

Contemporary Trends in Promoting Tourism Destinations: Restructuring the Destination Marketing Organization (DMO)

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Abstract: *Destination Marketing Organizations (DMOs), an evolution of Convention and Visitor Bureaus (CVBs), today acts “as a coordinating entity, bringing together diverse community stakeholders to attract visitors to their area” (Gehrisch, 2005). The World Tourism Organization (WTO) assigns three different types of DMOs: Those that serve a specific geographical area like a county or a city (Local DMO), those that serve a rather greater geographical area (Regional DMO) and those that serve on a national level, mostly known as National Tourism Organization (NTO) or National Tourism Authority (NTA) (WTO, 2007). A contemporary trend is that a DMO today can serve as an umbrella that covers a variety of tourism promotion entities. Those can be Community, Municipal and Regional tourism organizations, National tourism organizations, even businesses that have a direct or indirect relationship with tourism activity like Chambers of Commerce, local professional interest groups and organizations even environmental protection non government organizations. Strategically, DMOs serve as a tool for promoting -in long terms- the development and marketing of a tourism destination. The paper finally examines the new trends and changes taking place on organizational level in a traditional DMO focusing on governance on funding.*

Keywords: *Destination Marketing Organization (DMO), local stakeholder, tourism destination, tourism development and marketing.*

1. INTRODUCTION

In the recent decades new tools for promoting tourism destinations has evolved. An evolution of the Convention and Visitor Bureau’s (CVB’s), a promotional tool for a city destination, is the so called Destination Management Organization (DMO). A Destination Management Organization can be defined as “ a coordinating entity, bringing together diverse community stakeholders to attract visitors to their area.” (Gehrisch, 2005). Actually today a DMO is the driving force behind an area’s tourism promotion and development.

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- c. those that serve on a national level, mostly known as National Tourism Organization (NTO) or National Tourism Authority (NTA) (WTO, 2007).

Practically, a DMO can serve as an umbrella that covers a variety of tourism promotion entities. Those can be community, municipal and regional tourism organizations, and national tourism organizations, even businesses that have a direct or indirect relationship with tourism activity. The last can be chambers of commerce, local professional interest groups and organizations, even environmental protection non government organizations. The objective is to bring together resources and coordinate activities that are targeted to the common target: the tourism promotion of an area of common interest. Strategically, a DMO can serve as a tool for promoting, in the long term, the development and marketing of a tourism destination.

According to World Tourism Organization (WTO, 2007) until 2015 the DMO will be the leading power behind tourism, world’s bigger industry. Nowadays this type of organizations expand the spectrum of activities which includes, apart from marketing activities, also research, training, human resources and technology, adopting in such a case a more holistic approach (Harrill, 2005). Also leads its functions towards a more comprehensive approach giving further an emphasis on tourism planning and development. The WTO also recognizes the increasing roles and responsibilities of a DMO and points out that a DMO’s main task “should be to lead and coordinate activities under a coherent strategy” (WTO, 2007).

2. DMO ORGANIZATIONAL STRUCTURE

Regarding the organizational structure of a DMO today, there is no a widely accepted model. Historically in the early stages of tourism promotion, a DMO was rather a government organization. This is the case of Greece's National Tourism Organization (NTOG) with local offices in various regions of the country, as well as abroad, although the last years due to financial reasons NTOG went under a major restructuring. On the other hand we experienced fully privately financed local tourism promotion associations, like the Thessaloniki Conference and Visitors Bureau (TCVB), funded by the local hotelier association. Today there is a wide range of organizational structures ranging from Public Authorities Departments to Public Private Partnerships.

World Tourism Organization identifies the following structures:

- a. Department of single public authority;
- b. Partnership of public authorities, serviced by partners;
- c. Partnership of public authorities, serviced by a joint management unit;
- d. Public authority outsourcing delivery to private companies;
- e. Public-private partnership for certain functions – often in the form of a non-profit making company;
- f. Association or company funded purely by a private sector partnership and/or trading (WTO, 2007).

