73	117.299	64	3,9	87
1993	16.095	76	43.774	68	2,7	90	44%	11.797	58	54.964	46	4,7	78	56%	27.892	67	98.738	54	3,5	79
1994	19.228	91	56.834	89	3,0	97	43%	16.510	82	76.234	63	4,6	78	57%	35.738	86	133.068	72	3,7	84
1995	17.243	82	48.111	75	2,8	92	37%	18.158	90	82.744	69	4,6	77	63%	35.401	86	130.855	71	3,7	83
1996	15.227	72	40.272	63	2,6	87	30%	19.394	96	95.445	79	4,9	83	70%	34.621	84	135.717	74	3,9	88
1997	13.932	66	36.565	57	2,6	86	26%	19.376	96	102.472	85	5,3	89	74%	33.308	81	139.037	75	4,2	94
1998	15.481	73	35.871	56	2,3	76	23%	22.710	112	120.094	100	5,3	89	77%	38.191	92	155.965	85	4,1	92
1999	12.667	60	31.867	50	2,5	83	23%	20.732	103	107.160	89	5,2	87	77%	33.399	81	139.027	75	4,2	93
2000	14.379	68	38.171	59	2,7	87	22%	24.974	124	132.923	111	5,3	90	78%	39.353	95	171.094	93	4,3	98

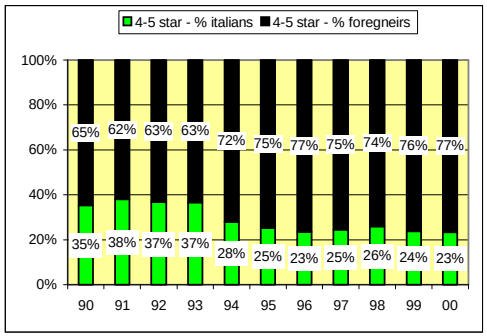
Source: Own analysis of AAST's data.

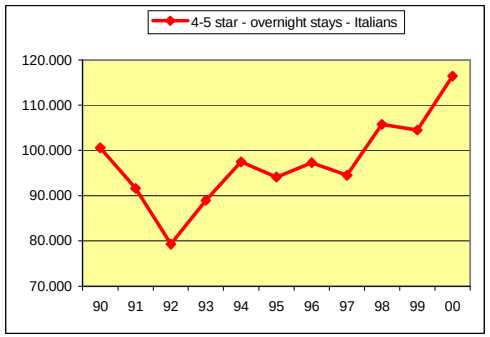
Figure 17. Evolution of the hotel presences, classified by stars: high segment.

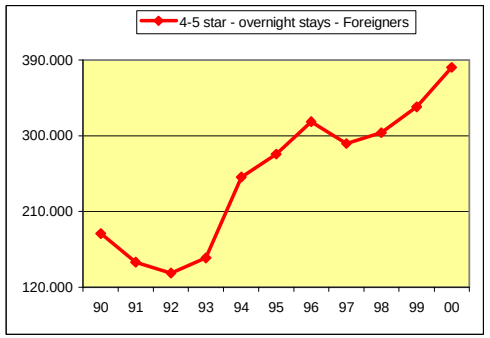


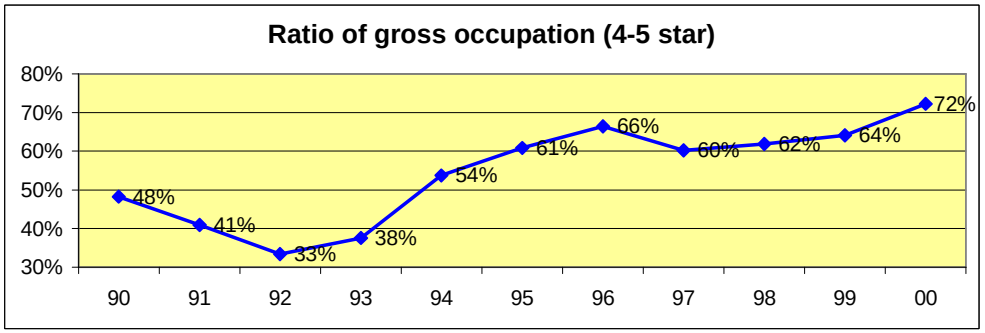


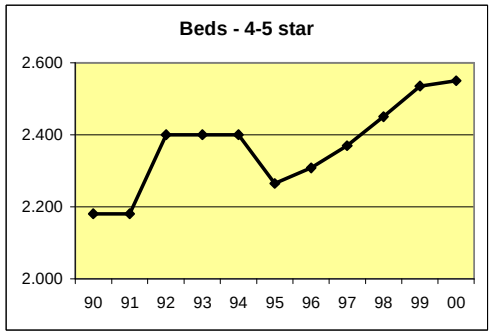






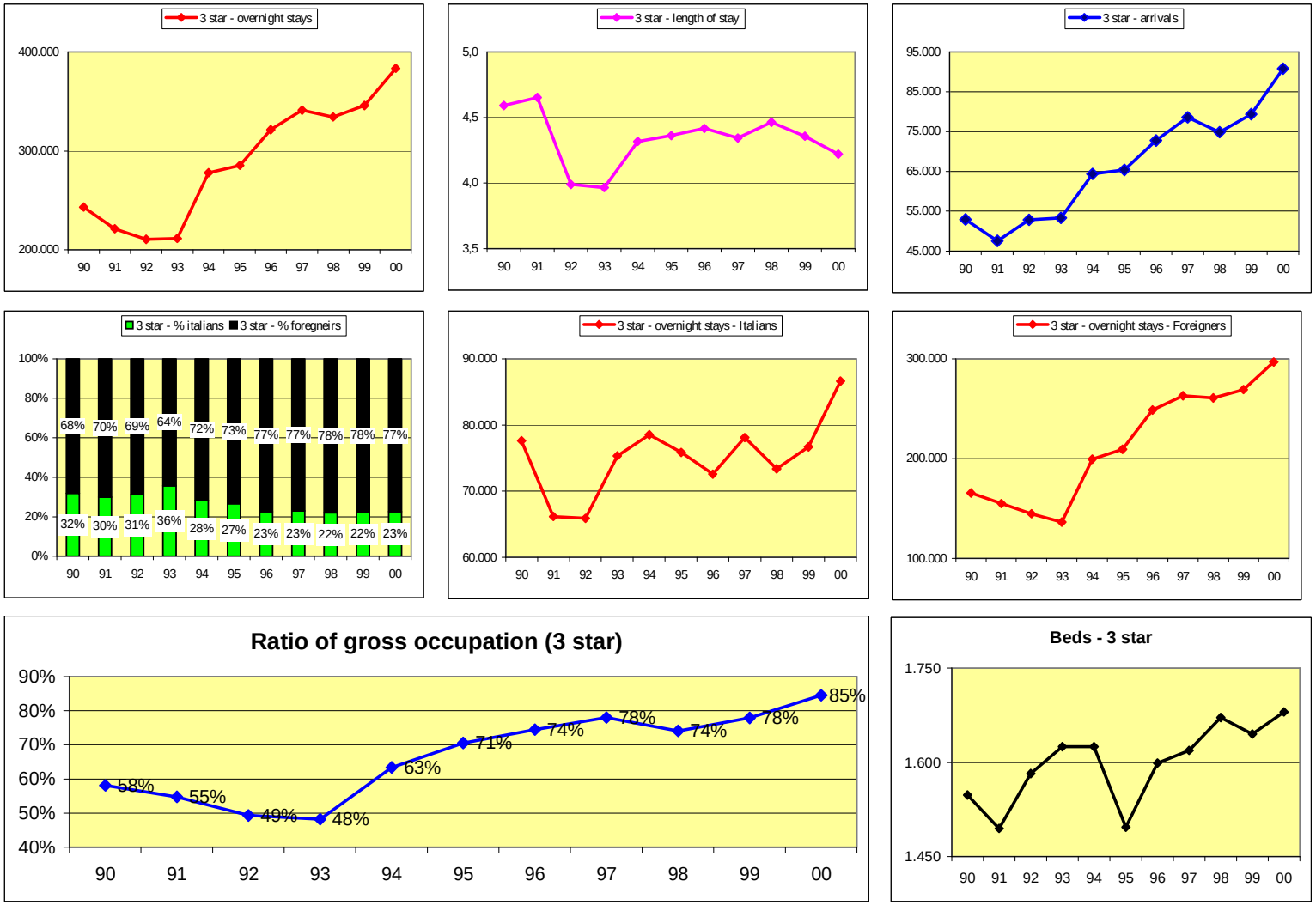






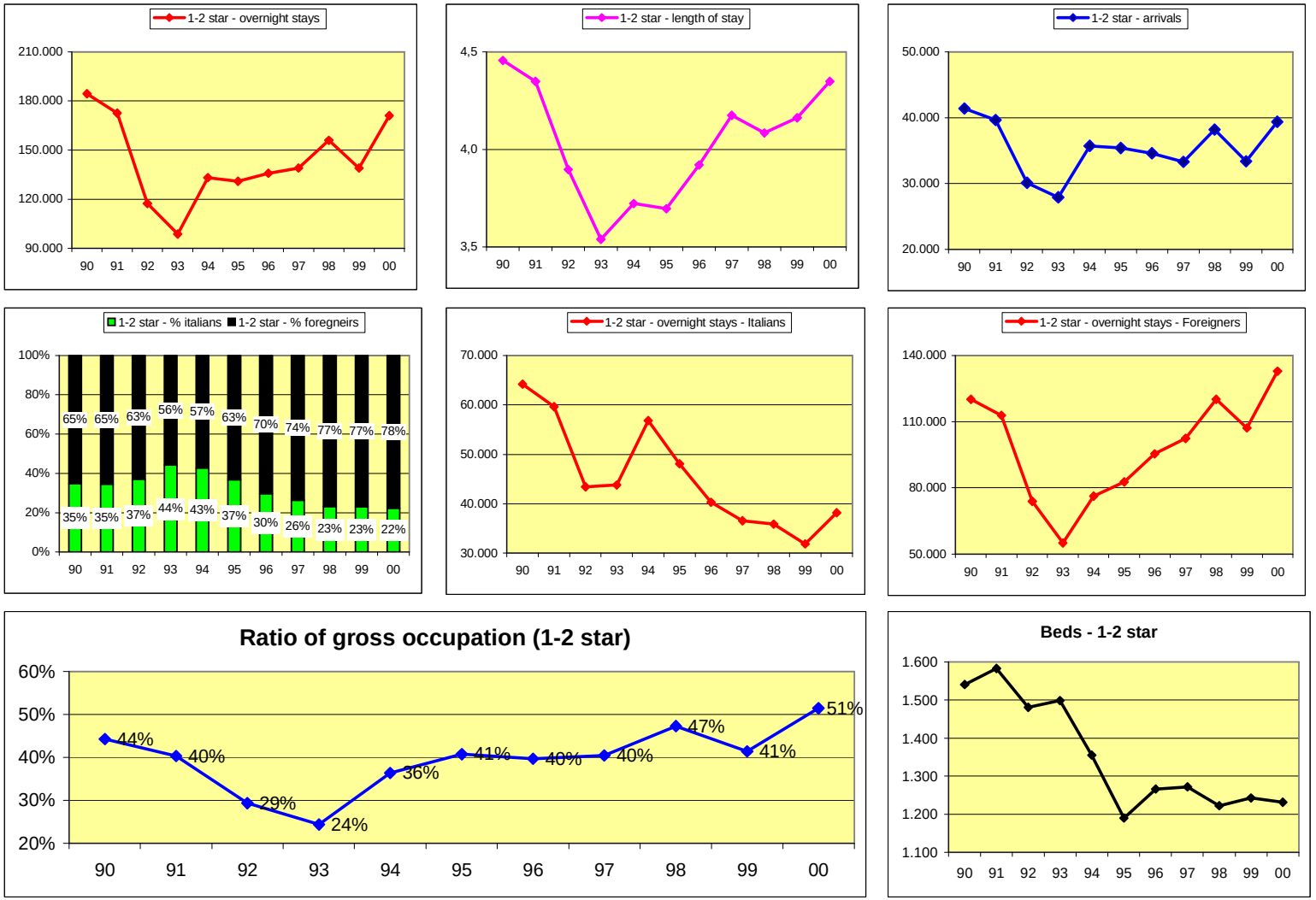
Source: Own analysis of AAST's data.

Figure 18. Evolution of the hotel presences, classified by stars: middle segment.



Source: Own analysis of AAST's data.

Figure 19. Evolution of the hotel presences, classified by stars: low segment.



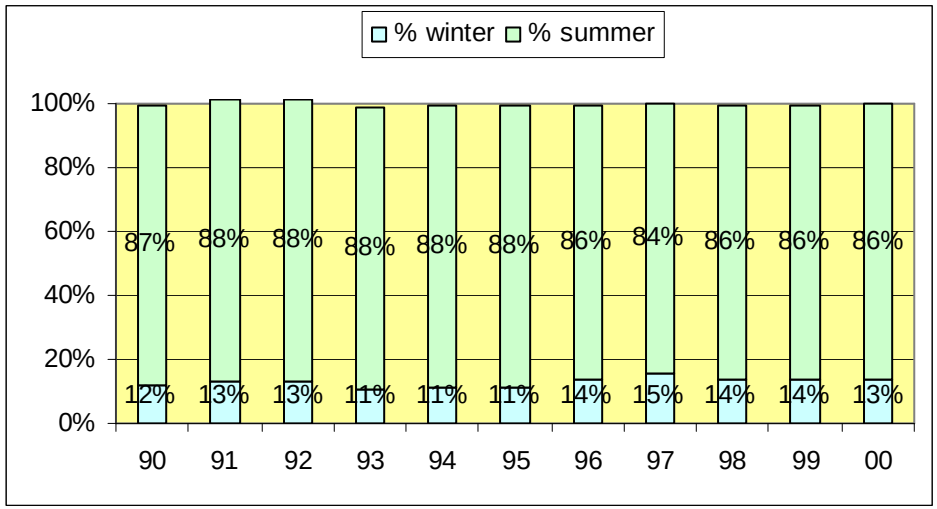
Source: Own analysis of AAST's data.

Figure 20. Evolution of the annual occupation rate.

	ANNUAL RATIO OF GROSS OCCUPATION																				
TDO	80	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	00
Year (9 months	60%	47%	59%	49%	47%	47%	46%	50%	53%	52%	50%	45%	37%	37%	52%	59%	62%	61%	62%	63%	71%
% 1980	100	79	98	81	79	78	77	83	89	87	83	74	61	62	87	98	104	101	104	105	119
% 1990												100	82	83	117	132	139	136	139	141	160

Source: Own analysis of AAST's data.

Figure 21. Evolution of the weight of the summer and winter seasons.

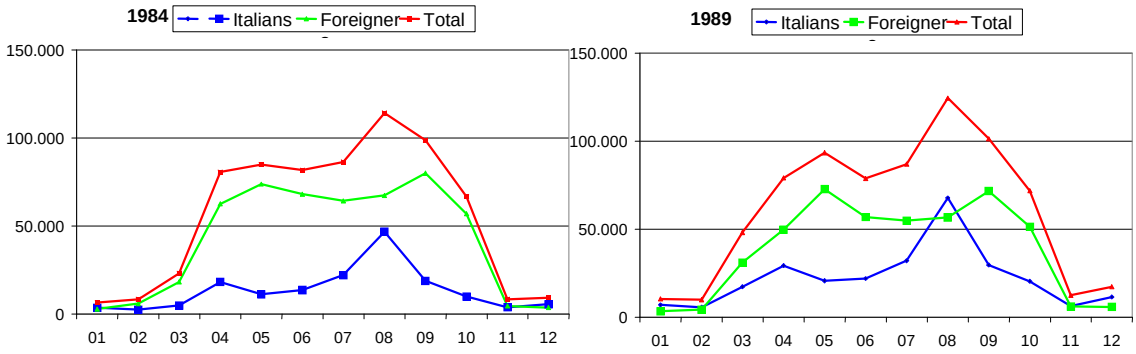


Source: Own analysis of AAST's data.

Figure 22. Evolution of the hotel presences on a monthly basis, years 1984 and 1989.

1984	01	02	03	04	05	06	07	08	09	10	11	12
Italians	3.594	2.446	4.799	18.110	11.246	13.563	22.092	46.795	18.800	9.859	3.864	5.577
Foreigner	2.852	5.916	18.218	62.534	73.725	68.047	64.272	67.389	79.910	56.855	4.521	3.672
Total	6.446	8.362	23.017	80.644	84.971	81.610	86.364	114.184	98.710	66.714	8.385	9.249
Italians	1%	0%	1%	3%	2%	2%	3%	7%	3%	1%	1%	1%
Foreigner	0%	1%	3%	9%	11%	10%	10%	10%	12%	9%	1%	1%
Total	1%	1%	3%	12%	13%	12%	13%	17%	15%	10%	1%	1%

1989	01	02	03	04	05	06	07	08	09	10	11	12
Italians	7.000	5.644	17.187	29.298	20.669	21.946	32.051	67.744	29.641	20.447	6.405	11.487
Foreigner	3.417	4.309	30.969	49.763	72.698	56.872	54.810	56.653	71.672	51.381	6.104	5.847
Total	10.417	9.953	48.156	79.061	93.367	78.818	86.861	124.397	101.313	71.828	12.509	17.334
Italians	1%	1%	2%	4%	3%	3%	4%	9%	4%	3%	1%	2%
Foreigner	0%	1%	4%	7%	10%	8%	7%	8%	10%	7%	1%	1%
Total	1%	1%	7%	11%	13%	11%	12%	17%	14%	10%	2%	2%



Source: Own analysis of AAST's data.

12.3 Winter tourism data

Figure 23. Evolution of winter tourism figures.

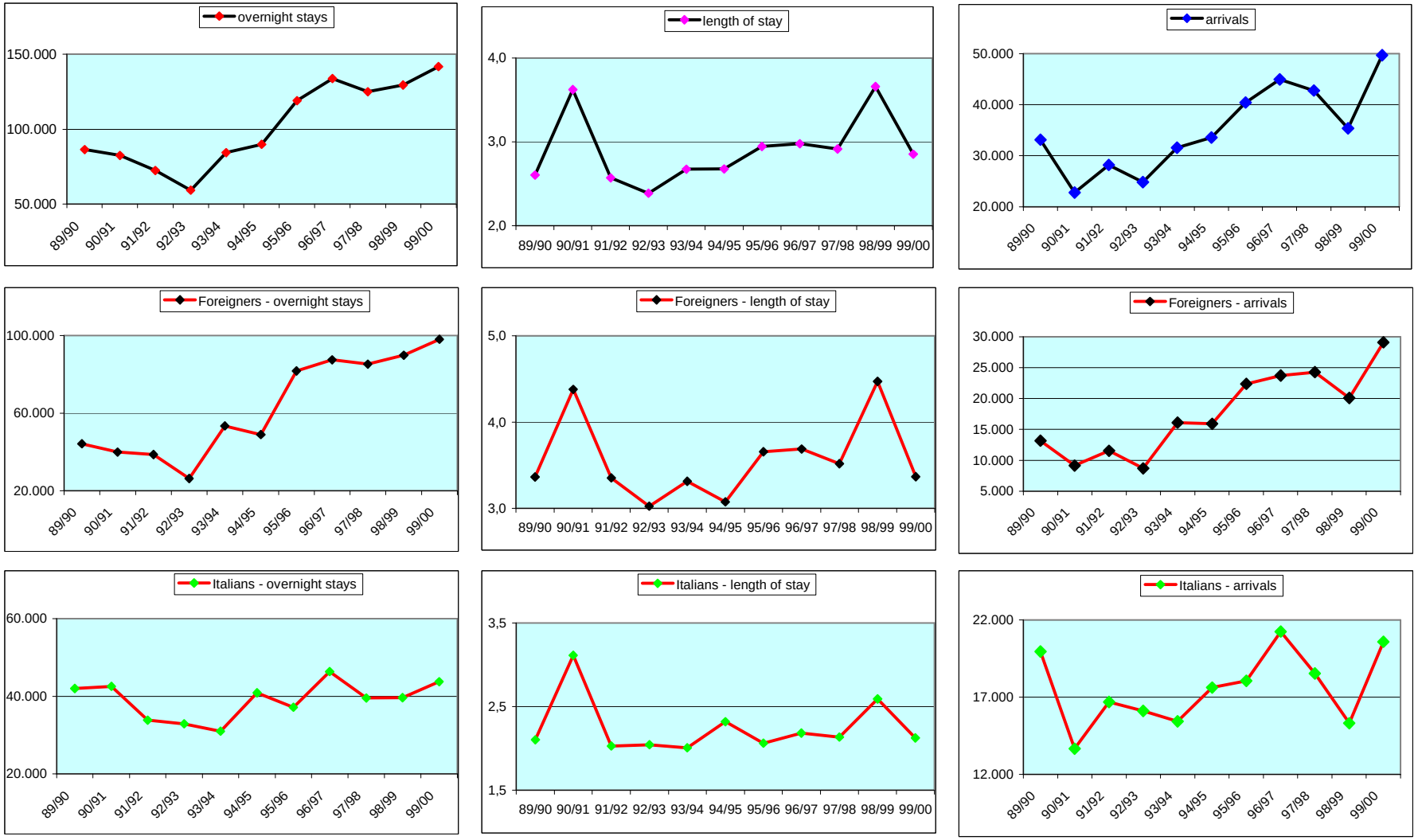
Winter	Overnight stays							
	Italians			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1989/90	42.002	100	49%	44.253	100	51%	86.255	100
1990/91	42.536	101	52%	39.996	90	48%	82.532	96
1991/92	33.837	81	47%	38.631	87	53%	72.468	84
1992/93	32.931	78	56%	26.281	59	44%	59.212	69
1993/94	30.979	74	37%	53.404	121	63%	84.383	98
1994/95	40.897	97	46%	48.913	111	54%	89.810	104
1995/96	37.221	89	31%	81.737	185	69%	118.958	138
1996/97	46.402	110	35%	87.426	198	65%	133.828	155
1997/98	39.544	94	32%	85.306	193	68%	124.850	145
1998/99	39.682	94	31%	89.823	203	69%	129.505	150
1999/00	43.744	104	31%	98.093	222	69%	141.837	164

Winter	Arrivals							
	Italians			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1989/90	19.957	100	60%	13.153	100	40%	33.110	100
1990/91	13.658	68	60%	9.134	69	40%	22.792	69
1991/92	16.673	84	59%	11.524	88	41%	28.197	85
1992/93	16.110	81	65%	8.688	66	35%	24.798	75
1993/94	15.427	77	49%	16.123	123	51%	31.550	95
1994/95	17.621	88	53%	15.909	121	47%	33.530	101
1995/96	18.051	90	45%	22.358	170	55%	40.409	122
1996/97	21.248	106	47%	23.709	180	53%	44.957	136
1997/98	18.527	93	43%	24.267	184	57%	42.794	129
1998/99	15.306	77	43%	20.081	153	57%	35.387	107
1999/00	20.584	103	41%	29.122	221	59%	49.706	150

Winter	Length of stays							
	Italians			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1989/90	2,1	100	81%	3,4	100	129%	2,6	100
1990/91	3,1	148	86%	4,4	130	121%	3,6	139
1991/92	2,0	96	79%	3,4	100	130%	2,6	99
1992/93	2,0	97	86%	3,0	90	127%	2,4	92
1993/94	2,0	95	75%	3,3	98	124%	2,7	103
1994/95	2,3	110	87%	3,1	91	115%	2,7	103
1995/96	2,1	98	70%	3,7	109	124%	2,9	113
1996/97	2,2	104	73%	3,7	110	124%	3,0	114
1997/98	2,1	101	73%	3,5	104	120%	2,9	112
1998/99	2,6	123	71%	4,5	133	122%	3,7	140
1999/00	2,1	101	74%	3,4	100	118%	2,9	110

Source: Own analysis of AAST's data.

