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# TOURISM SUPPLY CHAIN & STRATEGIC PARTNERSHIPS FOR MANAGING THE COMPLEXITY IN TOURISM INDUSTRY

Bernardino Quattrociocchi
University of Rome "La Sapienza" (Italy)
bernardino.quattrociocchi@uniroma1.it

Francesco Mercuri
University of Rome "La Sapienza" (Italy)
francesco.mercuri@uniroma1.it

Mirko Perano
Reald University College (Albania)
mperano@asar.edu.al

Mario Calabrese
University of Rome "La Sapienza" (Italy)

mario.calabrese@uniroma1.it

### **ABSTRACT**

The paper aims to investigate the possible relationship between Tourism Supply Chain and Strategic Partnership, read as a way to reduce and better manage the complexity in Tourism Industry. This last has been analysed under multi-disciplinary approaches (economic, sociological, psychological, anthropological and geographic) to better understand its main components. A synthesis of origin of Tourism Supply Chain term was provided. VRIO framework and PEST analysis was used with the aim to better understand the strategic decision of integration the chain with a single or multiple rings. Starting from this, a theoretical framework from a holistic analysis is provided.

KEYWORDS

Tourism Supply Chain; Strategic Partnership; Tourism Development; Tourism Industry; VRIO framework; PEST Analysis.

**ECONLIT KEYS** 

L83; Z32.

### 1. INTRODUCTION

The paper seeks to conduct a theoretical holistic analysis of the various criticalities, which are characterizing the tourism supply chain. In particular, the main goal is to try to build a theoretical model useful to manage the complexity in tourism industry. In order to achieve this goal, it was provided a descriptive analysis on tourism industry, its nature, its main actors and the components that most influence it. The paper aims to create the necessary prerequisites for a subsequent empirical research, which points out strengths and criticalities manifested by the actors which characterize the different levels of the tourism supply chain. For this reasons, this paper has to be considered as a first step towards a more specific study which aims to examine the effects stemming from the inclusion of tourist supply chain actors in a single integrated project aimed at the tourism development of the local area.

Tourism is associated in part to the human instinct of discovery and knowledge of different places, closely related to economic, cultural and social evolution of the various countries; according to a historical-economic analysis, it is possible to subdivide the tourism event into four main stages (Battiliani, 2001):

- I. *Prototourism Period*: from ancient times to the second part of the eighteenth century, tourism was not considered an important phenomenon. It was considered an activity reserved for an elite part of the society, identified as Grand Tour, mostly performed by young aristocrats and European bourgeois for the study or diplomacy purposes;
- II. Modern tourism Period: from the eighteenth century until the 1930s and 40s, tourism is still considered an elite phenomenon, but at this stage the sector begins to grow in terms of quantity thanks to the specific accommodation structures start up, alongside the improvement of tourism Rail transport system and the creation of commercial organizations (first travel agencies);

- III. Mass Tourism Period: starting from the Second World War to the early years of neo-industrial era, thanks to the recognition of paid holidays, families during this period mainly choose sea resorts in the summer season and the ski areas in the winter season. In the 1970s the first tourist villages were born, in addition to the spread of air transport and the numerical/dimensional growth of Tour Operators and travel agencies in the world;
- IV. *Global Tourism*: began in the '90s, characterized by a standard low-cost, short-term vacations mostly repeated throughout the year, focusing on reachable by air transport destinations (Frank, 2010). Tourism during the twentieth and twenty-first century becomes a fundamental human activity, which enters the habitual activities, affects millions of people.

Under a managerial and so marketing lens, tourism also is a "comprising many service sectors. Thus, to translate the consumer experience into managerial action, research into the experience of tourism from a service marketing perspective is warranted" (Otto; Ritchie, 1996, p. 165). From this perspective and according with Medlik (1991), managing tourism can be firstly defined as:

- "international, regional and local tourism organizations;
- travel agencies and other sectors;
- teachers and students in higher educations;
- other walk of life where an understanding of tourism is important".

With this in mind and considering the high competition in tourism sector, it is important for the organizations to consider all the possible factors of tourism destination competitiveness (Crouch & Ritchie, 1999; Kozac & Rimmington, 1999; Enright & Newton, 2004; Gomezelj & Mihalic, 2008; Cvelbar, Dwyer, Koman & Mihalič, 2016; Armenski, Dwyer & Pavluković, 2017).

The game played by tourism organizations must include also an integrated tourism supply chain. The effect of sustainable tourism supply chain in tourism, can concretely contribute to co-create value not only for stakeholders and organizations (in terms of economics or financials performances), but also for the specific territory that from this way can be more attractive and finally more competitive. It is possible to think that from one hand the territory government must facilitate the building a relational network between (i) its internal parts, (ii) organizations in the territory, (III) stakeholders of the territory; from other hand the organizations and stakeholders

must cooperate, in a relational way (Pellicano, Perano & Casali, 2016), in order to contribute to define sustainable value propositions for co-create value for itself and for the territory.

Tourism destination, in this sense, is "a complex and complicated ensemble of different components of interrelated economic, social and environmental factors, all deeply interconnected" (Baggio, 2014, p. 445).