There are strengths and weaknesses in any type of the above structures. Someone can identify for instance bureaucracy or some type of political intervention as a major disadvantage in a government/public department. At the same time as an advantage could be the relevant satisfactory financing levels although this is not always the truth especially in periods of economic-fiscal crisis. On the other side in a full private partnership a disadvantage can be the limited financial resources while at the same time as an advantage can be referred the more dynamic and more customer/tourist oriented operations. Generally a mixed system, which is the public-private partnership combines all the advantages of both systems. In the U.K., for instance, this is the most common DMO structure (Rogers, 2005). The public-private partnership is realized and is even promoted by WTO as the more successful governance structure since this incorporates the contemporary trends of a shift from the traditional public sector model to a more efficient corporate nature of governance. Additionally the Destination Marketing Association International (DMAI), an international body of the worldwide DMO's, identifies partnerships with stakeholders from both the public and private sector as a an important factor of a DMO success. Identifies a wide range of stakeholders that include government, professional, and other institutional bodies like:

- a. Government agencies (including local and regional public authority organizations (like municipalities etc)
- b. Business organizations (hotel and travel associations)
- c. Chambers of Commerce
- d. Economic development agencies
- e. Airport authorities
- f. Port authorities
- g. Hotel associations
- h. Parks and recreation authorities
- i. Media
- j. Convention centers
- k. Arts and cultural organizations
- l. Restaurant associations etc (DMAI, 2008).

Following we will deal with two very critical aspects of a DMO's organization: funding and governance. We will examine how these two basic organizational functions are applied in the newly formed Thessaloniki Destination Management Organization (Greece).

3. FUNDING

Funding is of key importance for any DMO. Based on a WTO study findings show that usually, the public sector provides the biggest amount of funding for destination marketing organizations (WTO, 2007). DMOs operating at national level funding is totally governmental, whereas for DMOs operating regionally or locally there is more private sector involvement, typically in the form of public-private partnerships.

Mintel (2005) identify two different funding models each reflecting either only public or private involvement: The full state intervention and the full private sector intervention. A public funding model brings larger resources with it, whereas the fully privately-led model seems to be rather advantageous when it comes to reacting and adapting to changes in the industry. Despite the above two models are the most typical funding schemes for DMOs, research shows countries with a rather developed tourism industry make use of resources from both the public and the private sector (Mintel, 2005).

Reality shows that, regarding development level of the tourism industry, the dominant source of public funding is met in countries with more centralized tourism promotional structures. In these cases the dominant form is the government - public DMO. The over dependence of government funding in this case, taking into consideration the long term uncertainty of political commitment towards tourism, must be a concern (Pike, 2004). This is nowadays the case of Greece since economic and fiscal crisis reduced sharply the budget of the NTOG, the dominant form of DMO for the Greek tourism industry. It is obvious that no more than ever, now, is very critical to mobilize alternative sources of funding.

In the Americas, in countries like Canada and the U.S.A. funding for the DMO is obtained mainly through “bed taxes” or “overnight stays” (Rogers, 2005). In Europe things are different. In U.K. for instance, the main funding sources, irrespective of being a public or private sector body, comes from central government, regional and local authorities (like municipalities), European Union (mainly relevant project initiatives), membership fees, commercial activities etc. According to available sources the basic financial sources for a DMO in Europe are: Regional Local Authority 15%, private sponsorships 9%, Municipalities 18%, Member fees 17%, hotel overnight tax 7%, European funding, 8%, commercial revenues 14%, central government funding 12% (Mintel, 2005).

From the above we can conclude that local and regional authorities contribute with the maximum amount that covers almost 50% of the total budget if we also add central government’s contribution. It is confirmed in this way WTO’s position that the broader public sector remains the basic contributor for a DMO.