Figure 24. Summary's winter tourism data.



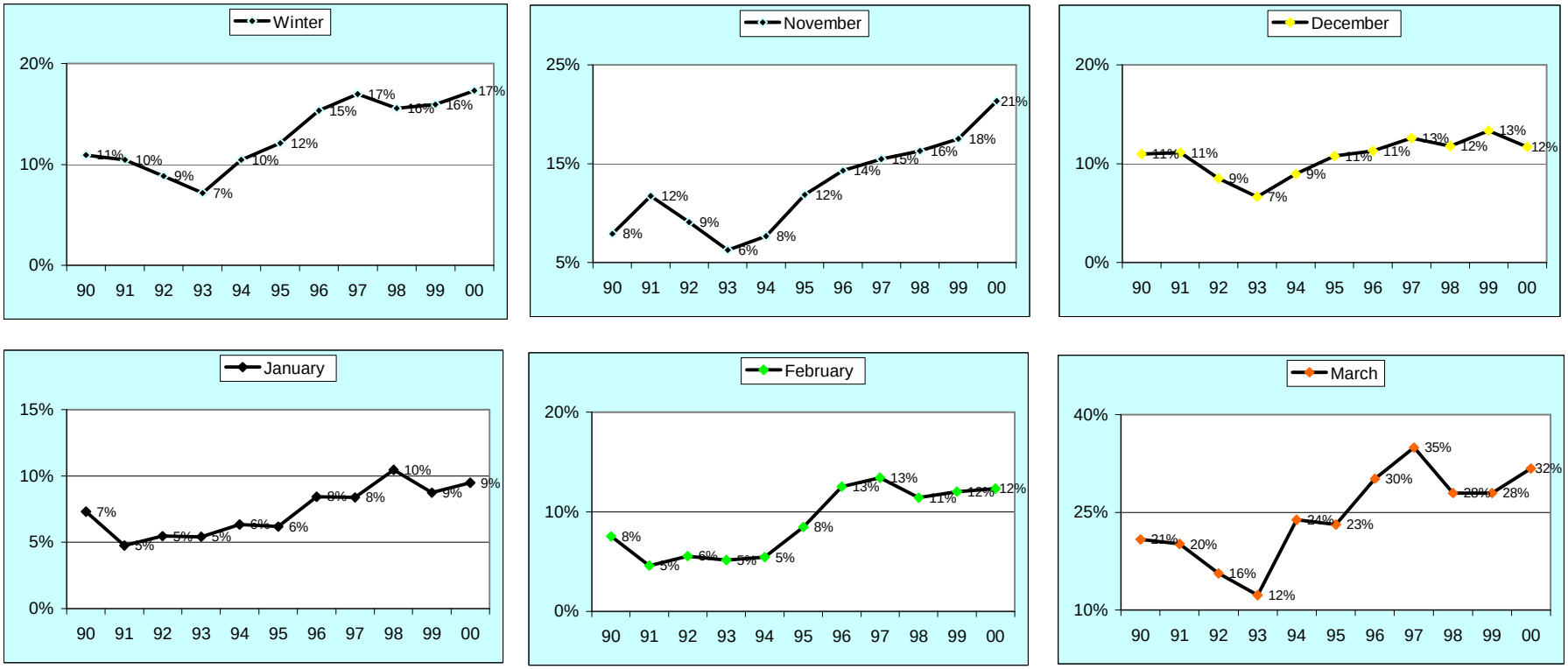
Source: Own analysis of AAST's data.

Figure 25. Monthly perceptual winter overnight stays.

	Overnight stays										
	1989/90	1990/91	1991/92	1992/93	1993/94	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00
November											
number	12.509	18.473	14.883	10.397	12.385	17.637	22.168	24.423	26.125	28.485	34.918
% (winter)	15%	22%	21%	18%	15%	20%	19%	18%	21%	22%	25%
% (1990)	100	148	119	83	99	141	177	195	209	228	279
December											
number	17.334	17.506	13.948	11.020	14.469	16.016	17.500	19.853	18.856	21.733	19.178
% (winter)	20%	21%	19%	19%	17%	18%	15%	15%	15%	17%	14%
% (1990)	100	101	80	64	83	92	101	115	109	125	111
January											
number	11.555	7.498	8.970	8.964	10.235	9.204	13.073	13.213	16.762	14.222	15.520
% (winter)	13%	9%	12%	15%	12%	10%	11%	10%	13%	11%	11%
% (1990)	100	65	78	78	89	80	113	114	145	123	134
February											
number	11.897	7.251	9.091	8.502	8.783	12.618	19.451	21.213	18.284	19.578	20.217
% (winter)	14%	9%	13%	14%	10%	14%	16%	16%	15%	15%	14%
% (1990)	100	61	76	71	74	106	163	178	154	165	170
March											
number	32.960	31.804	25.576	20.329	38.511	34.335	46.766	55.126	44.823	45.487	52.004
% (winter)	38%	39%	35%	34%	46%	38%	39%	41%	36%	35%	37%
% (1990)	100	96	78	62	117	104	142	167	136	138	158
Winter	86.255	82.532	72.468	59.212	84.383	89.810	118.958	133.828	124.850	129.505	141.837

Source: Own analysis of AAST's data.

Figure 26. Winter ratio of gross occupation.



Source: Own analysis of AAST's data.

12.4 Summer tourism data

Figure 27. Evolution of summer tourism data.

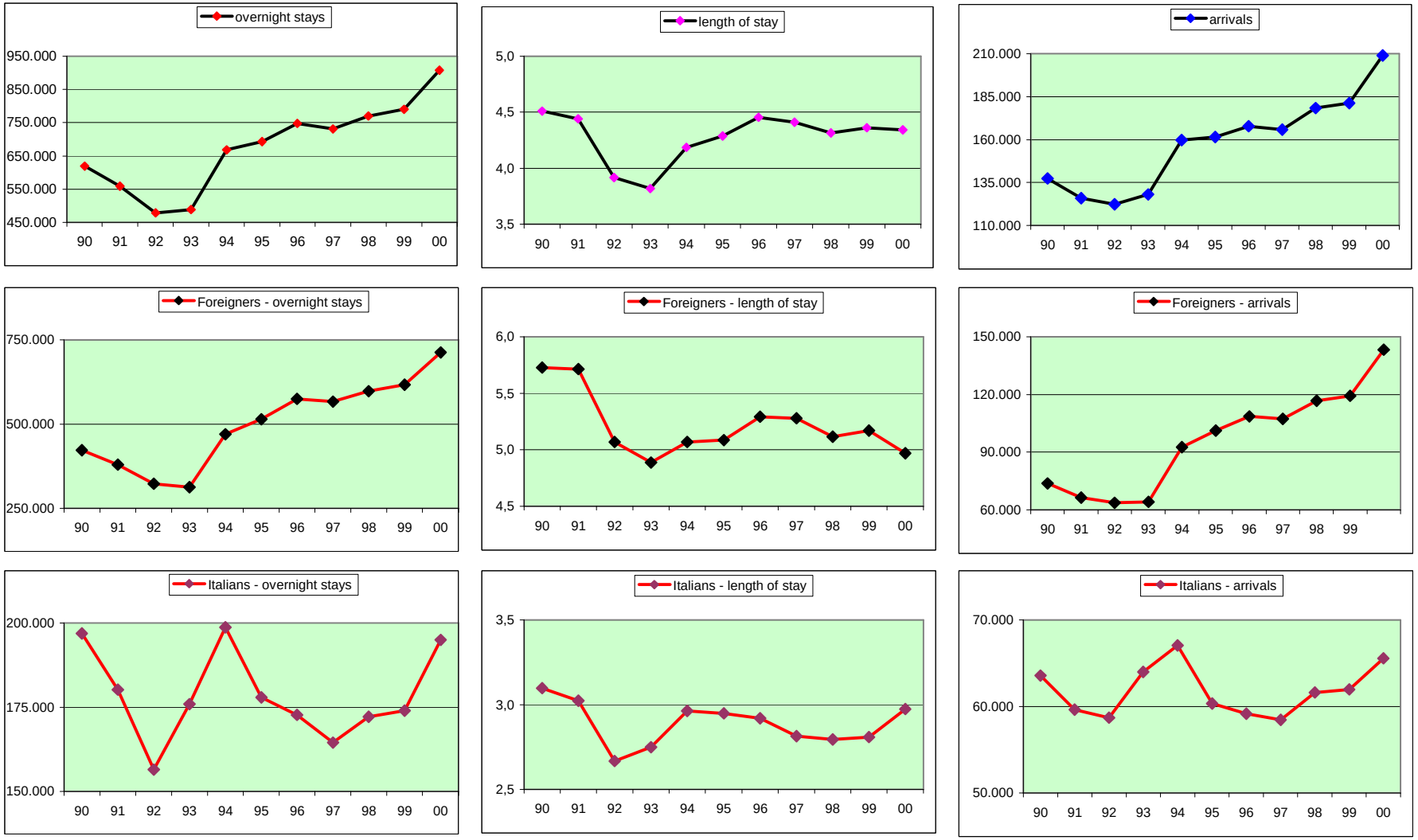
Summer	Overnight stays							
	Italians			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1990	196.858	100	32%	422.503	100	68%	619.361	100
1991	180.224	92	32%	379.295	90	68%	559.519	90
1992	156.510	80	33%	322.586	76	67%	479.096	77
1993	175.904	89	36%	313.324	74	64%	489.228	79
1994	198.727	101	30%	469.587	111	70%	668.314	108
1995	177.877	90	26%	514.736	122	74%	692.613	112
1996	172.745	88	23%	574.815	136	77%	747.560	121
1997	164.479	84	23%	566.432	134	77%	730.911	118
1998	172.126	87	22%	597.338	141	78%	769.464	124
1999	174.026	88	22%	616.438	146	78%	790.464	128
2000	195.021	99	21%	712.387	169	79%	907.408	147

Summer	Arrivals							
	Italians			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1990	63.558	100	46%	73.781	100	54%	137.339	100
1991	59.611	94	47%	66.393	90	53%	126.004	92
1992	58.690	92	48%	63.645	86	52%	122.335	89
1993	64.007	101	50%	64.111	87	50%	128.118	93
1994	67.059	106	42%	92.643	126	58%	159.702	116
1995	60.338	95	37%	101.198	137	63%	161.536	118
1996	59.162	93	35%	108.627	147	65%	167.789	122
1997	58.439	92	35%	107.299	145	65%	165.738	121
1998	61.599	97	35%	116.757	158	65%	178.356	130
1999	61.982	98	34%	119.263	162	66%	181.245	132
2000	65.564	103	31%	143.365	194	69%	208.929	152

Summer	Length of stays							
	Italians			Foreigners			Total	
	number	% (1990)	% (total)	number	% (1990)	% (total)	number	% (1990)
1990	3,1	100	69%	5,7	100	127%	4,5	100
1991	3,0	98	68%	5,7	100	129%	4,4	98
1992	2,7	86	68%	5,1	89	129%	3,9	87
1993	2,7	89	72%	4,9	85	128%	3,8	85
1994	3,0	96	71%	5,1	89	121%	4,2	93
1995	2,9	95	69%	5,1	89	119%	4,3	95
1996	2,9	94	66%	5,3	92	119%	4,5	99
1997	2,8	91	64%	5,3	92	120%	4,4	98
1998	2,8	90	65%	5,1	89	119%	4,3	96
1999	2,8	91	64%	5,2	90	119%	4,4	97
2000	3,0	96	68%	5,0	87	114%	4,3	96

Source: Own analysis of AAST's data.

Figure 28. Summary's summer tourism data.



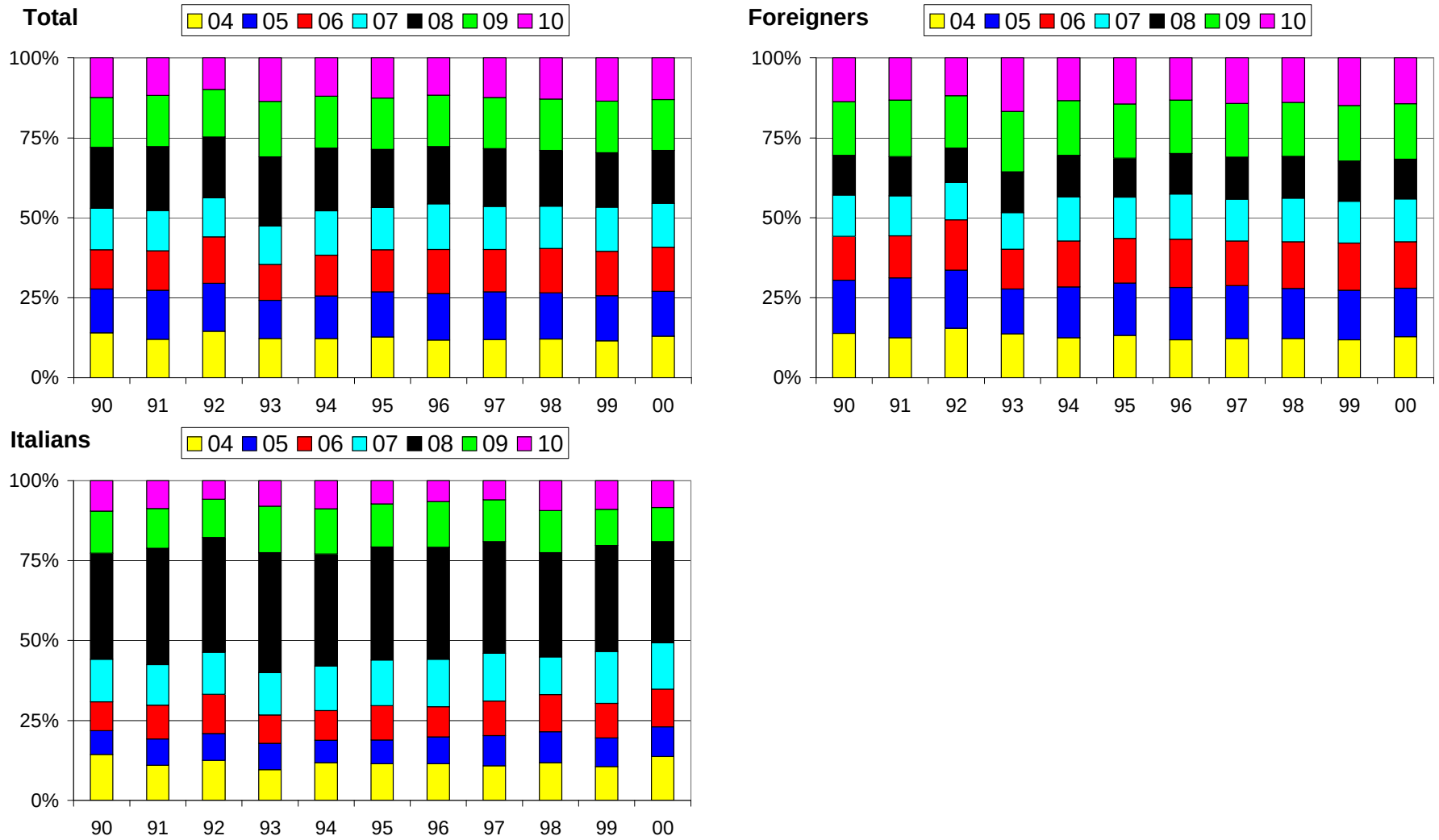
Source: Own analysis of AAST's data.

Figure 29. Monthly perceptual summer overnight stays.