# 2. THE TOURISM INDUSTRY: TYPICAL CHARACTERISTICS AND EVOLUTIONARY PHENOMENA

In a competitive environment such as the current *New Economy*, an evolutionary step must be taken to enter the basket of alternatives to consider as possible destinations for spending holidays. The destination is a target location of a travel that the tourist wants to visit because of natural or artificial attractions it offers.

For this reason, a tourist destination must have all the facilities and infrastructures necessary for the stay, such as transport, accommodation, restaurants and recreational activities (figure 1).

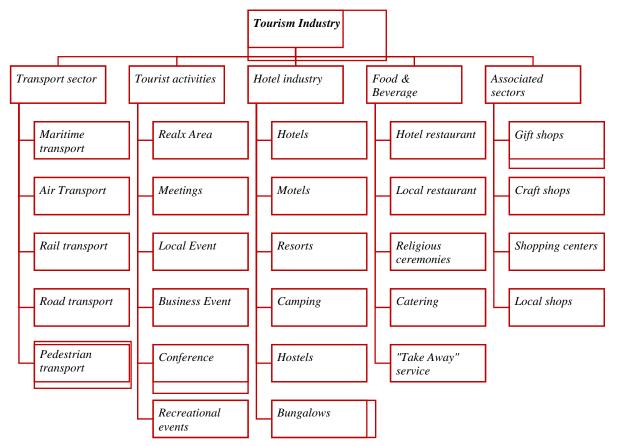


Figure 1: Representation of the tourism industry structure.

Source: Our elaboration based on Guest (2015, p.53).

Tourism products can be considered as a constellation of (products or services) components that can be fit on a lower (or higher) level of tourism ecosystem of various stakeholders. The relationships between these components are "difficult to define and analyze in aggregate form, due to the variability in which different customers arrange them throughout their trip" (Baggio, 2014, p. 446). In the innovative economy, the organizations operate not only in isolation but with others. Through these interactions this organizations can develop and mature (Davenport et al., 2006; Amaral & Figueira, 2016; Perfetto, Vargas-Sánchez & Presenza, 2016), and it is possible that this can lead to the creation of a formal network (if it not already exists). If these interactions evolve, overtime, in relations (Casali, Perano & Abbate, 2017) can born a strategic alliance in the network, or between networks of different territories.

The Tourism Destination concept was introduced in the basic Tourism Management vocabulary in the 1990s. This concept was hardly traceable in previous periods. The recent interest for Destination concept became relevant when tourists started to choose relying on selection of competitive features between multiple alternatives characterized by different capacities to respond to different needs and motivations, depending also on the comparative cost of goods and services and on their quality level (Murphy, Pritchard & Smith, 2000).

In literature (mainly Webster's Dictionary; WTO 1999, 2007, and others), there are three elements on which the definition of a destination is based:

- Geographic location, considered tourist area.
- The tourist offers, that means tourist product, set of resources, activities, accommodation and actors supplying the offer.
- The reference market, identified through segmentation.

As emerges from the various mentions of the referred bibliography, destination is a *unicum* of products, services and attractions, a set that through the experience of the tourist's enjoyment, becomes unitary product, which plays a primary and central role in composition and selecting of elements that will define your vacation based on your preferences. In addition, technological aspect can play an important role in this sense and the successful of destination (also in management organization) "will be an intelligent agent of the destination that is able to identify, engage and learn from

disparate stakeholder both within and outside the destination" (Sheehan, Vargas-Sánchez, Presenza & Abbate, 2016).

A place becomes a Destination only when it interacts with the market, i.e. when it is placed within the tourist preferences, or when it is perceived as a place where attracting factors are available to respond to specific travel motivations.

The competitiveness of a Destination depends on its ability to attract tourist flows due to a competitive position compared to other locations. This is the reason of development of Destination Management discipline. Destinations are defined by demand through time and space-based mechanisms, similar to what happens to products and services. Destination has its real-life cycle that is, a natural occurrence of phases starting from the moment of introduction and launch of the destination, passing through reaching a consolidate position and finishing with its maturity (Cracolici & Nijkamp, 2009).

### 2.1) THE COMPONENTS OF THE TOURIST INDUSTRY

The tourism industry is a large sector, includes many actors, there are diversified categories for the numerosity and variability of goods and services offered. This market is considered an engine for economic development of any country, thanks to its contribution to local economies (Danaher & Arweiler, 1996).

Below we list the main components of tourism industry, shown in figure 2:

- Infrastructures, i.e. organizational structure for accessibility in the area, this script mainly refers to the transport system.
- Natural and artificial attractions, which serve as a lever to attract travellers. For many of them, these are a key element of the holiday, so the more attractions a destination can offer, the more advantage position it will have compared to the others.
- Accommodation systems, (hotel and extra-hotel facilities), which are fundamental for the tourist phenomenon, that involves the overnight stay of guests.
- Additional services: all indirectly linked industries which have the task to carrying out of human activities, considering the tourist flow as an inconstant and temporary increase of the population.



Figure 2: The components of the tourism industry.

Source: Our elaboration based on Guest (2015, p.19).

Tourism has a typical induction generation effect on other economic sectors as it originates from the purchase or consumption of goods whose production is not directly related to tourism. The need to develop a range of goods and services to meet the needs of the tourist creates the birth of companies and specialized organizations that develop competitive strategies to place themselves in their respective reference markets (Goeldner & Ritchie, 2012).