	Overnight stays										
	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
April											
number	86.883	67.013	69.470	59.826	82.194	88.435	87.674	86.968	93.034	91.228	118.209
% (winter)	14%	12%	15%	12%	12%	13%	12%	12%	12%	12%	13%
% (1990)	100	77	80	69	95	102	101	100	107	105	136
May											
number	84.721	86.063	71.565	58.406	88.437	97.442	109.087	109.318	110.580	111.370	126.388
% (winter)	14%	15%	15%	12%	13%	14%	15%	15%	14%	14%	14%
% (1990)	100	102	84	69	104	115	129	129	131	131	149
June											
number	75.841	68.749	70.122	54.627	85.540	91.029	102.821	96.665	107.457	109.587	125.793
% (winter)	12%	12%	15%	11%	13%	13%	14%	13%	14%	14%	14%
% (1990)	100	91	92	72	113	120	136	127	142	144	166
July											
number	80.589	70.420	58.306	58.953	92.710	91.758	106.694	98.812	101.506	108.930	124.160
% (winter)	13%	13%	12%	12%	14%	13%	14%	14%	13%	14%	14%
% (1990)	100	87	72	73	115	114	132	123	126	135	154
August											
number	118.064	112.147	90.965	106.122	131.052	125.792	133.573	131.924	134.275	135.106	150.109
% (winter)	19%	20%	19%	22%	20%	18%	18%	18%	17%	17%	17%
% (1990)	100	95	77	90	111	107	113	112	114	114	127
September											
number	96.618	89.498	71.305	84.598	108.189	111.191	120.531	116.480	123.343	126.970	144.264
% (winter)	16%	16%	15%	17%	16%	16%	16%	16%	16%	16%	16%
% (1990)	100	93	74	88	112	115	125	121	128	131	149
October											
number	76.645	65.629	47.363	66.696	80.192	86.966	87.180	90.744	99.269	107.273	118.485
% (winter)	12%	12%	10%	14%	12%	13%	12%	12%	13%	14%	13%
% (1990)	100	86	62	87	105	113	114	118	130	140	155
Summer	619.361	559.519	479.096	489.228	668.314	692.613	747.560	730.911	769.464	790.464	907.408

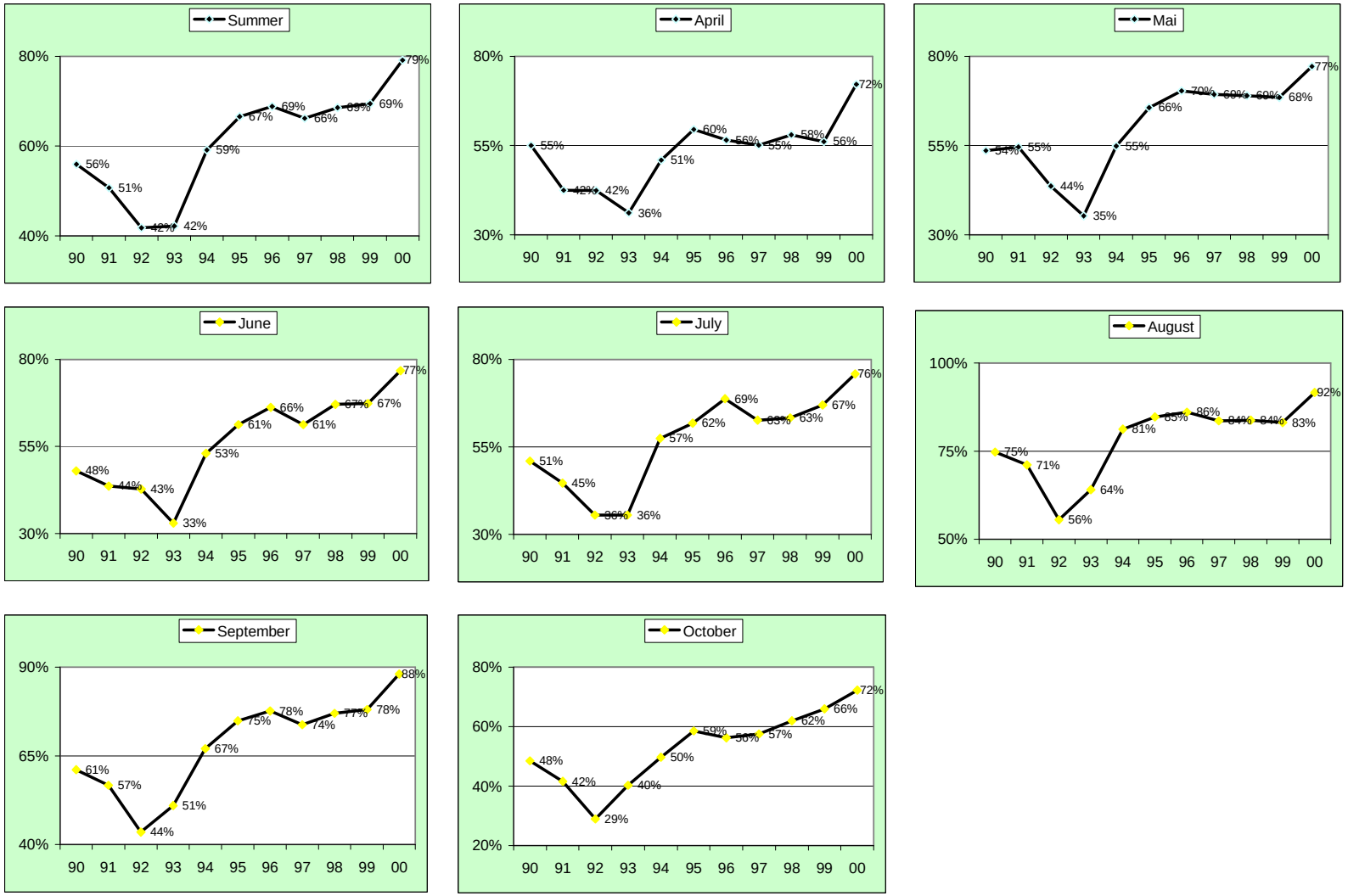
Source: Own analysis of AAST's data.

Figure 30. Monthly perceptual summer overnight stays.



Source: Own analysis of AAST's data.

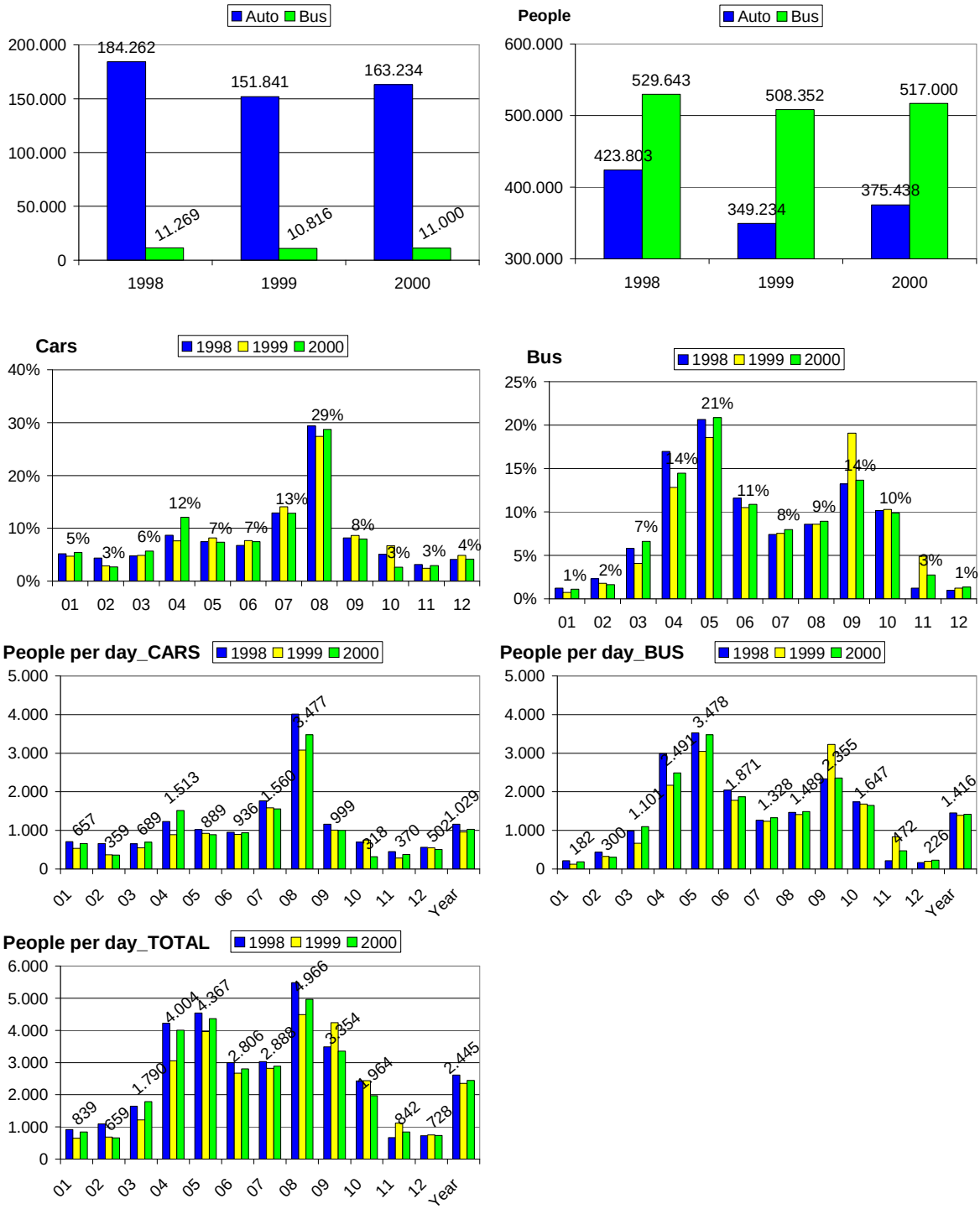
Figure 31. Summer ratio of gross occupation.



Source: Own analysis of AAST's data.

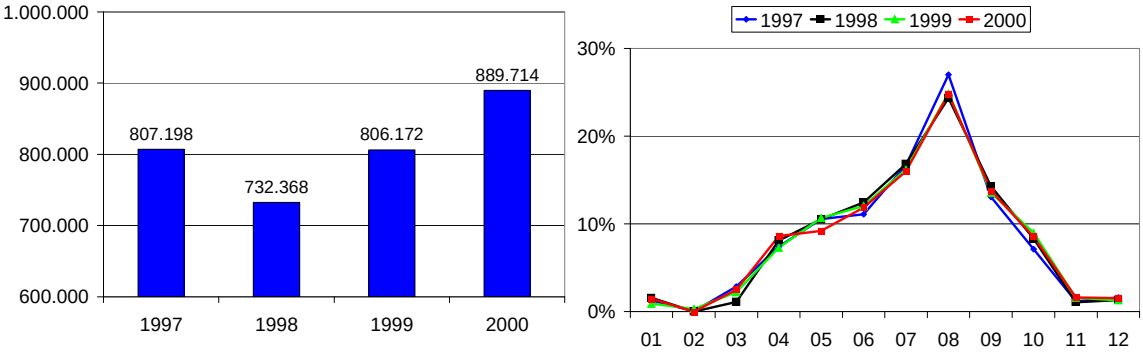
12.5 APPENDIX II – Local transport

Figure 32. Number of vehicles recorded at the Lumbi parking lot and estimate of people.



Source: Own analysis of ASM's data.

Figure 33. Evolution of the Taormina-Mazzarò cableway's annual and monthly presences.



Source: Own analysis of ASM's data.

Figure 34. Evolution of the main economic parameters of Taormina's city-owned service company, *Azienda Servizi Municipalizzata*.

	1997		1998		1999		2000	
	ITL mil	Δ 97/96	ITL mil	Δ 98/97	ITL mil	Δ 99/88	ITL mil	Δ 00/99
Turnover	3.376,4	nd	4.025,3	19,2%	4.499,7	11,8%	5.336,2	18,6%
Personnel cost	3.106,4	nd	3.616,9	16,4%	3.588,1	-0,8%	3.282,5	-8,5%
Cost incidence of personnel on turnover	92%	nd	90%	-2,3%	80%	-11,3%	62%	-22,9%
Profit and loss result	-1.168,2	nd	-860,4	-26,3%	-651,2	-24,3%	526,7	-180,9%
Capital assets	7.079,7	nd	10.929,0	54,4%	11.099,0	1,6%	11.277,6	1,6%
Due to banks	-390,8	nd	-1.915,0	390,1%	-1.734,2	-9,4%	-1.251,1	-27,9%

Source: Own analysis of ASM's data.

Figure 35. Incidence of personnel cost on turnover (year 2000).

Company	No. employees	Average cost in ITL mil	Cost/income ratio
AEM spa -	1.58	84	24%
ACEA spa -	3.58	98	27%
ASM	48	68	62%

Source: Own analysis of ASM's data.

Figure 36. Evolution of the number of vehicles and people recorded at the Lumbi parking lot.

	1998			1999			2000		
	Car	**Bus**	**Total**	**Car**	**Bus**	**Total**	**Car**	**Bus**	**Total**
JANUAR									
Number	9.499	138		7.150	78		8.859	120	
Daily mean	*306*	*4*		*231*	*3*		*286*	*4*	
Numer of people	*21.848*	*6.486*	*28.334*	*16.445*	*3.666*	*20.111*	*20.376*	*5.640*	*26.016*
Person per day	*705*	*209*	*914*	*530*	*118*	*649*	*657*	*182*	*839*
FEBRUAR									
Number	8.031	259		4.399	192		4.368	179	
Daily mean	*287*	*9*		*157*	*7*		*156*	*6*	
Numer of people	*18.471*	*12.173*	*30.644*	*10.118*	*9.024*	*19.142*	*10.046*	*8.413*	*18.459*
Person per day	*660*	*435*	*1.094*	*361*	*322*	*684*	*359*	*300*	*659*
MARCH									
Number	8.802	652		7.401	440		9.289	726	
Daily mean	*284*	*21*		*239*	*14*		*300*	*23*	
Numer of people	*20.245*	*30.644*	*50.889*	*17.022*	*20.680*	*37.702*	*21.365*	*34.122*	*55.487*
Person per day	*653*	*989*	*1.642*	*549*	*667*	*1.216*	*689*	*1.101*	*1.790*
APRIL									
Number	16.012	1.910		11.560	1.385		19.741	1590	
Daily mean	*534*	*64*		*385*	*46*		*658*	*53*	
Numer of people	*36.828*	*89.770*	*126.598*	*26.588*	*65.095*	*91.683*	*45.404*	*74.730*	*120.134*
Person per day	*1.228*	*2.992*	*4.220*	*886*	*2.170*	*3.056*	*1.513*	*2.491*	*4.004*
MAI									
Number	13.723	2.324		12.423	2.008		11.980	2294	
Daily mean	*443*	*75*		*401*	*65*		*386*	*74*	
Numer of people	*31.563*	*109.228*	*140.791*	*28.573*	*94.376*	*122.949*	*27.554*	*107.818*	*135.372*
Person per day	*1.018*	*3.523*	*4.542*	*922*	*3.044*	*3.966*	*889*	*3.478*	*4.367*
JUNE									
Number	12.388	1.305		11.629	1.135		12.204	1194	
Daily mean	*413*	*44*		*388*	*38*		*407*	*40*	
Numer of people	*28.492*	*61.335*	*89.827*	*26.747*	*53.345*	*80.092*	*28.069*	*56.118*	*84.187*
Person per day	*950*	*2.045*	*2.994*	*892*	*1.778*	*2.670*	*936*	*1.871*	*2.806*
JULY									
Number	23.809	834		21.404	815		21.020	876	
Daily mean	*768*	*27*		*690*	*26*		*678*	*28*	
Numer of people	*54.761*	*39.198*	*93.959*	*49.229*	*38.305*	*87.534*	*48.346*	*41.172*	*89.518*
Person per day	*1.766*	*1.264*	*3.031*	*1.588*	*1.236*	*2.824*	*1.560*	*1.328*	*2.888*
AUGUST									
Number	54.142	968		41.569	929		46.864	982	
Daily mean	*1.747*	*31*		*1.341*	*30*		*1.512*	*32*	
Numer of people	*124.527*	*45.496*	*170.023*	*95.609*	*43.663*	*139.272*	*107.787*	*46.154*	*153.941*
Person per day	*4.017*	*1.468*	*5.485*	*3.084*	*1.408*	*4.493*	*3.477*	*1.489*	*4.966*
SEPTEMBER									
Number	15.089	1.491		13.138	2.061		13.032	1503	
Daily mean	*503*	*50*		*438*	*69*		*434*	*50*	
Numer of people	*34.705*	*70.077*	*104.782*	*30.217*	*96.867*	*127.084*	*29.974*	*70.641*	*100.615*
Person per day	*1.157*	*2.336*	*3.493*	*1.007*	*3.229*	*4.236*	*999*	*2.355*	*3.354*
OCTOBER									
Number	9.348	1.144		10.129	1.110		4.285	1086	
Daily mean	*302*	*37*		*327*	*36*		*138*	*35*	
Numer of people	*21.500*	*53.768*	*75.268*	*23.297*	*52.170*	*75.467*	*9.856*	*51.042*	*60.898*
Person per day	*694*	*1.734*	*2.428*	*752*	*1.683*	*2.434*	*318*	*1.647*	*1.964*
NOVEMBER									
Number	5.835	136		3.696	532		4.830	301	
Daily mean	*195*	*5*		*123*	*18*		*161*	*10*	
Numer of people	*13.421*	*6.392*	*19.813*	*8.501*	*25.004*	*33.505*	*11.109*	*14.147*	*25.256*
Person per day	*447*	*213*	*660*	*283*	*833*	*1.117*	*370*	*472*	*842*
DECEMBER									
Number	7.584	108		7.343	131		6.762	149	
Daily mean	*245*	*3*		*237*	*4*		*218*	*5*	
Numer of people	*17.443*	*5.076*	*22.519*	*16.889*	*6.157*	*23.046*	*15.553*	*7.003*	*22.556*
Person per day	*563*	*164*	*726*	*545*	*199*	*743*	*502*	*226*	*728*
Total									
Number	**184.262**	**11.269**		**151.841**	**10.816**		**163.234**	**11.000**	
Daily mean	***505***	***31***		***416***	***30***		***447***	***30***	
Numer of people	***423.803***	***529.643***	***953.446***	***349.234***	***508.352***	***857.586***	***375.438***	***517.000***	***892.438***

Source: Own analysis of ASM's data.

12.6 Interviews

Ambrogetti N., deputy mayor of the Municipality of Taormina.
Belcuore Antonio, director of the Taormina Local Tourist Board (AAST).
Cozzo Franco, director of the San Domenico Palace Hotel.
Famà, private building municipal officer.
Fighiera Rosario, Tout Va manager.
Longo Gaetano, chairman of Azienda Servizi Municipalizzati (ASM) of Taormina.
Mennella Mario Italo, CEO of Hotel Monte Tauro.
Micena Nicola, general manager of Grand Hotel Mazzarò Sea Palace.
Occhipinti Ninni, director of Gran Hotel Timeo.
Ranieri, city councilman for public building.
Secretary general of the Taormina Art Committee.
Trifiletti, chairman of the Taormina Hotel Association.
Executive in charge of the Taormina Ancient Theater.

Chapter 10
Conclusion

1 DESTINATION STRATEGY PROCESS

With reference to the first question posed in this study ("What are the main approaches, concepts, frameworks, and processes developed by the strategic management literature in the field of strategy process research?") we refer to the work done in the third chapter which permits us to i)draw a distinction between strategy content and strategy process, ii)identify the principle theoretical schemes(plans) developed in the trial approach, iii) explore the delicate interface between processes and results.

2 STRATEGIC PROCESSES AND TOURIST DESTINATIONS

Looking at the second question(s) posed in this study ("How do the distinctive characteristics of tourism destination influence the destination strategy processes? What are the main processes that embody the destination strategy-making?"), the empirical work permits us to formulate some conclusions relative to i) the principal processes that characterize destination management (§2.1), ii) the existing bond between the characteristics of a resort and the management of strategic processes (§2.2), iii) the importance such processes assume with reference to the empirical reality studied (§2.3).

2.1 The processes of destination management

The cross-case analysis confirms a high convergence between diverse processes that give concrete content to the management of a tourist resort. One can identify in particular three groups of processes: i) operative, ii) communication outside the productive system, iii) support

Operative processes outline the management of a series of activities having a high infrastructural content that animate the principal tourist services. The empirical work offers the possibility for distinguishing between public and private operative processes. *Public* operative processes typically include the management of access roads to the resort, the practicability of internal roads, urban decoration, the sports infrastructures that have characteristics typical of public activity (difficulty of exclusion, technical or economical, failure of market mechanisms). *Private* operating processes include a series of activities that operate according to market mechanisms. These activities are usually run by private individuals who are subject to the rules of free competition even when engaged by the public sector[1]. Accommodation facilities (hotel and extra-hotel), commercial activities, ski lifts, and swimming resorts all fall into this category. The distinction is particularly useful for evaluating the potential for growth or development of a resort in relation to the infrastructural deficiency of the facility[2].

The processes of communication outside the product system represent an important link between the potential for service expressed by the operative processes (together with the natural, cultural and historical resources of the resort) and the available potential used. Empirical results show two kinds of processes: the promotion of strategy and the development of new products.

[1] The case of St. Moritz is a good example. The Municipality manages a good part of the ski basin of Corviglia and a hotel (presently closed).

[2] As we will see in detail in the next paragraphs, it is easier to close the competitive gap for private operative processes. Portorose is a good example of this, particularly in the accommodations sector.

Promotional strategy includes typical activities of strategic and operative marketing, where the first job is to define the commercial priorities and the promotional philosophy of the resort, while the second is to manage the diverse and concrete contacts with the market. The *development of new products* tends to take the form of creating events or tourist packages. It has been included within the processes of external communication, because of the emphasis on the commercial goal and because it is a quite effective tool for transmitting the image of destination.

The operative procedures (public and private) and the processes of external communication are defined in Porter's terms, as *primary processes*. This status is extended to include the activity of communication as suggested by the literature on services[3]. Porter suggests that a company concretely realizes its productive system only when it comes in contact with the client. Otherwise only one potentiality becomes operative.

Figure 1. Primary and support processes in the management of tourist resorts.

I PRIMARY PROCESSES			
1. Operative		**2. External communication**	
1.1 Public activity	***1.2 Private activity***	***2.1 Development of new product***	***2.2 Promotional strategy***
- access routes	*- accommodations*	*- packages*	*- strategic marketing*
- road practicability	*- commercial activities*	*- events*	*- operative marketing*
- tourist fittings	*- mountain railways*		
	- sea-side resorts		
II SUPPORT PROCESSES			
1. Internal marketing	***2. Education/training***	***3. Research & study***	
- breadth of content	*- entrepreneurs - managers*	*- analyses of competitive results*	
- number of subjects involved	*- employees*	*- ad hoc research*	
- continuity of communications		*- observers*	

Source: own analysis

The *support processes* include a group of instructions for the local operators (both tourist and non-tourist) with the aim of creating receptivity to metamanagement strategies. With reference to the analysis of the empirical results, three different processes of support have been identified: *internal marketing*, *education/training* and *research.* Internal marketing is an important process for destination management. It allows the development of an image for maintaining high personal motivation and for updating the operators (both tourist and non tourist), with respect to primary process activities, to see possible "deviating" behavior, and to encourage vital dialogue regarding problems to be considered and strategic choices that the resort needs to make. With reference to this process, it is important to identify the principal subjects, analyzing whether the function is addressed exclusively to the tourist operators or if it involves the whole community, the breadth of content and the temporal continuity of

[3] Bieger's service chain (1997) is a good example.

the process of internal communication. Formation/training includes outlines of the efforts made to encourage the professional growth of the managers of tourist enterprises and the development of the skills of the personnel. The activity of study and research includes all work aimed at investigating specific, problematic situations in view of the definition of opportune solutions for the development of the patrimony of acquaintances available to metadirectional subjects. Three areas of commitment have been identified: the analyses of competitive results, the carrying out of ad hoc research and the implementation of tourist observatories. See figure 1 for a concise view.