Companies distinguished by the level of innovation, used technologies, type of pursued leadership, listening ability and customer satisfaction, service reliability, marketing or rather communication (Britton, 1982).

Business competition stimulates the improvement of the supplied tourist services and helps to reduce the costs for travellers, offering them a more advantageous condition in terms of variety and quality.

For tourism evaluation, used and categories suggested by the WTO are:

- i. Package travel, package holidays and package tours.
- ii. Accommodation.
- iii. Food and drink.
- iv. Local transport.
- v. International transport.
- vi. Recreation, culture and sporting activities.
- vii. Shopping.
- viii. Others. (International Recommendations for Tourism Statistics 2008).

The touristic accommodation industry and its dimensions are shown below, highlighting the width and variety of its components. Any offered service can enter or not part of the tourist basket, but these are considered to be the ones that represent

the typical activities of tourism, in order to meet their needs: food, leisure, mobility and accommodation (Smith, 1994).

It is important to emphasize the economic impact of tourism on the emergence of new businesses and employment, both in the regions generating tourist flows (where the push factor is operating) and in the regions of destination (where operating companies provide tourist services, acting as a pull factor).

Describing the main features of its functions, highlighting the key role it plays in tourism and in particular its characteristics (CSBE, 2015):

- Non-tactility: the product cannot be perceived through the senses until the fruition moment.
- Non-separability: Employed staff often interact with customers, creating a negative or positive impact on their experience.
- Variability/heterogeneity: determined by the quality of the offered services by its suppliers and more generally by the management of activities.
- *Hardly storable*: it is similar to a service industry; any service not sold at a given time is not recoverable, such as empty hotel rooms, empty theatre places, non-busy aircraft.

Touristic flows thus become significant flows of money moving from the original to the destination regions, even more valuable in the case of international tourism, which involves the entry of other currencies with the consequent positive effects on the balance of payments. In addition, both the demand for goods and services of the normal consumer goods categories and of course of specific tourist goods increases (Danaher & Arweiler, 1996).

By carrying out a study of the macroeconomic environment, competitors and the strategies they use to seek competitive advantage in the services industry, below we list categories cited by the author Franch (2010):

- Technologies for information, communication and territorial promotion (Quattrociocchi et al., 2016).
- Booking and organization of the trip.
- Transport, accommodation, food &beverages and commerce.
- Attractions, entertainment, sports, shows and culture.

For a better understanding of the tourism phenomenon, we refer to activities connected to it, in particular, according to the SICTA (Standard International

Classification of Touristic Activities), there are over 200 specific categories considered tourism activities.

This is a further contribution to reconfirm the vastness of the sector that is to be explored, demonstrating that the actors involved belong to different, but complementary industries, depending on the severity of the tourist manifestations.

### 2.2) SUSTAINABLE TOURISM DEVELOPMENT APPROACH

We consider the multiple implications that the tourism phenomenon generates on a territory, which must follow a model of balanced development to reach a positive result in the medium/ long period (Hunter, 1997).

On the one hand, tourism is seen as a positive phenomenon for the generation of wealth and development, but from another point of view it is considered a disruption to habitual activities. The concentration of visitors in a specific time and space implies a risk of damage to the most valuable resources, the consumption of the territory and it provokes the rival use of available resources and production factors (such as capital, land and labour).

Tourism forces the encounter between resident populations and tourists, implies interaction between different cultures, swinging the enthusiasm of foreigners' acceptance and the fear of losing their identity or harming territory.

There rise various trade-offs:

- Between the choice of full exploitation of resources and their subsequent deterioration, and the choice of protection, limiting their economic use.
- Between workers' rights and cost reductions for businesses.
- Between increasing the quality of life and global energy/global warming.
- Between the income growth of local populations and investors.

Choices include the characteristics of non-reproducible and possible depletion of a resource concerned with tourism exploitation, as it compromises the ability of the future generations to be used by them.

Tourism requires structures and infrastructures, which irreversibly modify the landscape, determines linked manufacturing systems in order to pursue the medium / long-term sustainable development model (Butler, 1993).

The concept of sustainability is linked to the need to determine a balance between consumption-growth-development. The notion of sustainable tourism derives from the concept of sustainable development, defined as the development that meets the needs of the present without compromising future capabilities. Tourism activities are sustainable when they develop in such a way as to remain vital in a tourist area for an unlimited time, do not alter the environment and not hinder the other economic and social activities of the area (Ritchie & Crouch, 2003).

The tourism phenomenon must ensure the viability of the territory with objectives of ecological, socio-cultural and economic compatibility. To keep intact the ecosystem and the natural beauties, is one of the main focuses, since the tourist resorts have their own popularity and their degradation involves the decline of tourist flows (Bramwell & Lane, 1993).

In 1992, the Summit was held in Rio de Janeiro, where the World Tourism Organization, UNWTO, resumed the aforementioned concepts of sustainable development, underlining the need to include them in the planning of future actions. Agenda 21 was prepared, which is an Action Program for the International Community for the Conservation of the Environment and the Resolution of the Issues. The first documents of tourism responsibility for local communities were elaborated and subsequently incorporated into the WWF report "Beyond the Green Horizon". In 1995, during the World Tourism Conference held in Lanzarote, a key document was drafted: the Lanzarote Charter consisting of 18 principles that summarize the concept of ecological sustainability, economic convenience, ethical and social equity. The European Commission gives us the definition of sustainable tourism as activities that contribute to economic and social life without harming local cultures and systems. The Italian Tourism Responsible Association (AITR) and the Europarc Federation intend to respect and preserve resources for sustainability, contributing to economic development and social well-being. According with Franch (2010, p.12), the summary of trade-off between negative and positive effects of tourism was presented in the figure 3.

- +It produces revenue and wealth.
- +It creates employment.
- +It actives productions and other economic sectors.
- +It avoids depopulation of areas that may become marginal.
- +It beautifies places.
- +It recovers and enhances local culture and traditions.
- +It opens to exchange and relationship.

externalities.

-It produces negative

- -It determines speculative activities.
- -It causes a deterrent effect on the economic sectors.
- -It breaks the internal equilibrium of communities.
- -It consumes territory and natural resources.
- -It banalizes and musees local tradition.



Figure 3: Tradeoff between negative and positive effects of tourism. Source: *Our elaboration by* Franch (2010, p.12).

From this, it is possible to think that the effects of tourism on a territory can be linked to four factors:

- 1. The state of balance of the territorial system before the advent of tourism: any internal imbalances (religious, ethnic, social, wealth distribution) may hinder the development of tourism, referring to developing countries but also to developed countries that seek in tourism an innovative and diversified way to produce wealth.
- 2. The type of tourism to which the territorial system refers: it refers to the size and composition of visitors' flows (elite, mass, etc. ...).
- 3. The role of tourism for the local economy: the weight that the sector assumes when compared to other economic activities on a territory, representing in some cases the economic engine of a region.
- 4. The exogenous or endogenous nature of tourism development: the followed development model is analysed if it is the result of an organizational design of

third party economies in terms of financial, organizational and entrepreneurial resources, or vice versa, comes from capabilities within the territory.

Based on these factors tourism generates different impacts, it can basically be grouped into three categories: economic impacts (involving value creation, occupation, revenue and wealth), environmental impacts (affect the effects on the ecosystem, the landscape and the environment), social impacts (in terms of the effects on the population and local culture). On this basis, the triangle of sustainability of tourism is identified as follows (Edgell, 2016).

The above illustration represents a key to the competitive effects of tourism in the area, for each one there are some elements of evaluation:

- Economic Sustainability: Sales revenues and tourism expenditures, tourism sector sales, exploitable activities, employment, increase in value of property, capabilities of investment and capital, generating tax revenue.
- Social Sustainability: degree of acceptance between populations and tourists, degree of distance between cultural differences, degree of openness to other cultures, modification of social relations and pre-existing economic activities, modification of the city's architectural and urban style, effects on quality of life and quality of working conditions.
- Environmental Sustainability: landscape modification, consumption and deterioration of natural resources, energy and water consumption, pollution and waste generation, effects on flora and fauna, effects on global warming.

Tourism produces all the above listed effects, variably depending on the followed development model. Such impacts are linked to trade-off relations, it means that limiting or increasing an impact inevitably affects others. The necessary element of government is the planning and control of the development model, accompanied by legislative regulation aimed at ensuring the consistency and organization between the various activities being carried out, thus drawing a tourism-territorial policy.

From a managerial point of view, tourism planning activity is linked to the creation of an offer strategy that suits the characteristics and resources of the territory in order to ensure a balanced and durable development. The affirmation of a tourism economy leads to the preference of investments that push towards the tourist's specialization of the territory. A balanced consumption of resources is a limit to the development of tourism necessary to ensure that sometimes catastrophic effects are

generated; The work of Stakeholders is very important, they are able to interfere with resource allocation decision-making processes, bearing in mind that the sustainability of the model is a value in itself capable of acting on the competitiveness of the target.

According to the pattern developed by Weaver (2000), there are potential development alternatives for a territory:

- I. Unsustainable Mass Tourism (UMT), in which case there is a prevalence of exclusively economic interests, the country has an extensive process of structures and infrastructures, opening up to mass tourism without considering the constraints of impact;
- II. Sustainable Mass Tourism (SMT), where the size of the tourist flows is accepted, but limits the exploitation of the territory to limit its negative externalities; In this regard, the taxes are quoted, designed to limit the negative impact generated by the single tourist on the territory by the single tourist;
- III. Deliberate Alternative Tourism (DAT), sets a voluntary brake on tourism development to preserve existing resources and balances.

The choice of the model determines the path of future development, considering that the DAT model can only get a growing evolution, while UMT models do not allow long-term sustainability, depending on the measure of the negative impacts generated. The dissemination of this thought has led to an awareness of the industry's players, opting for responsible tourism, taking conscious behaviours both from tourists and investment firms.