Figure 1 is not exhaustive. With regard to the specific aims of the analyses, it may be useful to proceed to the further divisions of the single processes[4]. This table permits us to identify the families of processes and above all to help management to evaluate the efficiency of actions taken, to see the areas of difficulty and the existing coherence between the various processes. A table expressed in words can also be considered an important benchmark instrument for the comparative analyses of business cases. Focusing on the process more than on the content of service permits an evaluation far more suitable for the appreciation of the degree of innovation and competitive solidity. It also permits one to verify the existence of barriers against the imitation of specific activities. These considerations will emerge, binding the management of processes to the work of metadirectional subjects and considering the importance of organizational assets, financial resources and the mechanisms of control that characterize them.

2.2 Management processes and the distinctive characteristics of the destinations

In Chapter 2, specifications distinctive to tourist destinations were identified, based on indications given in the literature. These can be referred to as i) the nature of the complex system, composed of businesses from diverse sectors and a multiplicity of subjects, ii) the underlying productive specialization, typically strong in a certain kind of tourism (alpine or sea-side in our case) and with a specific endowment of natural, historical, cultural and anthropological factors, iii) the status of the competitive subject recognized by the associated destination, iv) the object of the production represented typically by services, v)the status of the district, i.e., the particular geographical area, where many small and medium-sized businesses operate, characterized by complicated relationships that fluctuate between cooperation and hyper competition, where the institutions play an important role and where all the players breathe a culture shared by many.

2.2.1 The Tourist resort as a system

The fact that a tourist resort is a *system* with a multiplicity of specialists producing varied, specific services has important implications for the management of individual processes. With reference to operational activities, coherence between the public and private spheres is necessary as both groups of services are targeted either for the same

[4] In the case of Taormina it could be opportune to break down the commercial activities by qualitative level, distinguishing the “specialized exercises” that serve the target of the high class sojourning clientele from those specializing in the commuter group. In the case of St. Moritz, it could be useful to distinguish kinds of tourist fittings: urban fittings, (the construction of parking facilities, the progressive closing of the historic center, the creation of congressional structures), mountain structures, (cross country ski tracks and “networks” of walks in the valley (swimming pools, curling, olympic trampolines etc.).

clients or for overlapping groups of clients. This attention must be given in the private sector and to a series of quali-quantitive equilibrium that must be created at the resort level[5]. The composition of these equilibrium is difficult given the multiplicity of "actors", even if the phenomena of imitation and the management push from the top down tends to stabilize the system.

The fact that destinations are systems has important implications also in the management of the processes of external communication: in order to develop new products it is necessary to face complex problems such as the overlapping of seasons, market segments and images of the individual regional businesses. In other cases, the preparation of specific packages can cause potential problems of cohabitation of segments at the level of individual businesses and especially for destinations. With reference to promotion strategy, the presence of a multiplicity of services and "actors" within a destination is both a strength and a weakness. The strength is that variety tends to amplify the interest of the client and therefore increase the number of targetable clients. The weakness is that the diverse components present a great range of service standards. This range is found not so much in the many services of one specific sector. The problem does not arise when the accommodation establishments offer a diverse mix of services and prices. Problems are created when, for example, the primary public processes present standards of services completely different from the standards of primary private processes. Problems also occur when within the same public or private primary processes, one finds qualitative gaps between the diverse components (accommodations, commerce, ski lifts, swimming clubs).

The features of a system also affect the support processes. Regarding internal marketing, we have already looked at the necessity of dividing the contents and the instruments, finding different specialized "operators" in extremely diverse productive activities. This same care must be given to activities of education/training. It is also important to mobilize a sufficient critical mass to generate a consensus and a push towards change, where the critical mass can be understood in quantitative (number of operators) and qualitative terms (involvement of guide businesses or subjects with great charisma). Regarding research, we usually see the necessity to make complex evaluations, given the numerous variables involved and the diverse management plans. Great efforts are made by multi-discipline research teams. Research plays an important role in helping management put together (in unitary terms), the diverse processes, to understand the relations and to create strategies that are coherent, stable and difficult for competitors to imitate.

2.2.2 The tourist resort as a system of specialized offers

The fact that the destination is a *system of specialized offers* creates many consequences in terms of competition. Competition normally goes in two directions: an

[5] Empirical examples help us to see the importance of these relationships: the development of the Rimini Fair has permitted a significant acceleration in the process of requalifying tourist accommodations. The lack of regulation for commuter tourism in Taormina has created inconsistency in the processes of requalifying tourist accommodations and the characterization of commercial gain. In Livigno the municipality ins trying to limit the growth of the ski area in order to avoid further expansion in the hotel sector, knowing that the economy of slope management demands a precise rapport between sojourning skiers and the ski lift hours. The lack of intervention in the public sector of Portorose has limited the efficiency of the relaunching strategies organized by the hotel operators.

internal one which is between the various district businesses whose targets overlap, and an external one that is between different destinations specialized in similar product/market combinations. The following are considerations regarding the merit of the second and most important plan[6].

Regarding primary processes, the empirical analyses show a growing attention on the part of metadirectional subjects to characterize their destination facility in order to create niches in the market protected by efficient barriers against mobility and to abandon the product/market combinations that are subject to greater competition. The verbal process is still in a beginning stage considering the elevated potential not expressed by the localities analyzed. The most promising recourses are often associated with the unique and characteristic elements of a destination such as the climate, the culture, the traditions and the historic attraction. These tend to ensure a certain stability to the competitive advantage of a resort, guarding against the costly pursuit (in terms of economic and management energies) of current fashion. This specialization can move from the entrepreneurial level (from below), or from the higher metamanagerial levels of business (from above). Moving from the lower level tends to favor rapidity of process and more efficient and effective use of the economic resources. The advantages are limited when investments in public infrastructures become necessary for the destination. Moving from the upper level is optimal for creating new areas of business that must then be put to good use by the individual regional businesses[7].

As one can easily see, a strong characterization of the primary processes gives the basis for a promotional strategy that is far more incisive and specialized. The reference target tends to be clearly identified, guaranteeing greater efficiency for the instruments of marketing. Positive circuits are created between the primary operative processes and the operative processes of internal communication: the infrastructural specialization encourages the development and promotion of new products and the latter realigns the client target with the destination facility, favoring an ulterior enrichment of the mix of attractions also as a result of the emulative effect.

The support processes are usually important for assuring a unity of intent between the different levels of management, for giving visibility to the actions accomplished, and for giving a clear direction to the process of evaluating the local resources. Education/Training is decisive for helping operators and workers to learn to deliver the new mix of services well. Research is useful for mapping the opportunities that the process of specialization can open or has created and to evaluate the experiences of other resorts.

2.2.3 The tourist season as a competitive subject

The affirmation that destination is a new competitive subject with respect to the single businesses which make it up emerges strongly both from the analyses of single cases and from cross-case analysis. It is important to recognize the importance of both

[6] If the resort shows weaknesses in the competition with other resorts, negative consequences for the individual district businesses are inevitable. And if a resort is successfully competitive, there are small gains for individual businesses or for certain groups of activity. Remember the hotel situation in Taormina that was segmented in qualitative groups: the 3, 4 and 5 star hotel categories showed higher and rising levels of occupation while the 2 star hotels showed a far more contained saturation of productivity. (§5.1, §11.4.1, chapter 8).

[7] The experience of the Rimini Fair is in many ways paradigmatic.

competitive plans, that of destination, and that of the single business. The fact that destination is strong both competitively and strategically does not reduce the importance of the decisions and actions decided within a business[8].

The status of a competitive subject influences the management of single processes especially with regard to the vision of development – an awareness of what the resort is and would like to be with reference to the medium and long term – shared by the metadirectional organs. The vision must become a direction capable of suggesting priorities especially for primary processes[9]. The empirical results show a certain weakness on this front: the direction is not always clear, and changes quite often with relation to the diverse levels of management. In other cases one sees high variability. The destination is inserted in a dynamic context and the changes occurring during the 90s are particularly sudden, as shown by the tourist indicators. It is normal for the direction to follow inevitable and continuous adjustments and that the new facts request re-evaluation, revealing both new opportunities and threats. Excessive variability tends to produce conflicting messages both within and outside the resort, reducing the confidence in and acceptance of the metadirectional organs, and more generally, the image of the resort.

With reference to the public operative processes, a clear vision gives a heightened dynamic, favoring the creation of a consensus and suggesting priorities. For private attraction, a clear direction tends to foster agreement between private and public investments, highlighting the signals sent to the market. One notes a growing awareness regarding destination product, favoring the union between the specific and the global product.

The processes of external communication show a marked acceleration, especially in the area of quality. Promotional strategy highlights the brand of destination. There is greater dynamism in the development of new products, translating the development vision that animates the resort into services and events.

The bond between vision and support processes is strong. If a clear direction for development is lacking, it will be difficult for the latter to assume a pro-active and incisive role. The support processes will be neglected or become formal moments. Often when the vision gives precise directions, it tends also to modify the research, giving more dynamism and developing new performance indicators[10].

2.2.4 The tourist resort as a producer of services.

A resort offers of mix of products composed mostly of services, i.e., non-material goods, and a complicated rapport with the client who takes on the role of consumer and producer. There is the importance of the human factor within the productive

[8] The case of Rimini shows how the extraordinary come-back of the resort after the mucilage crisis was marked by the decision taken by many single hotels to requalify their structures and to amplify the mix of non-beach activities. Similarly, some businessmen in Taormina understood the potential request for a mix of first-class services. They "requalified" and constructed new hotel units, triggering competitive growth that marginally helped the lower category hotels. The come-back of Portorose is centered on the initiative of four principal hotel groups and marginally touched the public operative processes and those of support.

[9] This paradigm was well expressed in the St. Moritz logo "top of the world" which had a dynamic effect on many processes.

[10] Emblematic with regard to the experience at Taormina or the congressional observatory for tourism of Rimini.

organization and the importance of the client-business interface. The implications of these characteristics have a significant influence on the management processes, especially the immateriality which, precluding a production for storage, poses the problem of seasonal cycles.

As for public operative processes, operators are demanding the municipalities or other regional public corporations to make specific investments, developing new forms of tourism that are complementary to the seasonal needs with respect to destination flow. It should be emphasized that certain opportunities, though in some cases extremely concrete and promising, have rarely found the necessary investment. Investments given in word can rarely be taken on by the individual tourist businesses within the community model, given their reduced dimensions[11].

With reference to private processes, the status of services is seen in the growing importance given to the personnel. The management is aware that the efficiency of the facility relies on interpersonal relations, obviously sustained by the quality of the infrastructural assets. The challenge is not linked to the achievement of excellence in the production and delivery of services, but rather to maintaining a uniform standard "day after day, year after year[12]. In this delicate equilibrium, the seasonal adjustment of the tourist flow is an important condition for creating stable relations and for giving impulse also to professional formation as documented in the experience of Portorose.

Immateriality does not pose particular problems to the visibility of the destination product. As it is anchored in numerous infrastructures and in the wide mix of natural, historic, cultural and anthropological resources. It is necessary to assure temporal continuity in the production and sale processes and to ask precise questions regarding the activities of external communication. Regarding the development of new products one sees a growing finalization of the events and the packages for managing specific seasonal cycles. The empirical analysis suggests how the determination of district and business management plays a primary role in the efficiency of such initiatives. Whenever the assumption is that certain seasons are scarcely manageable, non-aggressive instruments are used and promotion is made without conviction. For promotional strategies, it is important to emphasize that working with a client portfolio differentiated by nationality helps to reduce the seasonal peaks because one can put together complementary temporal concentrations.

Regarding the support processes, the service status again stresses the importance of management that is attentive to internal marketing, education/training, research, even if for different ends. Internal marketing can represent a useful instrument for keeping high motivation within a resort with reference to the public, operative spheres and, management. Education/Training is essential for learning how to approach the client, how to listen to his needs and be able to correct errors, a condition that is unavoidable for a company. Study and research can help the qualitative growth of a resort through activities of customer satisfaction and surveys for preliminary strategies for seasonal adjustment.

[11] In the case of Portorose, the elevated dimensions of the four principal groups of hotels has permitted the internalization of many typologies of attractions, (congressional centers, hot springs, casinos, salt water swimming pools) giving the bases for the important processes of seasonal adjustment.

[12] Efficient expression coined by the director of the San Domenico Palace Hotel of Taormina.

2.2.5 The tourist destination as district

The destination has traits typical of productive regions such as geographical concentration, the importance of the SME (small and medium enterprises), the role of institutional actors and the existence of a culture shared by the operators.

One sees empirically how crucial the institutional actors are involved in a multiplicity of processes of primary importance: the management of the public activities, promotional strategy, the development of new products and support activities. Their role in the development, communication and creation of the image for the resort is no less important. See 3.1 and 3.2 of this chapter.

Figure 2. Destination management and distinctive characteristics of destination.

PROCESSES	Destination as a tourist system	Destination as a specialized supply	Destination as a competitive subject	Destination as producer of services	Destination as a district
I PRIMARY					
A. Operative					
Public Activity	Coherence between public and private activities	Exploitaion of unique resources	Clarify priorities and concensus generated by the vision	Seasonal cycles of management	Critical role of the institutional actors
Private Activity	Coherence between different entrepreneurial subjects	Specialization of the district enterprises	Agreement with public activities, importance of the destination product	Importance of the rapport with the personel	Complex rapport between SME
B. External Communication					
Development of new products	Creation of a concensus	Coherence with the unique mix of the resort	Coherence with the vision	Seasonal cycles of management	Importance of the cultural variables
Promotional strategy	Homogeneity supply	High specialization	Brand management	Management of seasonality	Culture management
II SUPPORT					
Internal Marketing	Multiplicity of the tourists and the contents	Important cement between public and private and various processes	Importance of tourist culture	Maintenance of motivation	Existence of a widespread culture
Education/Training	Creation of a tourist culture	Sustain change	Importance of all the components of the line	Approaches to problem solving	Learning by osmosis
Research	Evaluation of the coherence	Map the opportunities, Benchmark	Indicators of district performance	Analyses of customer satisfaction	Sustains the SME

Source: Own analysis.

The existence of a population of small and medium-sized enterprises tends to create complex relationships between the different district enterprises. These relationships often oscillate between cooperation and intense competition. The geographical concentration aggravates parochialism, thus halting district possibilities for managing certain processes[13] and feeding rivalry and internal contrast. This problem is hardly exclusive to new resorts. The director of the KVV of St. Moritz describes local hotel operators as being “pathologically individualistic”. The internal rivalry tends to favor the innovation of the long product[14] but in an imitative direction[15].

[13] See §3.1 and 3.2.

[14] The replacement of the TOP of Portorose with a lively competition between operators is basic to the process of the requalification of the accommodation sector. The “ferocious” competition between the ski lift companies of Livigno favored a rapid relaunching of the ski infrastructures. The opening of new 5 star hotels at Taormina raised the standards and the competitiveness in the first-class hotel sector.

[15] The risk is to adopt the internal competition as a paradigm.

The empirical analyses, especially the numerous interviews with local operators, confirm the existence of a local culture within a destination. Local culture would be a set of values and behavior that is sufficiently shared. As we will see in the course of the work, the local tourist culture takes on a primary importance in encouraging a fusion between metamanagement and business choices, between the public and private spheres, creating a fertile terrain for the realization of collaborative strategies.

For a synthetic view of the existing ties between characteristics of the destination and implications of the management of single processes, see figure 2

2.3 The empirical importance of the processes of destination management

This section is about management choices made by metadirectional actors.

2.3.1 The primary operative processes

The primary operative processes denote in general a dualism between the public sphere, characterized by a certain static nature, and the private sphere, which is mostly dynamic. We want to see the causes of this situation rather than expressing a preference for one sector or the other.

Public activities show less dynamism, especially with regard to destination access and the practicability of the internal roads. The efforts made to create tourist fittings tend to increase the potential of the sports infrastructures (St. Moritz and Corvara). The basic issues regarding the management of public activities overlapped and can be referred to as: i) the development of means of access alternative to rubber tires ii) the management of the internal practicability which is often chaotic and aggravated by problems of parking, iii) the improvement of the tourist decoration in order to support the development of new products. The importance of these three items requires further examination.

There is very little development of air and rail transport connections for arriving at destinations. St. Moritz can be considered a partial exception as it is in the middle of the Rh.B. network and very near the Samedan airport. This permits the 5 star segment to arrive by plane. Taormina is near the Catania airport and Portorose can be reached via sea and air. The percentage of clients that come to St. Moritz using transportation other than cars is significant but contained, about 30%-35%. The routine procedure of renting cars at Taormina tends to aggravate the local traffic and generate a high demand for parking. The percentage of clients who come to Portorose using transportation other than cars is marginal. The situation becomes dramatic in places where there are commuter as well as sojourning tourists. In all of these cases the empirical work shows a certain sluggishness on the part of the public territorial bodies to organize decisive solutions, which require difficult strategic choices regarding the segments of clients to serve. The most shocking cases are Livigno – where it is necessary to regulate commercial tourist access, but where tourism feeds numerous tax-free stores and generates financial resources for the municipality through the mechanism of special rights. (see §3.9 of chapter 4) -and the resort of Taormina.

The lack of transport alternatives to cars, the growth of commuter tourism, and the shortening of the mean length stay, generate dramatic consequences for the internal practicability of the resorts and add to the problem of parking. Empirical analyses suggest more radical solutions centered on the creation of large parking places, the

better use of buses, trains and taxis, the building of ring roads and the closing of large areas of the resort. Large inertial forces discourage these solutions.

In the public sector it is often difficult to find the economic resources necessary for creating support infrastructures, especially for large underground parking lots. The main reason these do not get built is cultural. Commerce and tourism operators are afraid of losing customers if they ask them to leave their cars outside or at the entrance to a resort and to either walk or take public transport. This fear however is unfounded. The results of all the resorts that have started to eliminate private cars show tourists appreciating pedestrian areas. Shop owners realize that when people are free to walk they are more likely to shop. Residents appreciate having pedestrian zones. The experience of Taormina shows how certain support structures can be managed by enterprises operating along the lines of free competition.

For tourist furnishings (urban, sport, mountain and sea-side) there are great opportunities associated with the creation of specific attractions that help to develop new tourist forms. The experience of some resorts, Rimini in particular, shows how through certain infrastructures positive external elements can be created for many activities linked to tourism. This helps to accelerate the processes of requalification, the development of new products, and the activities of external communication. Livigno is an exception in the use of urban and mountain furnishings as it directed important investments. (§4.2, chapter 4) to this sector.

It is important to remember that the municipality of Livigno, thanks to the huge tax-free resources and to administrative peculiarities, has a high discretionary power that is difficult to replicate in other contexts. The lack of involvement of the private operators has notably lengthened the time of execution also because of certain objective limits made by the Italian legislature regarding public contracts. In the cases of Corvara and St. Moritz, the commitment to urban furnishings tends to focus on activities relating to sports. The experience of Portorose shows how the corporate model permits the large private businesses to internalize part of these services.

The cases confirm great dynamism in the private infrastructures during the 1990s. This was stimulated by high competition and by the necessity to adjust the service standards to the increased demands of the clientele. The most dynamic enterprises are represented by the hotels, and in winter destinations by the cableway companies, even though the competitive changes[16] have aggravated the economic-financial equilibrium. For commercial activity one sees good dynamism, drawn by the processes of modernization of the infrastructures and by a growing specialization of market niches[17]. For the sea resorts we saw little dynamism in beach management, caused by an excessive fragmentation of lots, separation from hotel management and in general by a small potential of service development.

2.3.2 The primary processes of external communication.

With reference to the processes of external communication, and in particular to the development of new products, the sample studied showed various degrees of dynamism.

[16] See §5.1, figure 3 of chapter 5 in the Corvara case.

[17] In the case of Livigno, Rimini and Taormina where the business created by the existing commuter tourism is relevant, the offer differs in qualitative terms in relation to the kind of tourists serviced. Emblematic is the experience of Taormina, where shops specialized for an exclusive target are opposed to other structures set for a mass target composed mostly by commuter tourists.

The events represent the fulcrum of the strategies for St. Moritz and Taormina and have in both cases an important function of characterizing the system of the facility, in order to implement niche strategies. The white city uses the events to consolidate the tradition of emerging sports and the exclusivity of its brand, the Sicilian citadel, to present itself as a center for bathing and culture. Corvara uses events to remind its loyal clientele of the charm of the place. Rimini, using the general "window' of tourism, favors management of the destination brand through events (remember that the promotional strategy focuses on single products). Livigno and Portorose present themselves in a somewhat static way.

Empirically one sees the importance of creating peaks of excellence in this area, in order to draw the interest of mass media and help the external communication.

Regarding packages, the most dynamic resort is Rimini, whose relaunching strategy is strongly centered on this form of offer. The Rimini experience permits us to gather critical elements associated with the need to: i) integrate the public, ii). mobilize a sufficient critical mass of bed places, iii)favor a clear commercial finalization, iv) institute central sales channels, v.)define a system of indicative acts to measure the commercial efficiency of the proposed packages.

The weakness of the other destinations is tied to the difficulty of the process and the absence of channels for promotional marketing.

On the front of promotional activity, it is opportune to distinguish between strategic and operative marketing, where the first function tends to define the finality and the underlying philosophy of the operative instruments to be used. The sample examined showed a growing attention reserved especially for strategic marketing. Livigno decides to limit the promotion to a clientele already present in the resort while waiting to complete the local offer. Corvara identifies a series of target segments. St. Moritz pays attention to the centrality of the large events. Rimini insists on the product/destination strategy. Portorose is relaunching its offer and Taormina is focused on target exclusivity.

The work on operative marketing shows recourse to traditional instruments such as tourist fairs, price lists, the press and the dissemination of information and to management of press relations, typically through paid articles., There is little district development.

Taormina and St. Moritz are exceptions. The citadel has integrated the participation in fairs with the organization of tourist workshops aimed at the development of new segments in collaboration with national and non-national vectors. The white city made its levy on large events and its brand developed a capillary activity of PR addressed to the international press.

In Rimini, the product/destination dimension generates an operative marketing that focuses on instruments, channels and target segments for Rimini itself. In Corvara, the Ladin cultural identity has favored attention to the Alta Badia brand and is creating the foundations to have a central channel of promo-marketing (it is in the advanced planning stage). Looking at the empirical results we can stress the following 3 little developed areas. i) promo-marketing, ii)Internet, iii)database marketing. The limited development of channels of promo-marketing is the result of a series of normative, technical and cultural limits. The legal constraints are particularly stringent for the four

cases in Italy, where the legislature had always imposed a complete separation between advertising and commerce[18].

Recent changes have permitted operators to overcome this situation. The technical difficulties involve connecting all accommodation units in a network, real–time management of room availability and a system that can guarantee the equal treatment of the diverse hotels with absolute transparency.

Cultural "brakes" are caused by the suspicion that the accommodation sector often fears that district management is losing control of the commercial function and of the costs associated with the service (normally between 5% and 10%).

The Internet sites in the resorts are more like display windows than instruments of interactive communication. This problem is often caused by the lack of circuits for telematic reservations. A third drawback concerns the meager development of database marketing. The empirical results show that often the initiatives taken on this front are based on obsolete mailing lists compiled long ago by tourist boards. The information relative to single names is inadequate and does not allow for customizing.

2.3.3. Support Processes

Empirical analyses of *support* processes show little dynamism in general, with important exceptions. The main reasons are linked to the reduced entrepreneurial and financial resources of metadirectional subjects that as a consequence focus their attention more on the primary processes. In other cases it is the diminishing of the characteristics of the resort, the necessity of an explicit management of some of the support processes: marketing in Taormina or Portorose where the reduced dimensions tend to multiply the moments of contact for the entrepreneurial class, or to the training given to the entrepreneurs and managers at St. Moritz, where there exists a class of directors who have been to the best education centers.

In other cases the meager development should be considered in relation to the lack of awareness of the importance that these processes have, also for their indirect relation with primary processes. The static nature of the support activities, together with the weakness of the cultural parameters of the resort and the organizational assets of the metamanagement bodies explain the existence of a detachment between the public and private sphere and between the metamanagerial and the entrepreneurial.

For *internal marketing*, St. Moritz and Corvara are the liveliest destinations. In both cases their efficiency is due to the capacity to use many instruments for reaching both tourist and non-tourist operators, with specific and continual communications. Communications is a critical variable for a correct and dynamic conveyance of the image of local development continuity. The experience of Taormina shows a different communication strategy: the involvement of operators in specific commercial initiatives has helped continue the development of relations with a large public audience. Livigno tried with mixed success to create ad hoc instruments to augment the degree of participation of the operators and to reduce the separation between the district and entrepreneurial spheres.

For *education/training activities*, there is little dynamism in spite of its importance to the improved quality requested by clients and the greater standard of service in the operative processes (especially private). The empirical analyses suggest two large areas

[18] See the considerations made for Livigno (§3 and §7.2.3, Chapter 4).

of commitment: the training of managers for the productive units and the training of the operative personnel.

With reference to the entrepreneurs and the managers, the most dynamic resorts are Livigno, Corvara and Portorose. Livigno has organized in the past numerous testimonial encounters with charismatic personages from the tourist world. Corvara systematically organizes formative appointments regarding specific lacunae or needs of the entrepreneurial class.

Portorose is creating the conditions for the formation of a new executive class using a university institute in the city. The main reasons for limited development of Education/training are the limited sensitivity of the organs of metamanagement that tend to focus on the primary processes, the intensity of the operative activity which tends to take most of the energies of metadirectional and entrepreneurial subjects , the poor initiative of the associations of category that are an important link between the operators and the organs of district management, the presence of operators with a high level of tourist culture.

The levels of metamanagement and individual business show a growing interest in professional training. This training is, however, little developed, especially when one considers the elevated turn over and seasonal cycles. These two conditions tend to discourage investment and substitute and replace systematic training with on the spot learning.

In family businesses this model is sustained by giving family members key roles. The empirical results, because of the above-mentioned limits, show the difficulty of creating efficient strategies to counteract seasonal cycles.

Study and research show an elevated static nature in the sample analyzed, with the positive exceptions of Corvara, Livigno and Rimini. The sample showed that attention is given above all to the evaluation of competitive results and for conducting ad hoc research. The scanty development of the district dimension has limited the creation of observatories, with the exception of Rimini (regional observatory) and Corvara (Alta Badia observatory).

The reasons for this scanty attention are to be found in the modest financial resources of the district boards (often completely absorbed by primary processes), with a limited culture relating to projects, often substituted by intuition, by experience or by common sense, and then important strategic evaluations are usually delegated to external subjects. Empirical activity points to a growing interest, also due to the high rivalry and uncertainty, that tends to characterize the competitive environment.

The case of Livigno shows how a qualified and independent research center can be helpful in finding internal consensus and for going beyond the inevitable individual interests which get in the way of change. Research shows an existing unity between the various management processes and can help the many metadirectional actors to create a more coherent strategy.

Given the importance of communicating the competitive results, I would like to open a brief parenthesis. The empirical analysis suggests that attention has to be paid to a series of factors if one wants to render communication efficient: graphic analyses are better than tables, index and calculate the values in percentage, construct a broad historic series (five to six years) in order to appreciate the trends, limit the comments to few essential sentences that identify the causes at the base of the results (positive or negative), give continuity to the analyses, give continuity to the structure of the

calculations, communicate the results rapidly and favor the ties between strategy and results (according to the experience of Taormina).

Figure 3. Review of the primary and support processes with reference to the cases analyzed.

PROCESSES	Livigno	Corvara	St. Moritz	Rimini	Portorose	Taormina
I PRIMARY						
A. Operative						
Public Activities						
Access Roads	Low	Low	High	Low	Low	Medium
Internal practicability	Medium	Low	Medium	Low	Low	Medium
Tourist Fittings	High	High (sport)	High (sport)	Low	Low	Medium
Private Activity						
Accommodation	High	High	High	High	High	High
Commercial	Medium	Medium	High	High	Medium	Medium
Mountain railways	High	High	High	-	-	-
Sea Resorts	-	-	-	Medium	Low	Medium
B. External communication						
Development of new products						
Packages	Medium	Medium	Low	High	Low	Low
Events	Low	Medium	High	Medium	Low	High
Promotional Strategies						
Strategic Marketing	Medium	High	High	Medium	High	High
Operative Marketing	Medium	High	High	High	Low	High
II SUPPORT						
Internal Marketing						
Breadth of Content	Medium	High	High	Low	Low	Medium
Number of Subjects Involved	Medium	High	High	Low	Low	High
Continuity of Communications	Low	High	High	Low	Low	High
Education/Training						
Entrepreneurs/Managers	Medium	Medium	Low	Low	Medium	Low
Employees	Medium	Low	Low	Low	Medium	Low
Research & study						
Competitive Results	Medium	Medium	Medium	Medium	Low	High
Ad hoc Research	Medium	Medium	Low	Low	Medium	Medium
Observatories	Low	Medium	Low	High	Low	Low

Source: Own analysis.

3 THE SUBJECTS OF DESTINATION MANAGEMENT

Looking at the third question(s) of the research, ("What are the main actors that embody the destination strategy? What kinds of financial and organization power do they have?") the empirical work permits us to identify i) the subjects that normally assume the general direction and the processes they tend to manage. (§3.1), ii)the principal empirical results of the subjects/processes binomial (§3.2), iii)the principal characteristics of the institutional assets in terms of bodies, financial resources, mechanisms and styles of control (§3.3).

3.1 The metamanagers and the destination management processes.

With reference to the subjects who are responsible for the management of a resort, the empirical reality permits us to identify some correlations summarized in figure 4.

Figure 4. Metadirectional processes and subjects.

I PRIMARY PROCESSES			
1. Operative		2. External communication	
1.1 Public activity	***1.2 Private activity***	***2.1 Development of new product***	***2.2 Promotional strategy***
Access routes	***Accommodations***	***Packages***	***Strategic marketing***
- Region, State	*- Municipality, Tourist Boards, Hotel Associations*	*Tourist Boards (Local Organizations)*	*- Tourist Boards (Municipal)*
Road practicability	***Commercial activities***	***Events***	***Operative marketing***
Municipality	*Municipality, Tourist Boards, Commercial Associations*	*Tourist Boards*	*Tourist Boards*
Tourist fittings	***Mountain railways***		
Municipality, Tourist Boards	*Skipass Associations, Municipality*		
	Sea-side resorts *Local Associations, Municipality*		
II SUPPORT PROCESSES			
1. Internal marketing	***2. Education/training***	***3. Research & study***	
Tourist Boards, Local Associations, Municipality	*Tourist Boards*	*Tourist Boards, Municipalities, Model Businesses, District Organizations*	

Source: own analysis

Looking at the table, the attention is drawn to a *number* of metadirectional actors (hereafter also called “metamanagers”) involved, usually not less than five or six: who are the municipality, the local tourist enterprises, the hotel association, shopkeepers, the skipass association or life guards. Their number tends to increase significantly as the size of the resort grows (consider the case of Rimini) because of the importance of the leading companies (Rimini Fair, Convention bureau) or the lesser associations (Hotel Promotion, AIA).

A second observation looks at the sphere of competence of the various metamanagers. The municipalities are usually responsible for the public operative processes through direct intervention and control. The tourist boards tend to have management abilities for public operative processes (tourist fittings), communication and the implementation of the development vision for the resort, even if such a process tends to be influenced by the dialectic with all the destination subjects. The associations provide an important link between the tourist boards and the entrepreneurial level, and are specialized in productive activities. Their role is not always incisive, especially in contexts where the associations have strong political or union leanings.

A third consideration concerns the importance of the *mechanisms of coordination* of the various actors. The success of the destination is based on the ability to create consistency between the different processes. This is animated by a long term vision that is strong and pervasive. The existence of a multiplicity of metamanagement levels requires coordination between the different subjects in order to avoid detachment or

contrasting visions. As we will underline in §3.3, the concrete functioning of such mechanisms is tied principally to the characteristics of the institutional structures and must search for a unity of intention on two levels: between the different metamanagers and between the metamanager and entrepreneurial levels.

Figure 5. Contents of the main activities governing metamanagement processes.

I PRIMARY PROCESSES			
1. Operative		**2. External communication**	
1.1 Public activity	***1.2 Private activity***	***2.1 Development of new product***	***2.2 Promotional strategy***
Access routes	***Accommodations***	***Packages***	***Strategic marketing***
Building(Municipalities)	*Control (Municipalities), Production/Management (Private)*	*Target (Tourist Organizations), Management (Tourist Organizations – Associations – Individuals)*	*Target (Tourist Organizations)*
Road practicability	***Commercial activities***	***Events***	***Operative marketing***
Production (Municipalities)	*Control (Municipalities), Building Management (Individuals)*	*Target (Tourist Organizations), (Municipalities), Management (Tourist Organizations – Associations – Individuals)*	*Target (Tourist Organizations), Management (Tourist Organizations – Associations – Individuals)*
Tourist fittings *Production (Municipalities)*	***Mountain railways*** *Control (Municipalities), Building Management (Individuals)*		
	Sea-side resorts *Control (Municipalities), Building-Management (Individuals)*		
II SUPPORT PROCESSES			
1. Internal marketing	***2. Education/training***	***3. Research & study***	
Target-Management (Tourist Organizations)	*Target (Tourist Organizations), Management (Associations, Individuals)*	Target (Tourist Organizations, Municipalities), Management (Tourist Organizations, Municipalities, Research Centers)	

Source: Own analysis.

Referring to the content that the metamanager functions can assume in the governing of single processes, the empirical reality suggests several possible activities (for a concise view see figure 5) that we may summarize as follows:

- ✓ *Building Activities* include the planning and the building of infrastructures that take on a strategic role in the working of the resort. The building activities involve especially the operative processes and tend to be carried out by the municipalities.

- ✓ *Management Activities*: Some processes are often directly managed by the metadirectional subjects, such as those of external communication (promotional strategy and the development of new products). There is an organizational model, especially with reference to tourist fittings, that tends to favor a separation between the subjects that are charged with taking on building activities(the municipalities) and the management subjects (tourist enterprises)
- ✓ *Strategic Activities:* Concern the formulation of a district strategy that can delineate a course of action for the diverse operators.
- ✓ *Control Activities:* permit the regulation of the correct implementation of the development vision of the resort. The instruments are tied to the control of the land use, general town planning schemes, granting of licenses and to the qualitative and quantitative control of the facility. Typically, the municipality has been the competent body capable of finding important interlocutors in associations and tourist boards.

3.2 Subjects/Processes Binomial with reference to the cases studied

Having identified the principal metamanagers and their connection to the management processes, we will now look at this binomial with reference to single cases of analysis.

Livigno is a model centered particularly along the Municipality-APT axis. There is a strong institutional and financial bond between these two bodies. APT is the "operating branch of the municipality". The resources that come from special rights have made the municipal administration the most important reference for public activities. The city recently has been evaluating the possibility of building a railway tunnel in the direction of Engadina, managed by the Rh.B. APT presides principally over the processes of external communication and support. The significance of the associations is modest, with the important exception of the skipass association, which is involved also in promotional activities.

Corvara has created a model of district management that is well integrated in the region and particularly with Alta Badia. The two bodies, The Tourist Association for Corvara-Colfosco (ATCC) and the Tourist Association of Alta Badia (CTAB) are two axes for resort management. The sphere of competence of the municipality overlaps those of the ATCC and the CTAB, but since the municipality has a reduced spending capacity it has delegated to the ATCC building operations (in particular for the mountain and sports) and even tourist fittings. The tourist board takes charge of the processes that facilitate a uniform vision. The close ties between Corvara and the Alta Badia have favored district logic in the management of the processes of external communication. Regarding the ski lift facilities, the presence of a pioneer like Erich Kostner who worked with many companies to manage an important part of the local ski basin and the role of the Dolomite Superski have further contributed to guaranteeing a unity of purpose among the various processes and levels.

The major district processes of *St. Moritz* gravitate around the KVV, responsible for the management of the tourist fittings (which include many structures used in the organization of major sports events), for processes of external communication and support. The municipality plays an important role in the activity of producing the public operative processes and in taking on management responsibility for the ski lifts. On this last front, the AGOB, another metamanager that started as a skipass association, is

producing with great dynamism, activities of promo-commercialization of tourist packages. Unlike the KVV, the AGOB has adopted a district management prospective.

Figure 6. Processes and metadirectional subjects with reference to the sample studied.

PROCESSES	Livigno	Corvara	St. Moritz	Rimini	Portorose	Taormina
I PRIMARY						
A. Operative						
Public Activity						
Access roads	Municipality	ANAS, Region	Rh.B., Canton	ANAS, Region	State	Region
Internal Practicability	Municipality	Municipality	Municipality	Municipality	Municipality	Municipality
Tourist Fittings	Municipality, APT	ATCC, CTAB	Municipality, KVV	Municipality	Municipality	Municipality
Private Activity						
Accomodation	Municipality, Hotel Associations	Municipality, ATTC, Individuals	Municipality, KVV, Individuals	Municipality, Individuals	Municipality, Individuals	Municipality, Individuals
Commercial activities	Municipality, Commercial Associations	Municipality, ATTC, Individuals	Municipality, KVV, Individuals	Municipality, Individuals	Municipality, Individuals	Municipality, Individuals
Mountain railways	Municipality, Skipass Association	Superski Dolomites, Ski Carosello	AGOB, Municipality	-	-	-
Sea-side Resorts	-	-	-	Superintendent, Life Guard Association	Municipality, Hotel Groups	Municipality, Hotel Associations
B. External communication						
Development of New Products						
Packages	APT, Individuals	ATTC, CTAB	AGOB, Individuals, Canton	APT, Coast Union, UDP	Hotel Groups	AAST, CTA
Events	APT	ATTC, CTAB	KVV, Municipality	Municipal Councillor	Hotel Groups, Auditorium	AAST, CTA
Promotional Strategy						
Strategic Marketing	APT, Municipality	CTAB	KVV	APT, Coast Union	SLO, Hotel Groups	AAST, CTA
Operative Marketing	APT	ATTC, CTAB	KVV	APT, Coast Union	SLO, Hotel Groups	AAST, CTA
II SUPPORT						
Internal Marketing	APT, Municipality	ATTC, CTAB	KVV	APT, Coast Union, Councillor	SLO	AAST, CTA, Municipality
Education/Training	APT, Hotel Associations	-	KVV	-	SLO, University Institute for Tourism	-
Research & study						
Competitive Results	APT	ATTC	KVV	Provincial Councillor	SLO	AAST
Ad hoc Research	APT, Municipality	-	Engadine Academy	Rimini Fair	SLO	-
Observatories	-	-	-	Rimini Fair, “Unioncamere”	-	-

Source: own analysis

Rimini presents a management model centered on the binomial APT Services- Union of Products binomial for external communications. The elevated dimensions of the local sector have favored the development of associations of category (hotel operators, lifeguards, shopkeepers) that have several hundred members and some model

companies. The private operative processes are left to initiatives that start from the bottom, in consideration of the high internal competition and the scanty management of control mechanisms.

Portorose presents a management model that is mostly centered on the principal hotel groups. This is in part due to the absence of a local tourist board until 1998, and for the procrastinating politics on the public front adopted by the municipality of Pirano. The main processes concern private infrastructures, as the elevated dimensions have permitted internalization of a series of attractions that in the "community" model are usually classified under the public operative processes for tourist fittings. (the center for sea water therapy, the thermal center, congressional rooms, and Casino). With the constitution of the SLO, one sees a development of local promotional strategies supported by instruments of a traditional nature.

Taormina exhibits a management model mostly centered on the work done by the AAST and the Art Committee of Taormina (CTA) along with processes of external communication. By means of promotional strategy and the organization of large cultural events, the two have efficiently communicated to the tourist market the process of repositioning started by the private operators and especially by the high and middle range accommodation facilities. The district strategy is in part weakened by the limited dynamism in the public operative processes and re-invigorated by the citadel's natural and historical resources. See figure 6 for a concise view.

3.3 Organizational models and metadirectional subjects

This section contains an analysis of the organizational model of the subjects who exercise principal metamanagement functions, identifying i) criteria of appointment for the bodies of economic government, ii) the financial resources available, iii) the degree of participation of private subjects in metadirectional bodies, iv)the mechanisms of control.

Given the unity existing between the four different levels of analysis, the data will be presented in columns (destination) instead of by lines (comparison between the different organizational solutions). Regarding the theoretical umbrella introduced in Chapter 3, we will analyze the contingency factors later on when evaluating the results.

Livigno presents an organizational model that is strongly linked to a municipality which reserves the right to appoint all members of the board of directors, the board of auditors and the director himself.

The continuity of the APT is formally guaranteed by the presence of the Director, even though the strong dependence on the municipality would tend to create discontinuity in the management after a change in the municipal majority as it happened in the last elections. The financial resources are about 1.8 million Euro, with an average of about 3 Euro per hotel overnight stay[19], and their composition is tied to the municipal resources (90%). The involvement of the tourist operators is limited to the mechanisms of economic government of the APT and of the local individualistic culture. The instruments of control are quite restrictive, even in consideration of the progressive maturity of the local facility, and reflect a style of control that has become definitely authoritative.

[19] Reference has always been made to the hotel presences for the lack of extra hotel presence in some destinations.

The organizational structure of the Tourist association of Corvara and Colfosco is characterized by a highly voluntary integration of tourist and non-tourist operators that keep close control on the assembly and the board of directors. The stability of the ATCC is guaranteed by the continuity of the figure of the director and in some cases of the administrators. The cohesion among operators is also reflected in the financial criteria: 60% of the contributions come from private members integrated with provincial funds. The total budget is about 0.8million Euro, with an average of about 1 Euro per hotel presence. The involvement is high and is expressed in a relative ability to implement collaborative strategies at the destination and district level. Control mechanisms tend to keep the equilibrium among districts and reveal a participative style.