In December 2015 it was given the importance of international tourism. The UN has provided the designation of an "International Year of Sustainable Tourism" foreseen for 2017 in order to promote the theme between as much people as possible, to spread awareness of the great heritage of various civilizations and to underline a better appreciation of the intrinsic values of different cultures, thus contributing to the strengthening of peace in the world. The article follows listing the sustainable development goals of the new Agenda 2030, approved by the United Nations General Assembly in September. Tourism is included as the target of three of the *Sustainable Development Goals* (SDGs):

- SDG 8: Promote lasting, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- SDG 12: Ensure sustainable patterns of consumption and production.

- SDG 14: Safeguarding the oceans, seas and marine resources for their sustainable development.

In October 2016, the "Croatian Sustainable Tourism Observatory" (CROSTO), an observatory responsible for the sustainable development of tourism in the Adriatic part of Croatia, became part of the UNWTO International Network of Sustainable Tourism Observatories (INSTO). To conclude this section, it seems appropriate to quote a copyright quote that should alert anyone who lives in a city that represents a destination or has a high potential.

### 3. SUPPLY CHAIN MANAGEMENT IN TOURISM

The concept of tourism supply chain has not captured the attention of researchers and, still today, can be considered as a grey area of literature. In order to investigate the origin of this term, from literature review emerge that to understand the origin of term it must be do using two terms: "tourism supply chain management" and "tourism distribution channels". The synthesis is in table 1.

Tourism Supply Chain (TSC)		Tourism Distribution Channels (TDC)	
Author(s)	Year	Author(s)	Year
		UNWTO	1975
UNTWO	1994		
Sinclair and Stabler	1997		
Kaukal et al.	2000		
		Buhalis and Laws	2001
Page	2003		
Tapper and Font	2004		
Alford	2005		
Yilmaz and Bititci	2006		

Table 1. Understanding the origin of TSC. Source: our elaboration based on Song (2012).

According with Song (2012) "a tourism supply chain (TSC) can be defined as a network of a tourism organizations supplying different components of tourism products/services such as flights and accommodation for the distribution and

marketing of the final tourism products at a specific tourism destination, and involves a wide range of participants in both the private and public sector".

The tourism sector is characterized by different activities, but also closely linked to the production of the final service. From Tourism Supply Chain literature (Zhang, Song & Huang, 2009; Song, 2012; Song, Liu & Chen, 2013) emerge that "the network partners of such tourism network are defined beyond traditional supply chain boundaries and consist of a range on entities such as tourist, companies that act a services providers and intermediaries, government agencies, regulators, technology providers, communities, and consultants" (Ogulin Selen & Houghton, 2016). This section is devoted to examine the industry's supply chain, in order to investigate the benefits of inter-sectorial collaboration among the actors and highlighting the weight of transaction costs in collaboration, in particular the partner's research costs and quality control costs, influenced by the information asymmetry between the parties (Cozzolino, Wankowicz & Massaroni, 2015). The study reveals that it is possible to reduce these costs by trusting.

According to the *Transaction Cost Economy* (TCE) (Williamson, 1989; Ketokivi & Mahoney, 2016), the bottom line of each enterprise is the reduction in transaction costs, referring to start-up and transaction management: the main problem of governance is to find the right balance between cost-efficiency goal and the one of reducing the risk of opportunism (figure 4).

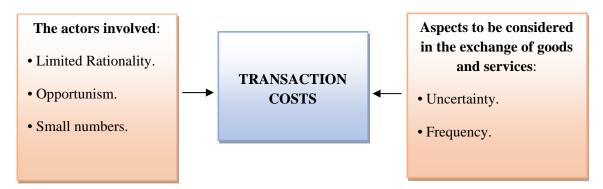


Figure 4: Elements which characterize transaction costs.

Source: Our elaboration based on Pennarola (1995).

According with Pagell & Shevchenko (2014), for Supply Chain is meant the set of business activities and processes, from incoming streams (inputs) to output streams (outputs), also considering distribution channels and other determining factors for

system management. In general, the production chain can be defined as the sequence of intermediate stages that carries a raw material or semi-finished product to a finished product that is either final or intermediate consumption, or used by other companies for the production of a final product. The chain therefore recalls the idea of a sequence of operations (Zhang, Song & Huang, 2009).

The company considered is the territory-vital-system, applying the theme of logistics in the tourism industry, with the aim of raising considerations about the efficiency and potential benefits that would be derived from the cooperation between operators, analysing the phenomenon of "Supply Chain Collaboration in Tourism Management" in relation to the benefits of the network of companies involved (Font, Tapper, Schwartz & Kornilaki, 2008, Eisenschits, 2010, Presenza, Abbate & Perano, 2015).

Unlike what happens in the manufacturing sector, where supply chain is oriented towards the management of the product transfer activity towards the consumer, in the tourism sector is the tourist moving to the required service (Tapper, Font, 2004, p. 120). This process involves the consumer relationship with multiple actors which are an integral part of the final result. The tourism supply chain is therefore understood as a multi-tiered system, as shown in the figure 5.

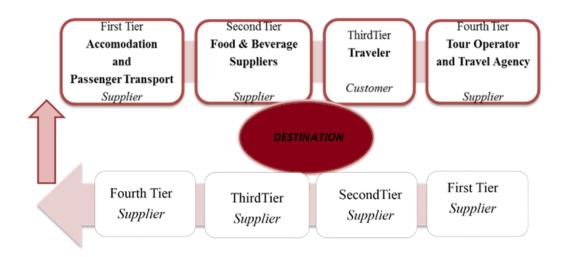


Figure 5: Supply Chain, multi-tiered system, Application to the tourism industry. Source: *Our elaboration based on (*Chary, 2009).