The organization of the KKV of St. Moritz is analogous to that of Corvara. The criteria for election have importance for the assembly, reserving for the Municipality a small quota of administrators (3 out of 12).

The election of a minority quota of administrators (3 out of 12) is reserved for the municipality. The stability is strongly connected to the figure of the Director Danuser. St. Moritz presents some financial peculiarities. The value of the resources is high, about 4.3 million Euro for an average of more than 4 Euro per hotel overnight stay. The resources come almost exclusively from private operators, representing all of the local economic tourist and non-tourist activities. The involvement is high, and is based on highly regulated participation mechanisms due to high tourist culture. There is strict control on land use in a prevalently managerial style.

The organization of Rimini is influenced by the product/destination model, introduced with the law of 1998. The attention was thus focalized on the APT services. The appointment criteria are strongly controlled by the region which also guarantees an important quota of the financial resources of the product unions by means of the mechanism of redoubling. The budget of Rimini has been calculated taking into account all the resources of the Costa Union which come to 1.8 million Euro, for an average of 0.25 euro per overnight stay. The participation of the operators is contrasting: high for those who participate in the product club and limited for those who continue to operate alone. On the whole there is good tourist culture. The mechanisms of control are weak, in part because there is no precise control of the overnight stays originating in the Union of products- Club of products binomial (see chapter 7, §11.2).

The tourist organization of Portorose(SLO) shows a balanced mediation between tourist operators and municipal administration: the first group nominates 6 members and the second nominates 4. The statute foresees the possibility that the entire management (board of directors and director) be re-elected. The financial structure relies heavily on municipal resources (80%), with the hotels paying 40% of the visitor's tax. The composition of the private contributions theoretically has a wide social base, even if concretely it is reduced to the principal tourist enterprises. (hotel accommodation, Casino, Marina).

The involvement is in part mediated by the visitor's tax allocation criteria and the importance that the municipality of Pirano has in the SLO. The local tourist culture is good even if the rivalry between hotel groups limits the collaborative strategies. The control mechanisms are static regarding the criteria of allocation of land allocation, even in consideration of the necessity to modernize the existing structures before enlarging the facility. There are some important exceptions, which mainly regard second houses. The style of control is entrepreneurial. The principal criteria for strategy control in the

1990s are represented by the economic-financial equilibrium of the single district companies.

Figure 7. Metamanagement structure with reference to the sample analyzed.

	Livigno	Corvara	St. Moritz	Rimini	Portorose	Taormina
Metamanager	**APT**	**ATCC**	**KKV**	**APT Servizi**	**SLO**	**AAST**
1. Actors						
Nomination/Appointment Criteria for the Board of Directors	Municipal Nomination	Election Assembly	Election Assembly, Municipal Nomination	Election Assembly (Region)	Election Assembly	Ministerial Decree
Administrative Composition	7 Municipal Nominations	2 Municipal, 11 Members (Different Activities)	9 Elected by the Assembly, 3 Municipality	5 Members	4 Municipal Members, 1 Pro-Loco, 6 Assembly	Political Composition (DPR 1042/60)
Composition of Control Bodies	Municipal Nomination	3 Elected Members by the Assembly	3 Elected Members by the Assembly	3 Elected Members by the Assembly	3 Elected Members by the Assembly	3 Members Nominated by the Prefect
Continuity of Management	Directorial Stability, 5 Years Board of Directors	Directorial Stability, 4 Years Board of Directors	Directorial Stability, 5 Years Board of Directors	Directorial Stability, 4 Years Board of Directors	Re-election Every 5 Years	Directorial Stability, 4 Years Board of Directors
2. Financial resources						
Entity (Value in Euro)	1.8 ML, 3.01 per OS	0.8 ML, 1.02 per OS	4.3 ML, 4.02 per OS	1.8 ML (*), 0.25 per OS	0.4 ML, 0.3 per OS	5.0 ML (**), 4.8 per OS
Composition of the Resources	90% Municipal, 5% Private, 5% Other	40% Provincial, 60% Private	95% Private, 5% Other Organizations	97% Public, 3% Private	80% Municipal, 9% Private, 11% Other	100% Public
Composition of Private Resources	Hotel Operators	Operators: Tourist, Agricultural and Artisan	Operators: Tourist and Non-tourist	Members	Operators: Tourist and Non (Actual Tourist Operators)	-
3. Involvement						
Financial Participation	Low	High	High	Low	Medium	High
Participation in Social Organizations	Low	High	High	Low	Medium	Medium
Tourist Culture	Low	High	High	Medium	Medium	High
4. Power of central control						
Use of Land	High	High	High	Low	Medium	Medium
Style of Control	Imposed	Participative	Managerial	Labile	Entrepeneurial	Dual

Legend: (*) refers to the budget of the Costa Union, (**) also considering the resources of the Taormina Art Committee.

Source: own analysis

The organizational structural assets of the AAST of Taormina remain anchored to the 1960 decree as the nature of regions under special statute has blocked the transportation of the law on the APTs. The criteria show a high politicalization, which is also reflected in the composition of the financial resources. The total budget is about 5 million Euro and includes also the resources of the Taormina Art Committee, an average 4.8 Euro per overnight stay. The “institutional” participation of the operators is technically zero. The empirical reality shows an active collaboration for single processes. The control of use of the threshold is static, with an important exception regarding the control of second houses. The style of control is dual: political-bureaucratical on the front of public processes, entrepreneurial on the private front.

For a concise view, see figure 7

4 METAMANAGEMENT PROCESSES AND DESTINATION PERFORMANCE

As for the fourth research question ("How are the different strategy processes and the destination results interrelated? Why do different processes produce different results?"), the empirical work allows us to 1) identify a series of performance indicators (§4.1), ii) identify the main limitations of the indicators usually considered (§4.2), iii) identify the main contingency factors (§4.3), iv) evaluate the results achieved by the localities under study (§4.4), v) identify potential correlations between action and results (§4.5).

4.1 Destination outcomes

On the basis of the theoretical scheme introduced in chapter III, we may identify five performance indicators: i) statistical indicators, ii) customer satisfaction analysis, iii) future competitive positioning of the locality, iv) acceptance of the metamanagement functions, v) metamanagement's social responsibility. The first three parameters are prevalently competitive in nature; the last two have a rather social connotation. Performance parameters are then integrated with the effect of the contingency factors.

Statistical indicators synthesize a rather consolidated set of values and relations associated to the statistics regarding accommodation facilities. It is important to correlate performance indicators to the seasons and targets served by the destination. With official statistics one can normally assess the role of specific targets in geographical terms and in relation to the quality of the accommodation structures chosen, but these statistics are inadequate for investigating the specific needs or the nature of tourism (leisure or business).

Customer satisfaction analyses measure the degree of customer satisfaction and are a fundamental complement to official statistics. These analyses help i) clearly define the targets within customers, ii) identify the mix of attractions different clients use, iii) quantify the perceived value, iv) identify the reference localities for the different targets, v) evaluate the destination outcome, vi) investigate purchase behavior.

The theoretical and empirical work shows there is a growing competition among single destinations and single tourism companies, whereas a growing and challenging demand favors only those localities that have started a wide-ranging improvement program. Hence the importance to work for the *future positioning.* The empirical analysis permits us to render this indicator operational by considering: i) the degree of development of new products, ii) the capacity to identify reference targets for medium and long term periods, iii) destination brand management. The first item has been largely discussed in §2.1 and can take the form of packages or events. The second item describes the development of competitive positioning that is led by the identification of reference targets (consider Corvara[20]). A third way is to manage the destination brand, as documented by the St. Moritz experience and its "top of the world" logo. In this case one must take a clear stand to successfully communicate the positioning of the destination, identifying the reference targets and the product system areas on which to operate. Obviously, these three courses are not mutually exclusive, but complementary.

[20] See Chapter 5, §7.1.1.

As for the *acceptance of meta-management structures*, the following indicators are defined: i) growth of the financial resources available to meta-managers, ii) widening of meta-management functions, iii) widening of the partner substrate, iv) development of a tourism culture. The first indicator introduces an easily quantifiable measure, associated with the development of the resources administered by meta-management bodies. In this sense it is important to evaluate the contributing subjects, whether private or public. The second indicator analyses the evolution of functions, so as to identify the main assisted processes and their contents. The third indicator analyses the evolution of the partner substrate in time. The fourth indicator is mostly of a qualitative nature and assesses the evolution of the tourism culture, intended here as the capacity to develop a holistic approach to the design of the locality's product system.

The *social responsibility* of meta-management functions account for three important characteristics of the destination, namely, i) the use of degradable and non- reproducible natural resources, ii) the geographical location where district firms operate and where the host community lives, iii) the value that each district firm has in the realization of the local offer system. In brief: i) the destination strategies must promote a form of development respectful of the natural resources, so as not to jeopardize future development. ii) The needs of tourism must be integrated with the quality of life of the residents who are not directly involved in tourism. This is a complex issue, strongly influenced by the local culture (interest in novelties, sense of hospitality), type of tourism served (sojourning, commuting, rich, poor), structure of local attractions (mainly road conditions), weight of tourism in the economy of the place (number of persons directly or indirectly dependent on tourism). As for the third topic, the district management must dynamically assess the capacity of the several components of the tourist line to achieve the equilibriums that should characterize any firm: i) economic equilibrium, ii) acceptable levels of efficiency and flexibility, iii) congruent price-cost and price-profit ratios, iv) monetary equilibrium (Airoldi, Brunetti, Coda, 1994, cap. 9). The dynamic construction of such equilibriums is obviously the responsibility of the company management. However, given the weight of the single components for the running of the locality as a whole, meta-managers must carefully assess the weakness of certain activities and act accordingly, especially on the clientele mix and district equilibrium.

Figure 8. Performance indicators.

1. Statistical indicators (for year, seasons, specific segments)	**2. Customer satisfaction**	**3. Future positioning**
OS	Customer satisfaction analysis	Development of new products
A	Loyalty	Identification of core targets
LS	Word of mouth	Brand management
RGO		
% Foreigners		
Weight of seasons		
Seasonal cycles		
4. Involvement	**5. Social responsibility**	**6. Contingency factors**
Growth of financial resources	Sensitivity towards the natural environment	Environment
Widening of meta-management functions	Integration between tourism and host community	Destination size
Widening of the substrate of partners	Economic sustainability	Stage of development
Development of a tourist culture		

Source: Own analysis.

Finally, it will be necessary to identify a series of contingency factors that may have a significant influence on the performance of the destination. The empirical work confirms the importance of the three parameters included in the theoretical model: environment, stage of development, destination size. The environment has been rendered operational by considering the exchange rate, political changes and other contingent factors; the destination size, on the basis of overnight stays and number of bed places; the stage of development, by analyzing the variation of the number of bed places, overnight stays and occupational ratios.

For a synthetic view, see Figure 8.

4.2 Limits of the traditional indicators

As the empirical analysis shows the strong identification of performance parameters with statistical indicators, in this section we will look at some of the limits of official statistics.

The first limiting factor is the assessment of the seasonal variance and, thus, the design of suitable policies for the management of seasons. Official statistics take the month as the reference unit, whereas the companies tend to use the week as a reference. That is why it is much more appropriate to record and represent parameters on a weekly basis, especially during the critical months. This level of analysis seems fundamental for measuring the efficacy of the applied season extension strategies, usually based on offers for weekly packages.

A second, more general, limitation is that official statistics focus excessively on accommodation structures, especially hotels. Although hotels constitute a central service to sojourning tourism, this choice prevents the assessment of the use of complementary services and the quantification of commuting tourism. There are actually several quantitative sources associated with the main destination services, which could supplement accommodation statistics. For instance, the data regarding ski lift facilities in winter resorts or the data about the use of public infrastructures such as parking lots, access points that require toll payment, etc.

A third limit is the reduced segmentation of the clientele, hence the importance of customer satisfaction analysis.

A fourth limit is the tendency of metamanagers and operators to bring the analysis to a close at the “macro” scenario, without studying the specific segments of offer and demand. They tend to assume that demand and offer are homogeneous. Conversely, it would be useful to analyze demand flows separately in relation to the different forms of offer, and build positioning matrices for the main strategic clusters or single accommodation units, so as to clearly identify the leading forms of offer and adjust district strategy accordingly.

Finally we would like to mention the difficulty in formulating economic indicators capable of measuring the value that the presence of tourists has for the locality. This kind of information is critical, especially for those localities whose productive capacity is almost saturated, and that do not want to, or cannot, further expand their offer. In such a case, an important objective is associated with the growth of the value of tourist presence, keeping its volume unchanged. These assessments are essential to make room for new investments and, in general, to design efficient district strategies.

4.3 Contingency factors

The empirical work confirmed the importance of the contingency factors considered in the theoretical umbrella, which regard: i) environment, ii) destination size and iii)stage of development (figure 9).

Figure 9. Relevance of contingency factors in the analyzed samples.

PROCESSES	Livigno	Corvara	St. Moritz	Rimini	Portorose	Taormina
1. Environment						
Exchange rate	High	High	Not relevant	High	Not relevant	High
Political changes	Not relevant	Not relevant	Not relevant	Not relevant	High	Not relevant
Other factors	-	-	-	Mucilage 1989	-	-
Evolution of the environment	Medium	Medium	Low	High	High	Medium
2. Destination size						
Overnight stays	597.051	763.891	1.219.389	7.335.986	1.306.454	1.052.094
Bed placess	4.815	6.360	5.569	55.342	4.867	5.461
Destination size	Medium	Medium	Medium	High	Medium	Medium
3. Stage of development						
Increase in number of bed places (b)	0,13	0,10	-0,05	-0,15	-0,16	0,04
Increase in Overnight Stays (a)	0,08	0,18	-0,07	0,18	-0,14	0,48
Actual growth (a-b)	-0,05	0,08	-0,02	0,33	0,02	0,44
Stage of development	D-M	D	M	R	R	D

Legend: Development (D), Maturity (M), Re-launching (R)

Source: Own analysis.

The empirical analysis of the *environment* shows the effect that the exchange rate had on Italian destinations after the strong devaluation of the lira in September 1992 (exit from the European Monetary System). The implication this had on the composition of overnight stays by nationality is evident[21]. The exchange rate played a lesser role in the case of St. Moritz, even though the Swiss franc was remarkably appreciated with respect to the other European currencies. The progressiveness of the process and the little sensitivity customers had toward prices did not determine variations in overnight stays. In the case of Portorose we should be mindful of several political changes that involved the states of former Yugoslavia, especially the independence of Slovenia and Croatia in 1991. As for Rimini, we should remember the occurrence of mucilage in 1989 and the ensuing low levels of the statistical indicators as compared with the early 90's. From the empirical evidence we may draw two conclusions: i) the events that cause the strongest effects (whether positive or negative) are those that bring about a remarkable discontinuity in a short time[22], ii) environmental events tend to affect mostly the purchase behavior of foreign tourists[23].

[21] As an example, let's consider the following growth rates for foreign overnight stays between 1992 and 1995: Livigno +56%, Corvara +21%, Rimini +33%, Taormina +61%.

[22] In the second half of the 90's the lira was positively evaluated with respect to the main European countries. The progressiveness of the process, however, did not create important variations as for the presence of foreign tourists at the localities under study.

[23] In support of this thesis, we should consider that after the occurrence of mucilage between 1988 and 1990, there was a 43% contraction of foreign overnight stays, but only an 8% contraction of Italian OS. In the case of Portorose, between 1990 and 1991, there was an 82% drop of foreign clientele, whereas domestic tourists increased by 18%.

Destination size was evaluated by considering the number of overnight stays and beds. The former parameter suggests the presence of three groups of destinations that range between 500 and 700 thousand units (Livigno and Corvara), 1.0 – 1.5 million units (St. Moritz, Portorose and Taormina), and over 5 million (Rimini).

In Livigno there is a consolidated, well-managed extra-hotel accommodation sector that produces about 200 thousand overnight stays. If we were to define a class range between 750 and 1,300 thousand overnight stays, it would comprise all the study cases except Rimini. Such a choice would also be supported by the analysis of the number of bed places: all five destinations exhibit a range from 4,800 to 6,500 beds. We may therefore conclude that the sample is highly homogeneous in terms of size, with the only exception of Rimini. There is no empirical evidence showing any specific correlation between enterprise size and the regulation of management processes.

Clear differences are found within the sample when considering how the *stage of development* has been rendered operational through three statistical indicators: i) increase in the number of bed places, ii) increase in overnight stays, iii) actual growth (difference between the percentage of growth of overnight stays and bed places).

Accounting for the three indicators jointly, we can make the following considerations:

- ✓ *Development*.- The localities of Corvara and Taormina may be included here. The former shows a 10% growth rate of bed places and an 18% growth rate of overnight stays; the latter has a 4% accommodation increase vs. a 44% increase in tourist flow.
- ✓ *Development-Maturity*.- Livigno has been placed in this developmental stage because the remarkable growth of its accommodation offer (+13%) in terms of number of beds does not find a positive correlation with overnight stays (+8%), less than they used to be. Analyzing the historical series of the accommodation facilities, we can see that the major increase in bed places is recorded during the early 90's, whereas in the last five years this parameter is rather stationary.
- ✓ *Maturity*.- St. Moritz presents negative growth rates as far as overnight stays and bed places are concerned; the first indicator contracts more than the second, with negative implications on the occupational rates.
- ✓ *Re-launch*.- Rimini and Portorose show the typical profiles of those destinations that are carrying out re-launch activities: the locality in Romagna has effected a contraction of the offer by the exit of marginal enterprises, and at the same time it has strengthened its product portfolio by increasing the infrastructure and service standards (accommodation in the first place). The process went hand in hand with a significant growth of overnight stays in actual terms (+33%). The re-launch of Portorose is mainly associated with the radical restructuring of its hotel accommodation, which in some cases has contracted the offer (selling of hotel annexes to balance liquidity indices and achieve solidity). The actual growth is positive, but these simple indicators do not convey the importance and the magnitude of the changes (see chapter 8, §11).

4.4 The performance of the sample under study

We will now describe the main results recorded in the localities under study. First we will analyze the performance of every single destination, and then we will compare them to illustrate the specificity of the different empirical models.

Livigno achieves good annual results in terms of increased number of overnight stays and opening to the international market. There is a slight contraction of the occupational rate, a symptom revealing that offer has been more intense than demand. Tourist flows remain closely related to the winter season, which records a 12% OS growth and a good OR stability. The distribution of monthly rates is mostly homogeneous. Conversely, summer results are somewhat static, denoting an excessive attachment to the domestic clientele, which results in a very high seasonal variance (0,86[24]). The statistical indicators as a whole were deeply affected by the devaluation of the lira in September '92, as shown by the greater opening to the international market. The quantitative performance is associated with a good degree of client satisfaction, also in view of the substantial investments measured by specific customer-satisfaction-oriented activities in the early and mid '90s. The locality lacks dynamism for future competitive positioning as there is very little interest in new product development, in reference target identification, or in the management of the "Livigno" brand. Management acceptance exhibits a growing dynamics as for resources and functions, whereas the substrate of partners and the tourist culture remain restricted, probably owing to the short history of the locality. The level of social responsibility the management has demonstrated was high with respect to the economic sustainability of district enterprises, but just average as for the management of natural resources and for the integration between host community and tourism. We may reasonably conclude that the authoritative model succeeded in consolidating competitive results and favored the development of services in the locality, but had no effect on more complex areas (scarce development of the summer season, high seasonal variance, the wide potential for an increase in occupational rates remained unexploited).

Corvara's statistical indicators profile is very similar to Livigno's performance: OS grow significantly in the winter season, but remain weak during the summer. In any case, the locality shows some specificity: a somewhat better balance between the two seasons, a higher degree of international tourism during the summer (20%), a higher occupational rate, less summer variance –which still remains high (0.80). In contrast there is higher winter variance, mainly as a result of the weak months, December and April (0.67). Customer satisfaction is high, which sets the grounds for loyalty and word-of-mouth publicity. The future competitive positioning benefits from the recent launch of new products, the identification of reference segments and more attention to the "Alta Badia" brand management by the tourist consortium bearing the same name. The collaborative model is based on a wide partner substrate and a widespread tourist culture that have resulted in the development of financial resources (besides the funds allotted by the Provincial Government) and of metamanagement functions. Attention has been paid to the management of the environmental assets, the relationship with the host community and the inside equilibrium of district companies. Among the contingency factors, the devaluation of the lira had a positive effect.

St. Moritz shows a stagnant picture of competitive indicators, mostly associated with the difficulties encountered in both the winter season (-3%) and the summer season (–12%). It should be remembered, however, that this destination has a highly stable accommodation offer, and displays a higher productive capacity saturation rate than other destinations (58% vs. Livigno's 46% and Corvara's 44%). The competitive results are associated with an excellent performance in customer satisfaction, and in

[24] We used the standardized variance to measure seasonal variance.

competitive positioning (especially due to brand management and the organization of great events). District management is well accepted. Resources and functions are somewhat static because of long-consolidated organizations (the KVV is the first tourist board in Switzerland). Attention has been paid to social responsibility (environmental resources, host community, and economic-financial equilibrium in district firms).