Supply Chain management in the field of tourism, therefore, covers the coordination of internal logistics within the company, interaction with external

operators and the development of a shared strategy (see fig 5). In essence, the Tourism Supply Chain includes all providers of goods and services that contribute to meeting the needs of the tourist in the broader sense.

# 3.1) VERTICAL AND HORIZONTAL INTEGRATION INTO THE TOURISM LOGISTIC SYSTEM

The term *integration* refers to the coordination of the decision-making process of several companies, governed by EC Regulation n. 406/89 of 21/12/1989, which defines concentrations such as the fusion of two or more companies, or when one or more persons controlling a company acquire another (art.3).

Integration can take place between companies that operate at the same stage of production (horizontal integration) or in successive or complementary stages (vertical integration). It can be total or partial, as it can happen through various tools: acquisitions and fusions, association, joint venture, franchising, alliances, holding, consortia, contracts. The process of vertical and horizontal integration between the hotel and another tourism operators are analysed below (figure 6).

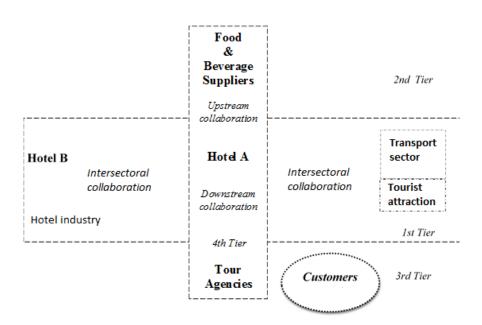


Figure 6: Collaborative activities of a generic hotel.

Source: Our elaboration based on Piboonrungroj & Disney (2015).

The figure 5 show the concept of strategic integration in the tourism industry, i.e. among the actors mainly considered in this paper: accommodation facilities, transport operators, Food & Beverage and TO/Touristic agency.

We list the possible collaborations that can be made between operators belonging to the same industry, such as between two or more hotels (or more generally speaking receptive structures) belonging to the same location or rather to a nearby location. We talk about intersectoral collaboration if agreements are made between heterogeneous companies that are in contact with each other in order to carry out joint development projects.

The hypothetical Hotel "A" has the option of integrating its upstream business if it makes agreements or acquisitions of one or more of its suppliers of materials or services necessary for the completion of its business, in this case with particular reference to Food and Beverages suppliers (2nd tier). Downstream integration involves controlling the travel channel distribution channel, expanding its structure by integrating TO or touristic agencies (4th Tier). If the hotel itself contracts with other similar facilities or with transport companies, there is a process of horizontal integration since they belong to the same level of the sector (1st tier). Tourist attractions are also considered in this line since this element is also thought to be a common tourist requirement (3rd tier) 3 as well as a motivation factor in choosing a Destination, thus a factor of competitiveness.

According to Buhalis (1998), competition between destinations can be distinguished in 5 levels:

- I. Competition between products and businesses and the same destination.
- II. Competition coming from other similar destinations.
- III. Competition coming from destinations that offer different products and / or attractions.
- IV. Competition within commercial channels.
- V. Competition with other activities of leisure time alternative to the possible tourist practices in the location.

Destination Management's action tends to spread awareness among local players about this phenomenon, aimed at reducing the size of internal competition to strengthen competitive strength towards other territorial systems and other deals. In this perspective, competitors become partners of a wider strategic design.

The aim is to analyse the costs and benefits deriving from the synergy of the above-mentioned collaborations, in particular the relationship between companies operating in the tourism system, referring to two types of collaborations:

- a) Upstream Collaboration: Among the suppliers of inputs.
- b) Downstream Collaboration: between partners engaged in the sale and distribution of the aggregate tourist product.

The type of choice to take is based on market and/or product requirements, such as increasing the number of promoted destinations, diversifying product portfolios, increasing market shares, entering new markets; Horizontal development can take place through the direct acquisition of other companies or through the realization of investments by companies.

This growth path is typical of larger companies as it generally requires large sums of money, the choice of investing is linked to the desire for greater control of strategic resources, the VRIO framework (Barney, 1997), shows that each decision depends on how (at what level) a specific resource (acquired or controlled by the enterprise) is considered strategic. In the VRIO the four questions framework (of Value, Rarity, Imitability and Organization) formulated towards resource or capability to understand the competitive potential. As in evidence, the VRIO framework "has developed within the resource-based view of competitive advantage" (Penrose, 1958; Rumelt, 1984; Wernerfelt, 1984, 1989; Rowe & Barnes, 1998). The elements considered in this analysis are the value of the resource, its rarity, its degree of inimitability and substitutability and the organization of the enterprise with regard to its boundaries and structural capabilities for business management; a description in Table 2.

Valuable?	Rare?	Costly to imitate?	Costly to imitate?	Competitive implication
No				Competitive disadvantage
Yes	No			Competitive parity
Yes	Yes	No		Temporary competitive advantage
Yes	Yes	Yes	No	Unexploited competitive advantage
Yes	Yes	Yes	Yes	Sustained competitive advantage

Table 2. The VRIO framework. Source: Barney (1997).