Rimini shows a good growth of annual OS especially due to the summer (over 90% of overall fluxes) and winter (+51%) performances. Summer records a strong growth in the rate of gross occupation (from 43% to 59%); we should remember that the starting value is strongly affected by the mucilage phenomenon of 1989. The summer occupation rate is 59%, remarkably lower than the other two resorts and also shows a higher seasonal variance (0.78). There is actually no winter season, for the number of accommodation facilities that are open all year round is extremely limited, but new opportunities are being opened in the sector of fairs and congresses. The analysis of customer satisfaction shows good results: the local offer is characterized by a good quality/price ratio. The development of new products, especially the creation of packages meant for specific customer targets, is certainly encouraging. The acceptance of metamanagers is high because of the financial resources they have been able to attract, the development of functions (especially considering the new regulations) and the tourist culture. Acceptance is average as for the width of the partner substrate. There is a growing sensitivity towards the social impact of tourism: as for environmental assets, the traumatic event of mucilage has imposed a radical improvement in the control of discharge waters, and given the difficulties encountered by the accommodation sector in general, more attention has been paid to the control of the accommodation facility itself. The integration with the host community is considered low in view of the highly dynamic tourist flow and the low functionality of urban fittings.

Portorose exhibits a mostly positive picture of tourist indicators, except for the remarkable reduction of bed places in the 90s[25]. All other indicators show a positive trend: the winter season grows from 21% to 34%, seasonal variance is 0.26%. The summer season (81% of OS) shows a reduction of OS, but the RGO remains 103%, concentrated in July and August. In fact, despite the high use of the productive capacity, the variance is 0.43. The international tourism seems to have stopped, but this likely to be due to the events in former Yugoslavia; in any case it shows a progressive realignment with starting values. Customer satisfaction is medium-high, considering the evident improvements in the accommodation sector, while several public services are still poor (especially road conditions and urban fittings for tourist purposes). The future competitive positioning of the locality remains uncertain; this is attributable to the lack of a well-defined long-term image of tourism and to the current management mostly associated with emergent strategies carried out by the local entrepreneurs. The acceptance of metamanagement functions clashes with the limited experience of SLO and with the low influx of financial resources. Conversely, there is a potentially wide and diversified partner substrate, and the broadening of certain functions of general direction is being evaluated.

Taormina presents a very dynamic set of statistical indicators: annual OS grow by 48%, the occupation rate goes from 45% to 71%, and the degree of openness reaches a record level of 77%. The summer season is the driving force the locality with 87% OS,

[25] From 5.803 beds in 1990 to 4.867 in 2000.

which shows a 47% increase. The gross rate of occupation goes from 56% to 79% and the seasonal variance is almost equally distributed (0.10). The winter season, though not very developed (13% of overall flows), shows a good degree of dynamism (+65% OS) and an interesting degree of openness to international tourism (69%). Seasonal variance is intermediate (0.53). This quantitative performance is associated with a sudden, radical process of growth of the qualitative level of the accommodation structures. There is a high level of customer satisfaction that is confirmed by the difficulty in finding accommodation during the 7 summer months and by the weight of loyal customers. The future competitive positioning seems well under way, especially as regards the clear-cut identification of the core targets and the cultural connotation that they are trying to give to the brand. The acceptance of the district management is a controversial issue because of the scarcely participative model, based almost exclusively on public resources. At any rate, there is a good degree of integration with hotel operators and the possibility of extending certain functions, especially those associated with promotional marketing, has been positively assessed. The management's social responsibility is evaluated on the basis of natural resources and economic sustainability, as the results achieved are associated mostly with emergent or grassroots strategies. The integration with the host community is low especially in consideration of the intense commuting tourism.

See figure 10 for a synthetic view.

For transversal evaluations read the lines of the table rather than the columns.

The analysis of the *statistical indicators* reveals the on-going contraction of the mean length of stay and hence the need to increase the number of arrivals in order to increase overnight stays. The sole two exceptions are St. Moritz and Taormina where the length of stay was already short at the beginning of the 90s, i.e., 4.0 and 4.1 days, respectively. Alpine localities show a contained rate of gross occupation, slightly over 40% and mostly associated with the growing difficulty encountered by the summer season. The empirical analysis confirms the scarce efficacy of the initiatives aimed to lengthen the season, prevalently based on leisure tourism and the use of the price lever. Seaside resorts, instead, are more dynamic during the winter season, relying on congress tourism and on factors of historical, anthropological and natural interest. We insist on the fact that it would be useful to integrate these quantitative assessments with indicators of an economic nature capable of expressing the value of OS in terms of overall sales and margin.

On the whole, *customer satisfaction* shows values positively affected by the investments made during the different managerial processes. Unfortunately the lack of specific recording methods renders these evaluations approximate and may not be applied to the various types of activities.

The attention paid to the *future competitive positioning* of the locality is quite high particularly in destinations where there is a consolidated metamanagerial structure (St. Moritz, Corvara and Rimini) or where there is close collaboration among tourist operators (Taormina). Conversely, the authoritative model with a strong political connotation (Livigno) or excessive focus on the entrepreneurial level (Portorose) hinders the emergence of a challenging vision of long-term development.

The acceptance of metamanagement functions shows, on the whole, positive values for attracted resources and the developing of functions, whereas the breadth of the substrate of partners reflects a more complex situation. The examined sample suggests that a better efficacy is obtained when private operators become more involved in the

management of the district, favoring the efficiency and efficacy of metadirectional actions.

Figure 10. Performance parameters of the sample.

	Livigno	Corvara	St. Moritz	Rimini	Portorose	Taormina
1.Touristic indicators						
I) Annual						
OS	8%	18%	-7%	18%	-14%	48%
A	18%	36%	-9%	34%	18%	51%
LS	-8%	-14%	2%	-12%	-27%	-2%
RGO (9 months)	46% (48%)	44% (42%)	58%	49% (35%)	99% (97%)	71% (45%)
% Foreigners	44% (25%)	36% (32%)	68% (68%)	19% (18%)	58% (71%)	77% (66%)
II) Winter						
% Winter	72% (69%)	64% (53%)	58% (56%)	6% (5%)	19% (12%)	13% (12%)
OS	12%	43%	-3%	51%	33%	64%
A	13%	57%	5%	31%	266% *	50%
LS	-1%	-9%	-8%	15%	-36% *	10%
RGO	59% (60%)	51% (39%)	51%	nd	34% (21%)	17% (11%)
% Foreigners	58% (33%)	44% (43%)	80% (79%)	19% (16%)	42% (53%)	69% (51%)
Seasonal cycles (variance)	0,40	0,67	0,60	0,26	0,33	0,53
III) Summer						
% Summer	28% (31%)	36% (47%)	42% (44%)	94% (95%)	81% (88%)	87% (88%)
OS	-1%	-11%	-12%	16%	-22%	47%
A	26%	11%	-17%	33%	29% *	52%
LS	-22%	-20%	7%	-12%	-5% *	-4%
RGO	15% (18%)	36% (44%)	36%	59% (43%)	103% (110%)	79% (56%)
% Foreigners	11% (8%)	22% (20%)	65% (65%)	21% (19%)	61% (74%)	79% (68%)
Seasonal cycles (variance)	0,86	0,80	0,60	0,78	0,43	0,10
2. Customer satisfaction						
Customer satisfaction analysis	Medium	High	High	Medium	Medium	High
Loyalty	Medium	High	High	High	Low	High
Word of mouth	Medium	High	High	Medium	Low	High
3. Future positioning						
New product development	L-M	Medium	Medium	H-M	Low	Medium
Identification of core targets	Low	High	High	Medium	Medium	High
Brand management	Low	Medium	High	Medium	Low	Medium
4. Acceptance of metamanagement functions						
Financial resources	Growth	Growth	Constant	Growth	Drop	Growth
Broadening of metamanagement functions	Constant	Growth	Constant	Constant	Growth	Growth
Substrate of partners	Low	High	High	Medium	Medium	Low
Tourist culture development	Low	High	High	Medium	Medium	High
5. Social responsibility						
Sensitivity towards the environment	Medium	Medium	Medium	Medium	Medium	Medium
Integration between tourism and host community	Medium	Medium	Medium	Medium	Medium	Low
Economic sustainability	High	Medium	Medium	Medium	Medium	High
6. Contingency factors						
Environment	Medium	Medium	Low	High	High	Medium
Destination size	Medium	Medium	Medium	High	Medium	Medium
Stage of development	D-M	D	M	R	R	D

Legend: * The historical series refers to the period 1993-2000. D: development; M: maturity; R: re-launch.

Source: Own analysis.

It is noteworthy that district management is becoming aware of the need to integrate the management of the resort with important *social responsibilities* that regard the use of resources, the relations with the local residents, and the need to guarantee a favorable setting for the economic-financial equilibrium of every single concern in the district.

The *contingency factors* have been discussed in the previous section.

4.5 Synthetic evaluation of the empiric models of destination management

In this section we will illustrate how the complexity of the offer system of a destination, the existence of several management levels (metamanagement & single destination company, public & private), the effect of some external events that may not be controlled render it impossible to reduce the administration of the destination to formulae or algorithms, no matter how complex and sophisticated these may be. Our intention is to identify correlations among variables and supplement them with the comparison of the study cases.

We identify the model variables in the three families described in chapter 3: actors, processes and outcomes. In the preceding sections the variables have been rendered operational with respect to the empirical sample. See §3.3 for actor-related variables, §2.3 for managerial processes and §4.3 for performance indicators.

An analysis of management models for single destinations will be given in the following sections.

4.5.1 The authoritative model

The weakness of Livigno resides primarily in the metamanagerial structures, characterized by a high politicization and the scarce participation of the operators, which results in the lowest evaluation (LLM) of item 1 (Participation criteria of metamanagement bodies) of all the alpine localities. This tendency to centralization is also reflected in the composition of the financial resources, almost wholly bound to the municipal sphere. But the least fitting value, as compared to the other two localities, is for the parameter *involvement*: Livigno shows an extremely low degree of involvement of the local tour operators.

As for primary *processes* Livigno shows values higher than the norm for private activities thanks to the propensity for investing on the part of entrepreneurs (HHM), and mean values for public activities (MMM) owing to sluggish public intervention. The processes of external communication are in a more critical situation because new products (LM) and promotional strategy (MM), mostly conservative in nature, are scarcely dynamic. Support processes show a mean development (MML) and constitute important areas for the future development of district strategy.

The achieved *outcomes* exhibit contrasting elements and in general reflect management preoccupation with competitive outcomes. There is a good result in quantitative terms built upon the winter performance (1.88) reduced by the summer contraction (0.19). Competitive outcomes are associated with an average customer satisfaction (MMM) and with a reduced future competitive positioning (LLM), especially when compared with the other two alpine localities. This is, in fact, the main limitation of the authoritative model: the incapacity to mobilize and assemble the various components of the offer. The acceptance of the metamanagement bodies is medium-low (MML), though they have taken responsibility for a number of social issues (MMH). As for contingency factors, worth noting is the attraction exerted by the devaluation of the lira and by the management's ability to stabilize the presence of foreign tourists during the second half of the 90s. The growth phase within the destination's life cycle is progressively coming to an end, which indicates the urgent need to change from the authoritative to a more collaborative managerial form.

We may then conclude that the authoritative model, as long as it is based on the antagonism between metamanagerial bodies and single enterprises, tends to generate a rather static district management and cannot implement collaborative strategies, which are indispensable to face the processes of new product development and marketing strategies. The approach towards the outcomes is mostly quantitative and follows the long-established seasons. The management finds it difficult to think in terms of customer satisfaction, of long-term development, and to obtain the acceptance of tourist and non-tourist operators. It should be borne in mind, however, that it was the conditions imposed by the context that favored the authoritative model, and these are: a limited tourist culture, a specific phase in the development of the local offer, a strong administrative and financial power of the Municipality.

4.5.2 The collaborative model

The collaborative model pivots around the structure of *metamanagement actors*, characterized by a high involvement of tourist and non-tourist operators (HHM), financial assets with a prevalence of voluntarily invested private resources (HHM), control mechanisms primarily based on a clear definition of land use and supported by social control (HH) and a good involvement of operators (HHH).

The *processes* reveal scarcely dynamic public activities, with one important exception: urban fittings. Private enterprises have made significant investments (HHM). New product development (MM) and marketing strategy (HH) show good results as do the support processes (MMH), especially in the domestic marketing (HHH).

The *outcomes* are the measure of the achievement of important objectives of varying nature. The statistic indicators show a positive picture, comparable to Livigno but characterized by a lower winter performance (1.50 vs. 1.88), counterbalanced by better summer indicators (0.37). The high customer satisfaction (HHH) should be associated with the solid combination between the physical quality of infrastructure standards (accommodation, ski-lift facilities, sports and mountain fittings) and the quality of the service, which is favored by a widespread tourist culture (reception, hospitality, care for details). The cohesion between entrepreneurs and metamanagers is the basis for important innovations regarding the future competitive positioning, which is rooted in the identification of core targets and new products (packages or events) supported, in turn, by a more careful attention to brand management. The fact that metamanaging structures are of a social and voluntary nature brings about a maximal acceptance of district functions and provides a basis for an earnest interest in social issues (MMM). As for contingency factors, the comments we made for Livigno about the exchange rate are valid here, but Corvara –unlike Livigno- has still good developmental potentialities (S). Primary conditions of this favorable context are: the operators' high cultural identity, a long-established tourist tradition, a central attraction in the winter season (the Dolomiti Superski).

4.5.3 The managerial model

St. Moritz *metamanagement* structures are solid and characterized by the active participation of local actors (tourist or not, public and private) (HHH), by a good mix of financial resources mostly from a wide base of private contributions (HHM), by a rather

restrictive control style strengthened by the fact that the resort has reached maturity (HH), and by a high involvement of local operators (HHH).

Processes reveal strong dynamism in public (HHM), private (HHH) and external communication activities, especially in consideration of the important role played by the great winter events and the marketing strategy in general. Support processes show careful attention to internal marketing, while education and research are somehow neglected[26].

On the whole, *outcomes* are the measure of the best performance of the alpine sample, with excellent statistical indicators (especially due to the consolidation of the summer season), good customer satisfaction, future competitive positioning, acceptance of metamanagement and respect for the environment.

4.5.4 The product/destination model

Rimini's *metamanagement structure* is strongly controlled by the Emilia Romagna Region and is characterized by a limited participation of operators (LLM), which reflects also on the composition of resources and their quantitative level (MML). Control mechanisms are rather weak (LL).

Primary *processes* show a strong divergence between public (LLL) and private (HHM) activities. Much more dynamic is the management of new products (MH) and the marketing strategy (MH). Support processes are characterized by a certain degree of fragility (LLM), in consideration of the recent regulatory changes that have favored the focus on primary processes. The only exception is the activity associated with study and research (MMM).

The *outcomes* of the product/destination model are quite good on the whole, except for the statistical indicators that feature a very high summer variance and a scarce development of the winter season (0.09 vs. 0.37 for Portorose and 0.27 for Taormina). Conversely the performance of customer satisfaction is quite good (MMH) promoted by the operators' extraordinary reception capacity, the future competitive positioning (MMH), the acceptance of metamanagement (HHM), the interest in social issues (MMM). The district strategy responded appropriately to the turmoil caused by the mucilage and created the conditions for a re-launch of the destination (R).

4.5.5 The corporate model

In this model the *metamanagement* structures show a good equilibrium between the public and private (MMH) spheres, while the financial assets are rather poor (LLM) as they come primarily from the visitor's tax raised by Pirano's Municipality. Control mechanisms have granted tourist operators freedom of choice, because of the need to restructure the existing facilities before attempting to enlarge the offer (LL). The involvement of private operators is good (MMM).

Also in this case the primary *processes* reveal a marked dualism between public (LLL) and private (MMM) activity; the development of new area products has been modest (LL), while the marketing strategy is dynamic (MM), mainly driven by the strategic marketing. Support processes are quite static (LLM).

[26] See our comments on education and training in Chapter 6, §9.1.

The *outcomes* measure little dynamism and district strategy remains concentrated mainly on the achievement of quantitative results: high occupation rates and growing development of the winter season yield a synthetic evaluation of 4.07. The results regarding customer satisfaction are rather disappointing and show the lack of collaborative strategies (LLM) and strategies regarding the future competitive positioning (LLM). The degree of acceptance of metamanagement functions is good (MMM), as is the attention paid to some important social issues (MMM). As for contingency factors, we cannot fail to mention the great political changes that have affected Slovenia and the former Yugoslavia.

Figure 11. Synthetic assessment of the empirical models of destination management.

I ACTORS (METAMANAGERS)						
	Liv.	Corv.	St. M.	Rim.	Port.	Taor.
I	**LLM**	**HHH**	**HHH**	**LLM**	**MML**	**MML**
1	**LLM**	**HHM**	**HHH**	**LLM**	**MMH**	**LLM**
1.1	L	H	H	L	M	L
1.2	M	H	H	L	M	L
1.3	L	H	H	L	H	L
1.4	L	M	H	M	M	M
2	**MMM**	**HHM**	**HHM**	**MML**	**LLM**	**MML**
2.1	H	M	H	L	L	H
2.2	L	H	H	L	L	L
2.3	L	H	H	M	M	L
2.4	H	H	M	M	L	M
3	**MH**	**HH**	**HH**	**LL**	**MM**	**MM**
3.1	H	H	H	L	M	M
3.2	M	H	H	L	M	M
4	**LLL**	**HHH**	**HHH**	**LLM**	**MMM**	**HHM**
4.1	L	H	H	L	M	H
4.2	L	H	H	L	M	M
4.3	L	H	H	M	M	H

II PROCESSES						
	Liv.	Corv.	St. M.	Rim.	Port.	Taor.
II	**MMM**	**MMH**	**MHH**	**MML**	**LLM**	**MMH**
A.	**MMH**	**MHH**	**HHH**	**MMM**	**LLM**	**MMH**
1	**MMM**	**LLM**	**HHM**	**LLL**	**LLL**	**MMM**
1.1	L	L	H	L	L	M
1.2	M	L	M	L	L	M
1.3	H	H	H	L	L	M
2	**HHM**	**HHM**	**HHH**	**HHM**	**MMM**	**MMH**
2.1	H	H	H	H	H	H
2.2	M	M	H	H	M	M
2.3	H	H	H	-	-	-
2.4	-	-	-	M	L	M
3	**LM**	**MM**	**LH**	**MH**	**LL**	**LH**
3.1	M	M	L	H	L	L
3.2	L	M	H	M	L	H
4	**MM**	**HH**	**HH**	**MH**	**MM**	**HH**
4.1	M	H	H	M	H	H
4.2	M	H	H	H	L	H
B.	**MML**	**MMH**	**MMM**	**LLM**	**LLM**	**MMM**
5	**MML**	**HHH**	**HHH**	**LLL**	**LLL**	**HHM**
5.1	M	H	H	L	L	M
5.2	M	H	H	L	L	H
5.3	L	H	H	L	L	H
6	**MM**	**ML**	**LL**	**LL**	**MM**	**LL**
6.1	M	M	L	L	M	L
6.2	M	L	L	L	M	L
7	**MML**	**MMM**	**LLM**	**MMM**	**LLM**	**MMM**
7.1	M	M	M	M	L	H
7.2	M	M	L	L	M	M
7.3	L	M	L	H	L	L

III DESTINATION OUTCOMES						
	Liv.	Corv.	St. M.	Rim.	Port.	Taor.
III						
1	**3,05**	**2,85**	**3,22**	**2,94**	**4,07**	**5,56**
1.1	**0,98**	**0,98**	**1,19**	**0,86**	**1,43**	**1,96**
1.1.1	0,08	0,18	-0,07	0,18	-0,14	0,48
1.1.2	0,46	0,44	0,58	0,49	0,99	0,71
1.1.3	0,44	0,36	0,68	0,19	0,58	0,77
1.2	**1,88**	**1,50**	**1,31**	**0,09**	**0,37**	**0,27**
1.2.1	0,72	0,64	0,58	0,06	0,19	0,13
1.2.2	0,12	0,43	-0,03	0,51	0,33	0,64
1.2.3	0,59	0,51	0,51	nd	0,34	0,17
1.2.4	0,58	0,44	0,80	0,19	0,42	0,69
1.2.5	0,60	0,33	0,40	0,74	0,67	0,47
1.3	**0,19**	**0,37**	**0,72**	**1,99**	**2,27**	**3,32**
1.3.1	0,28	0,36	0,42	0,94	0,81	0,87
1.3.2	-0,01	-0,11	-0,12	0,16	-0,22	0,47
1.3.3	0,15	0,36	0,36	0,59	1,03	0,79
1.3.4	0,11	0,22	0,65	0,21	0,61	0,79
1.3.5	0,14	0,20	0,40	0,22	0,57	0,90
2	**MMM**	**HHH**	**HHH**	**MMH**	**LLM**	**HHH**
2.1	M	H	H	M	M	H
2.2	M	H	H	H	L	H
2.3	M	H	H	M	L	H
3	**LLM**	**MMH**	**HHM**	**MMH**	**LLM**	**MMH**
3.1	M	M	M	H	L	M
3.2	L	H	H	M	M	H
3.3	L	M	H	M	L	M
4	**MML**	**HHH**	**HHM**	**HHM**	**MMM**	**HHM**
4.1	H	H	M	H	L	H
4.2	M	H	M	H	H	H
4.3	L	H	H	M	M	L
4.4	L	H	H	M	M	H
5	**MMH**	**MMM**	**MMM**	**MMM**	**MMM**	**MMM**
5.1	M	M	M	M	M	M
5.2	M	M	M	M	M	L
5.3	H	M	M	M	M	H
6						
6.1	M	M	L	H	H	M
6.2	M	M	M	H	M	M
6.3	D-M	D	M	R	R	D

Legend: L (Low), M (Medium), H (High)

Source: Own analysis.