The answers to the questions that this model indicates provide us with some indication of the company's competitive advantage:

- If the resource you seek is not valuable then you face a competitive disadvantage.
- If it has value, however, it is not rare, then the effect of the acquisition will be neutral.
- If it is easily imitable, the advantage obtained will be short-lived, as other competitors will be interested in reproducing the offered product.
- If the enterprise does not have the proper organizational capacity then the advantage will not be fully exploited; and finally.
- If all of the above conditions are met then the company is able to reach the competitive advantage and keep it lasting over time.

Another strategy pursued by economic operators is the diversification of the product portfolio, which is more important in financial terms: it is the core of the secure investment strategy; it is the operation by which in a specific moment it is possible to have titles with different characteristics from each other, with different degrees of liquidity and profitability.

The analysis of the diversification process, according to the logic of resources, must be carried out considering two aspects: the degree of interrelation between existing businesses and the presence of a dominant business over others. Diversification choices arise in market saturation, risk reduction, or even in finding opportunities to use or value their resources and skills, provided that there is scope for achieving target economies and that the choice of direct investment Present a convenience in strategic and economic terms, compared to other more flexible and less structured growth types.

Another tool normally used, before investment choices, is the PEST Analysis, in which the macro environmental factors are the Political, Economic, Social and Technological ones. PEST Analysis is a specific tool, part of strategic external analysis, useful to maximise the comprehension of the impact of each of the factors on the business (figure 7). Other factors can be included as e.i. legal (as in the case) and environmental

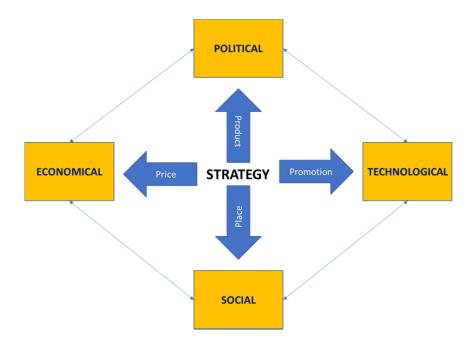


Figure 7: PEST Analysis tool. Source: own elaboration.

Particular attention is paid to the collaboration between accommodation facilities and tourist brokers; we list some types of contracts that are typically used in the sector:

- Forfait hotelier. establish a special price for tourist groups.
- Free Sale: represents a concession for the sale of some rooms in free form.
- Sale and report: where the structure is obliged to periodically inform the availability of its rooms.
- Allotment: provides availability of some rooms previously agreed between the parties at a special price reserved for Tour Operators or touristic agency. Specifically, there are foreseen contractual forms in which it is possible to return to the organizer of travel within a given period without any penalties; it is "partially guaranteed" when payment of a percentage of the agreed fee is due to a lack of occupancy of the rooms. "Empty as full" when the entire amount of rooms is charged to the operators, who thus assume the risk of the not sold rooms.

To face the complexities of today's competitive arena, there are numerous Tour Operators that follow the strategy of integration between different business areas, in downstream integration, Tour Operators tend to acquire control of Travel Agencies

and invest in the Multimedia channel to get direct contact and greater control of the end-use, with a view to better knowing tourist needs and thus to have a greater impact on the decision-making process of the target audience. This process usually takes place through direct acquisition, networking, or shop in shop.

An important consequence of upstream and downstream integration processes is an increase in added value as well as greater control over operating costs; An obvious example is the decision by three majors European Tour Operators to enter the low-cost segment by acquiring airlines, charter flights and even by merging into one company all the carriers they have control in order to rationalize and better manage the airplane. They are organized through multi-divisional structures.

Thanks to the possible synergies happening successfully at airport and fuel supply levels, this process is also accompanied by the replacement of some fleets.

Compared to Tour Operators, investment in air transport or receptivity is intended as a choice of vertical integration rather than productive diversification, diversification concerns expansion in sectors different from tourism, this decision is manifested in particular through the acquisition of other companies or through the launch of company spin-off processes. This phenomenon is particularly interesting when there are unused resources in the company, but strategic, whereby an independent entrepreneurial initiative may be appropriate. However this must not imply the loss of control of the company's strategic resource over the core business.

With reference to the spin-off processes, we report the case of American Airlines, which has reshaped and repositioned the entire core business in the Online Travel Supermarket and Distribution through Sabre, which constitutes the decision support system. In this process, airlines include American Airlines, US Airways, British Airways, Sabre and the Travelocity.com distribution company. In this case, it shows how the corporate spin-off in a business, different from the main one, has over time evolved to become the core business of the group as well as being the one that produces the best results.

Closely related to airline alliances there are the concept of code sharing and aerial slot, where air carriers belonging to the same alliance can lower costs by sharing sales/ticketing costs, on-ground staff and check-in office, for Infrastructure management and catering services on board. These agreements also benefit

passengers: lower air fare tickets, more frequent departures to reach a given destination, more reachable destinations, bonuses deriving from fidelity programs. In the integration process, it is necessary to analyse and evaluate:

- The relationship between the Tour Operator and the providers of the individual services:
- The content and duration of the relationships.
- The risk of opportunistic behaviour by the companies located both upstream and downstream.
- The degree of uncertainty of the context and its evolution.
- The need to operate in systemic logic to achieve a sustainable competitive advantage.
- The profitability of investment decisions, besides the necessity to combine performance and Corporate Social Responsibility.