4.5.6 The dual or political-entrepreneurial model

The structure of Taormina's metamanagerial bodies is greatly limited by the regional regulations controlling the participation of local actors in social life (LLM) and in financial mechanisms (MML). The control instruments work well (MM) and, on the whole, there is a high involvement of the operators thanks to the convergence of metamanagers and hotel managers on specific activities (HHM). This is crucial for understanding how this locality works.

As for *processes*, the territorial bodies are sluggish in managing public activities (MMM), while the private enterprise has concentrated its efforts primarily on hotels (MMH). External communication is highly dynamic in the process of new product

development and in marketing strategy [27] (HH). The support processes are developed on the average (MMM), with importance given to internal marketing (HHM).

Figure 12. Legend to the parameters in Figure 11

I	Metamanager	II	II PROCESSES	III	III OUTCOMES
1	**Actors**	**A.**	**I PRIMARY**	**1**	**Touristic indicators**
1.1	Nomination/Appointment Criteria for the Board of Directors	**1**	**Public Activity**	**1.1**	***Annual***
1.2	Administrative Composition	1.1	*Access roads*	1.1.1	OS
1.3	Composition of Control Bodies	1.2	*Internal Practicability*	1.1.2	RGO
1.4	Continuity of Management	1.3	*Tourist Fittings*	1.1.3	% Foreigners
2	**Financial resources**	**2**	**Attività private**	**1.2**	***Winter***
2.1	Entity (Value in Euro)	2.1	*Accomodation*	1.2.1	% Winter
2.2	Composition of the Resources	2.2	*Commercial activities*	1.2.2	OS
2.3	Composition of Private Resources	2.3	*Mountain railways*	1.2.3	RGO
2.4	Quantitative evolution	2.4	*Sea-side Resorts*	1.2.4	% Foreigners
3	**Power of central control**	**3**	**Devel. of New Products**	1.2.5	Seasonal cycles (variance)
3.1	Use of Land	3.1	*Packages*	**1.3**	***Summer***
3.2	Style of Control	3.2	*Events*	1.3.1	% Summer
4	**Involvement**	**4**	**Promotional strategy**	1.3.2	OS
4.1	Financial Participation	4.1	*Strategic Marketing*	1.3.3	RGO
4.2	Participation in Social Organizations	4.2	*Operative Marketing*	1.3.4	% Foreigners
4.3	Tourist Culture	**B.**	**II SUPPORT**	1.3.5	Seasonal cycles (variance)
		5	**Internal Marketing**	**2**	**Customer satisfaction**
		5.1	*Breadth of content*	2.1	Customer satisfaction analysis
		5.2	*Number of subjects involved*	2.2	Loyalty
		5.3	*Continuity of communic.*	2.3	Word of mouth
		6	**Education/Training**	**3**	**Future positioning**
		6.1	*Entrepreneurs - managers*	3.1	New product development
		6.2	*Employees*	3.2	Identification of core targets
		7	**Research & study**	3.3	Brand management
		7.1	*Analyses of competitive results*	**4**	**4. Acceptance of metamanagement functions**
		7.2	*Ad hoc research*	4.1	Financial resources
		7.3	*Observers*	4.2	Broadening of metamanagement functions
				4.3	Substrate of partners
				4.4	Tourist culture development
				5	**Social responsibility**
				5.1	Sensitivity towards the environment
				5.2	Integration between tourism and host community
				5.3	Economic sustainability
				6	***Contingency factors***
				6.1	Environment
				6.2	Destination size
				6.3	Stage of development

Source: Own analysis.

The *outcomes* measure the best performance of the whole empirical sample, especially regarding competition (first three indicators). Statistical results show extraordinary summer development (3.32) and steady growth of winter tourism (0.27) associated with a high degree of customer satisfaction (HHH). The future competitive positioning is rated high (HHM) thanks to cultural identity and the strong qualitative

[27] It is worth noting that Taormina has a mix of natural, historical and anthropological resources that support the little dynamism of primary processes.

growth of the supply. The metamanagement is looked on favorably as it has given an intelligent response to certain social issues, except for the quality of life of the local community, which is affected by the large increase in commuter tourism (MMM). Of all the contingency factors we indicate the weight of the exchange rate and the fact that southern Italy in general, and Sicily in particular, have become fashionable destinations. The locality is developing especially in the target area of first-class tourism.

5 TOWARD A DESTINATION STRATEGY PROCESS THEORY

The research questions addressed in the preceding sections reveal the existence of a "red thread" that runs through the theoretical and empirical work and the cross-case analysis, and which may be expressed as the following question: How does destination strategy-making work? The answer to this question entails the formulation of a destination management theory based on the logic of processes. In the present section address this challenge and attempt to: i) build a synthetic model along the actors, processes and outcomes axes, ii) identify management styles by generalizing the examined cases[28].

5.1 A process-based destination management model

Through the empirical analysis we have identified three fundamental elements with which we can formulate a realistic theory of process-based destination management: i) actors, ii) processes, and iii) outcomes.

When discussing the actors we should focus on the organizational structures, primarily considering the involvement of entrepreneurs operating within the destination, the amount and composition of the financial resources, the control mechanism pattern, and the degree of participation of public and private actors.

The processes can be described in more or less detail, according to the preceding analysis, but for the synthesis we will concentrate on management role and style that affect the operative processes (public or private), external communication processes (development of new products and marketing strategy), support processes (internal marketing, education and training, research).

To monitor the outcomes it is essential to define a grid of indicators capable of identifying the destination's current competitive positioning mainly in terms of customer satisfaction, choices for its future positioning and social outcomes achieved.

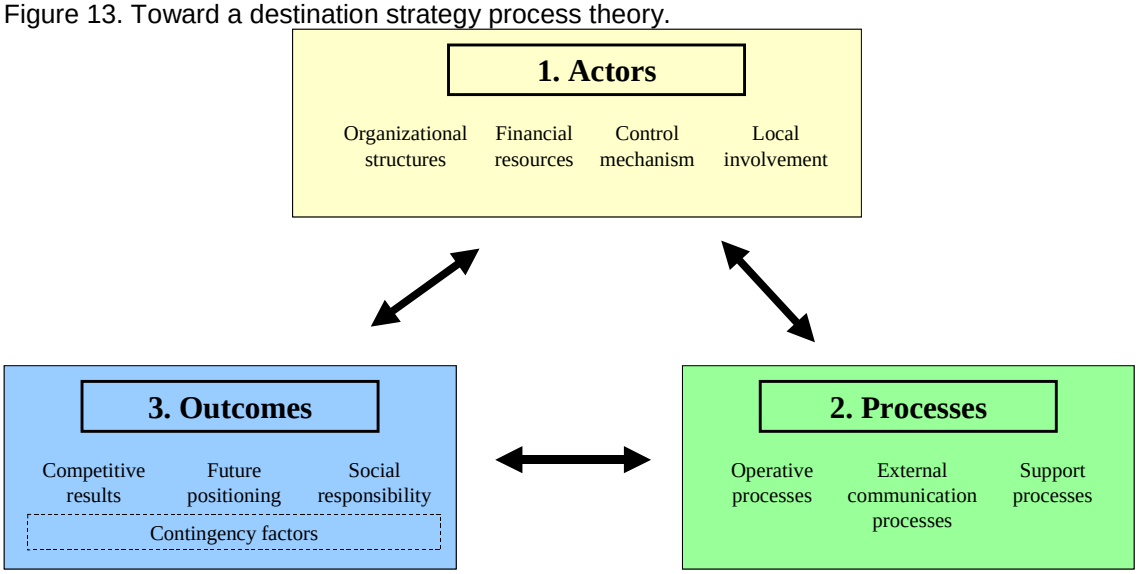
Figure 13 illustrates the complexity and circularity of the management process. The complexity results from the numerous variables and the difficulty in explaining the reasons behind the success or the failure of the destination with only one or just a few variables[29]. The figure should be first read clockwise: a certain metamanagement

[28] We have already discussed in Chapter 1 that the case study methodology is based on the concept of replication logic, not sampling logic. We are thus aware that the cases we have examined are not a significant sample of the destination population and may not be generalized. We are hereby assuming that the identified variables, the empirical correlations, the management issues are common to other destinations and may be then cautiously transposed to other contexts.

[29] To support this statement, all the variables identified in figure 11 have been statistically analyzed with the χ^2 and the "Monte Carlo" techniques that permit us to measure the dependence (SIG in between 0 and 0.05) and the independence (SIG in between 0.95 and 1.00) between the variables. The analysis has taken into consideration the following sets of variables: i) actors-processes; ii) actors-outcomes; iii) processes-outcomes. The dependence test does not find, except in particular cases, any significant

structure tends to favor a certain process pattern, which will show in the outcomes. The empirical study, however, demonstrates the existence of important feedback circuits and the non-negligible incidence of contingency factors. We have already discussed how the re-launch or the development processes in some destinations (Rimini and Portorose) are largely related to the "emergent" strategies regarding private processes, and how the competitive outcomes of some Italian localities (Livigno's winter season, for example) find a strong boost in contingency factors such as the devaluation of the Italian currency.

Figure 13. Toward a destination strategy process theory.



Source: Own analysis.

5.2 Empirical models of destination management

In this section we intend to synthesize the results of our empirical research and associate them with empirical models of destination management, i.e., we will try to "crystallize" the variables that characterize the strategic management of the different localities. We feel they can be assimilated to points within a continuum that can describe a sort of taxonomy of district management.

connections or independences telling us how the effectiveness or the ineffectiveness of a strategic process has to be found not in the relationship between the variables but on how the model works as a whole. The reduced number of cases did not permit the use of multivariable analysis.

Figure 14. Destination strategy process theory: Empirical relevance.

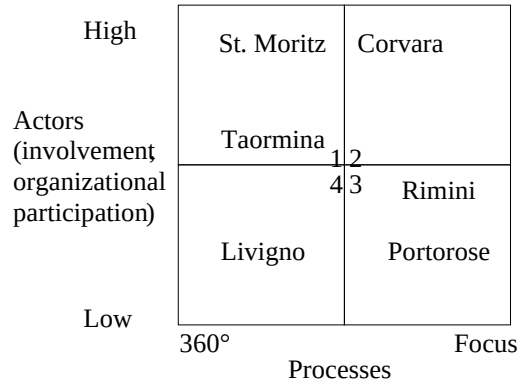
Cases	Actors	Processes	Outcomes
Livigno	Centralized structures in the presence of high financial resources and low involvement	Control of the principal operative, external communication and support processes	Focus on competitive outcomes for already developed seasons
Corvara	Structures characterized by high participation in the presence of mean financial resources and high involvement	Main focus on external communication processes	Good results regarding competitiveness, future positioning and social factors.
St. Moritz	Well organized structures, high financial resources, high involvement	Complete control of operative, external communication and support processes	High competitive outcomes, clear future positioning, high social performance.
Rimini	Structures partly centralized (APT) and partly participative (UDP), limited financial resources, mean involvement	Focus on external communication processes	Modest competitive performance, progressive repositioning, average social outcomes.
Taormina	Centralized structures, limited financial resources, high involvement	Complete control of operative, external communication and support processes	High competitive performance, progressive repositioning in first-class tourism, good social outcomes.
Portorose	Formally participative structures, limited financial resources, limited involvement	Focus on private operative processes.	High quantitative competitive performance, uncertain future positioning, average social outcomes.

Source: Own analysis.

In order to analyze this passage we have synthesized the main decisions and actions taken by each destination along the variables described in the empirically founded theoretical model in Figure 14, thus obtaining the results shown in Table 14.

We have already said that it is hard to define an A→B-type sequence among the three variables of the model (actors, processes, outcomes). The empirical reality, however, shows that when the destination's performance is not reduced to competitive outcomes, specifically to statistical indicators (item 1, figure 8, this chapter), but includes other elements such as customer satisfaction, future positioning, social responsibility (towards the host community and the companies operating in the locality), then it is primarily the actors-processes binomial that define the destination's success or failure. We therefore focused our attention on this combination and obtained the results represented in the matrix in Figure 15.

Figure 15. The actors-processes binomial with reference to the empirical reality.



Source: Own analysis.

The axes of the matrix represent the critical state of actors and processes. The most critical aspects for the actors are associated with the participation of operators in metamanagement structures and the degree of involvement that characterizes the destination (usually associated with the tourist culture). As for processes, there is a difference between those destinations that have applied a comprehensive strategy - meant to conquer a certain positioning by acting on all main managerial processes- and those destinations that have decided to act or simply act on a limited number of processes. The matrix shows the different positioning of the examined cases and suggests the existence of four main management configurations.

Quadrant 1 describes a management model typical of destinations that feature a sound tourist culture that finds its expression in the cohesion between single company management and metamanagement. If the cultural identification is strong (Ladin identity in the case of St. Moritz) there is a tendency to define a vision of long-term development (St. Moritz top of the world). This tendency is not necessarily the result of an intentional strategy, but it creates some tension at the various management levels (usually backed up by support processes) that reflects on the chief management processes. As a consequence, there is certain amplitude in terms of “deliberate” strategy processes, where “emergent” strategies usually play a central role.

Quadrant 2 describes a very good agreement among the different actors involved in the destination’s managerial process. In this case too, the cohesion characterizing the entrepreneurial team coalesces in a strategy-defining process, in more or less structured co-existing activities, oscillating between vision and plan. The focus is on questions or objectives considered as priorities in view of the preceding outcomes obtained by the locality. Corvara has largely focused on external communication processes and on the development of new products so as to offset the increasing competitiveness and the drop in demand both for the winter and summer seasons. The ensuing strategy -if we interpret it in terms of processes- is carried out by focusing the attention on specific and circumscribed processes. Also in this case the “deliberate” strategy is well supplemented by “emergent” strategies. It is worth noting that wherever there is a common cultural context, emergent and intentional strategies tend to harmonize, or rather emergent strategies are in consonance with the values, attitudes and ideas shared by the chief metamanagers.

Quadrants 3 and 4 show a limited cohesion as far as actors are concerned. This cohesion is not necessarily determined by the organizational structures[30]. Cultural and historical variables play a more decisive role, as clearly shown empirically in Portorose and Livigno. The lack of a clear-cut reference at the destination level tends to produce a break between metamanagement and the management of single companies, which frequently creates conflict among operators, both within a single service component (hoteliers versus hoteliers) and between different links (accommodation structures versus ski lift facilities).

It is important to assess the power (economical, decisional, charismatic) held by both entrepreneurial and metamanagement levels. In this analysis particular importance will be given to the financial resources and their composition, and control mechanisms and styles. As a rule, the lack of a definite common direction will create conflicts that will render district strategy inefficient and incoherent, and will favor an excessive focus on volumes. Given this scenario, it is reasonable to ask how the strategy emerges and on which processes it is focused. The empirical observations provide two different answers associated with quadrants 3 and 4.

In quadrant 3, the managerial effort concentrates on a limited number of processes in order to address the imbalance. In the case of Portorose, the large size of hotel groups has favored a re-positioning process driven by the entrepreneurial level and characterized by a deliberate, "intentional" strategy. In fact, the various accommodation units have tried to develop attractions with the following characteristics: i) capable of being internalized, ii) accessible regardless of climatic conditions, iii) complementary but not substitutive so as to reduce inside competitiveness, iv) attractive for both the national and international targets.

Another example is Rimini's re-positioning strategy. Though starting from a higher level of involvement, there is a gap between the metamanagerial and entrepreneurial spheres and fierce internal competition, which leaves very little room for collaborative strategies. Again, the deliberate strategy is basically focused on external communication, especially on the development of new products. Unlike Portorose, Rimini has an extremely fragmented community model that encourages the application of emergent strategies, mostly at the entrepreneurial level (restructuring works, attractions other than bathing, aid for new forms of tourism, repositioning on the domestic market), which are supported at the metamanagerial level (withdrawal of the smallest units, financial support to restructuring processes, creation of a model centered not only on the destination but on the product as well).

Quadrant 4 describes a global strategy management process. The best example of this kind of strategy is Livigno, which attempts to influence public and private operative processes, consolidate the marketing strategy and develop new products, with the intensive use of the internal marketing. The concrete realization of a broad managerial process involves overcoming several difficulties associated with conflicting situations. Livigno tried –though with little success- to rely on the financial resources and on the administrative power of the Municipality and its "operative arm" for tourism, namely the APTM.

The four quadrants of the matrix are not exhaustive of the complexity of reality: they just represent one way to show the results from cross case analysis. Nevertheless they have the advantage of identifying the polarity of forms within a continuum, and show

[30] We should remember that the metamanagement structures of Portorose, Corvara and St. Moritz are very similar.

the complex processes behind the changes in metamanagerial strategies. If the horizontal displacements seem difficult but possible, especially from left to right, i.e. from a global to a focused strategy, much more intricate are the movements from right to left, and upwards. Upward movements call for an action on the cultural variables and the revision, not only in formal terms, of metamanagement structures.

6 EPILOGUE

The resulting model describing in figure dx syntheses the main contributes that this work gives both to the tourism and strategy-process literature.

Concerning the *tourism field*, the destination strategy process framework allows to identify and to link subject, process and results in creating "realized strategy", both emergent and deliberate. The empirical research has described the relevance of each component of the model and the more relevant sub-variables in operationalizing subject, process and results. The cross-case analysis has identified different styles of management or different empirical policies of management related to the stage of destination development and it has related the functioning of each specific empirical model with the main characteristics of the context. The conclusion are relevant both to the tourism literature and for practitioner. For practitioner the work proposes different empirical suggestions in describing, analytical, the functioning of each destination and in linking the realized and emerged processes both with results and organizational structures. For tourism literature, the work proposes an innovative methodology (grounded theory) and a not well developed research prospective based more on process rather than on content strategy. The relevance of process is very central in the field of destination that presents the typical structure of economic network or district. In this context usually there is a wide gap between "intended" and "realized" strategy do to the relevance of emergent strategy and do to the big problem to "implement" intended strategy. In fact the destination is not a firm and there is not a hierarchical leader, destination is more a collection of independent companies that often present different marketplace and serve different customer's segments.

Concerning the strategy-process field, the work presents three important contributes.

First, the empirical analysis and the theoretical conclusion are developed in non hierarchical organizations. Prior research usually focuses on big or small organizations and the central question is often about the relevance of leadership in strategy-making. Also inside the describing school (see chapter 3) the research object is the company described using the Bartlett and Goshal categories of top and middle management and operative level. How clarified in chapter 2 destination in not an organization but rather a network or a district or yet a "virtual company" using Bieger's language and it places a strategic role in client's decision.

Second, the work operationalize the three basic class of variables of the resulting model. This allows to measure different efficiency developed by different empirical models and helps practitioners in creating coherences between actors, process and results.

Third, the conclusion both in term of variables and sub-variables could be applied to non tourist network where central meta-management structures are relevant. A prominent field is for example represented by industrial district or more generally network of firm in which there is a central company that is responsible for the network management. In this case the tourism processes identified are usually the same or very

similar: the are operative processes and often some kinds of public activities, the are communication processes and the development of new products or services, the are some forms of support processes that increase the efficiency and the efficacy of the network. Some problems related to the subjects (financial and control mechanism, structures and participation) could be extend to district and network. In some cases the meta-manager emerges how the most powerful company, but this solution is very similar to tourism destination organized like the "corporate model" described by Hope and Flagestaad (2000). Finally, also the main class of outcomes are relevant: the functioning of the network cannot be reduced to economic or financial performance using ratio as ROI or ROE but are relevant elements such as competitive results, customer satisfaction, future positioning, acceptance of meta-management structure or involvement, social responsibility. Also in this case is very difficult to understand the performance of a specific firms without considering the whole functioning of the entire network[31].

[31] "Most of the focus has been on individual linkages or on a focal firm and its nexus of relations. Little attention has been paid to know these individual linkages further connect to bind the firms in an industry into a larger system. Even though the linkages among firms in many industries have become so dense that some observers have been prompted to describe the structure of these industries as 'networks'" (Nohria and Garcia-Pont, 1991, pp. 105-6).

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