However, consideration should be given to the possibilities of implementing strategic business decisions so far. In some markets such as the mass market, the integration of the various chain rings represents an entry barrier for any Start Up small size operator, where the one who acts first, enjoys the benefits of the First Player; these operations have benefits but also pose risks. The mains benefits recognized are the benefits generated by the accumulation of sectoral skills, the greater contractual strength, and the achievement of scale economies and the unidirectional nature of projects, leading to greater chances of success.

ALLIANCE BENEFITS	RISK OF STARTING AND MANAGING ALLIANCES
Lower legislative barriers related to business concentration processes; Greater flexibility, independence of resources and capabilities.	Adverse Selection and Moral Hazard, providing lower capacity and skills than proposed; Holdup, exploitation of investments.

Table 3: Alliance's benefits and risk. Source: Franch (2010, p. 209).

The table 3 shows that the greatest benefits can be recognized in the positive externalities generated by the accumulation of sectoral skills, the greater contractual

strength, the achievement of scale economies and the unidirectional nature of projects, leading to greater chances of success. on the other hand it is necessary to consider the risks arising from these alliances, such as overestimation of company's skills and spill over processes.

### 4. CONCLUSIONS, LIMITATIONS AND FURTHER RESEARCH

Tourist territory must therefore be understood, in agreement with Porter, as a place, referring in more general terms to the relationship between territory and the competitiveness of a production system. The localization environment acts on the competitive potential of the enterprises: every business is derived from the geographical area in which the resources and skills necessary for carrying out its activities are located (Simone, Barondini & Calabrese, 2017).

Territorial systems are based on a specific *local milieu*, understood as a permanent set of socio-cultural characteristics that unite in a geographic area through the evolution of inter-subjective relationships. These characters provide fundamental inputs to the productive process in the form of work, entrepreneurship, material and immaterial infrastructures.

The territory can therefore be considered as a cognitive multiplier capable of generating knowledge moving to local productions with a positive impact on the competitiveness of the actors operating within it; In this sense, it becomes a learning organization in which the resource and expertise resource enhancement allows the transformation of local specificities into distinctive factors globally (Simone & Calabrese, 2017).

Endogenous development is directly related to the local innovation capacity, so the survival of the territorial system depends on the ability to manage the resources. This last must be constantly enriched and renewed in order to increase the start-up capacity of new economic activities with the potential for employment and income generation for the resident population, increasing the capacity for innovation and improvement of territorial offers by generating knowledge, attracting ideas or businesses belonging to external economies, as well as raising the quality of life within the territory, both from a residential and a professional point of view, in order to

reinforce and enhance the identity of the territory over time, re-territorializing production processes (Barile, Saviano, Polese & Di Nauta, 2013).

The main differences between a territory and an enterprise are both structural and decision-making and can be summarized as the company has a proprietary structure and a governance body linked to it, by determining the strategic direction (business idea, strategy fundamentals to achieve the goals) based on hierarchy decisions and resource control. The political and administrative government and private companies do not have the resources needed to pursue the strategy as they are not directly controllable.

In the company, there is the existence of a contractual relationship with employees and collaborators, which allows more simplified management. In a territory, we rely on the trust, involvement and the system of incentives that have been activated to direct decisions. Businesses control resources through the private property institution while assets and resources in the governance area are of a public or non-rational and non-exclusive nature, generate positive and negative externalities and resources are characterized by a very high opportunity cost.

The company has legal and institutional borders, in the territory the borders are in many cases variable and linked not only to the administrative structure but also to the type of decisions taken and the proximity to the neighbouring territories on which it effects. It is therefore necessary to develop locally a Destination Management entity, which operates by considering a wide area and not limited to the administrative borders of the single City. Must have an enlarged view of the product-territory in order to include in the proposed offer all its peculiarities and specificities, with innovative character (Montella & Quattociocchi, 2013; Montella & Quattrociocchi, 2014).

Communication and territorial promotion is a key element for propaganda purposes and for the impact, they have on tourism flows in a territory. Enactment an integrated event calendar is necessary for their non-overlapping, as well as defending destinations from the seasonality problem by allocating resources uniformly over time and space.

In order to activate a successful Change Management projects, an integrated development, a shared tourism promotion strategy, is necessary, working in a wider vision and with a sense of sustainable innovation. According to this statement, next

goal consist to promote the development of corporate networks in the tourism sector, in order to create a competitive tourism product internationally.

Following these statements, this paper can be considered as a framework for a future empirical research that, as mentioned, will try to analyse the positive and negative externalities whence to develop structured business models in the tourism sector, based on strategic partnerships between operators belonging to different levels. I.e., the framework can be tested with a survey, matched with the final assumption that territory can become a tourist destination following two different paths of development: spontaneity and planning, although the first case cannot be disregarded from shared development plans.

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Article info: Received 20/05/17. Accepted 05/07/17. Refereed anonymously.