4. GOVERNANCE

In most cases DMOs are governed by a Board of Directors that come from the Board members of the DMO. A diverse composition of Board members is advisable for all DMOs. Promoting and developing a tourism destination is a matter of many stakeholders including:

- a. hotels
- b. convention centres
- c. municipalities
- d. museums
- e. recreation and historical parks
- f. central and regional government etc.

Additionally taking into consideration the tourism multiplier effect, it is critical to include to the above list, another wide spectrum of businesses that are directly or indirectly affected by tourism activity like taxis, other public transportation, restaurants, tour guides etc. A balanced Executive Board or Board of Directors representing both the private and public sector can combine certain advantages. Based on the European experience most board members are representatives from the local tourism industry, including stakeholders from both the public and private sector. There is a wide spectrum of Board of Directors ranging from local politicians (like mayors), to university professors, chambers of commerce, hospitality industry representatives, regional development agencies, airport officials, convention centers etc.

Regarding governance of the DMO the European experience shows that there is no dominance of either the public or the private sector. An issue remains how the Board is formed in a way that all stakeholders are represented equally. An election process can solve the problem although in some case politics among stakeholders can rule over the synthesis of the board of directors.

5. THE CASE OF THE THESSALONIKI DESTINATION MANAGEMENT ORGANIZATION (TDMO)

In 2011 a research study was undertaken by the Department of Tourism Management of TEI Thessaloniki (Kilipiris et al.2011). The objective of the research was the implementation of a business plan that will evolve the so far Thessaloniki Tourism Promotion and Marketing Organization (TTPMO) to a DMO incorporating the contemporary trends in positioning and promoting Thessaloniki as a unique tourism destination. Research, using primary and secondary data, and taking into consideration international experience in the field, led to the evolution of the TTPMO to the “Visit Thessaloniki”- Destination Management Organization (TDMO). A primary concern was the representation of local stakeholders through governance and funding, in a way to maintain balances as well as commitment to basic target.

In the TDMO basic key stakeholders like private sector, public sector and local community are represented as it appears in the fig. 1.

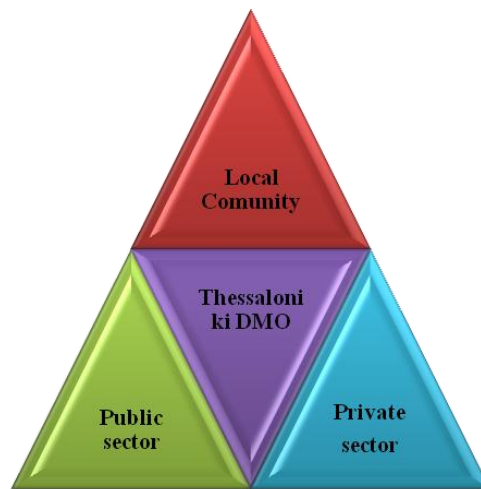


Figure 1 Key Stakeholders

The basic concept was that target is better achieved where a wide spectrum of local stake holders are represented. Thus under this scheme, local tourism industry is represented (e.g. hoteliers , local and regional authorities (e.g. Thessaloniki municipality and regional public authority), local businesses directly or indirectly affected by tourism (e.g. chamber of commerce) as well as institutions like higher education institutions, NGO's, museums etc. Analytically TDMO is consisting by the Executive Board, the Members, and Associated Members (fig. 2).

5.1 Executive Board

The executive board is formed by the main financial contributors to the Organization. Is represented by the following members:

- a. the Mayor of Thessaloniki - Municipality of Thessaloniki as president
- b. the Vice-Secretary of the Region of Central Macedonia - Regional Government of Thessaloniki as deputy president
- c. the President of the Hotelier Union of Thessaloniki as vice president
- d. the President of Thessaloniki International Fair –TIF HELEXPO as general secretary
- e. the President of the Thessaloniki Chamber of Commerce and Industry as treasurer, and finally
- f. the President of Thessaloniki Professional's Chamber as member.

As it is seen from the above both private and public sector are equally represented in the above administrative scheme.

5.2 Members

Members can be any person or business schemes who have any direct or indirect professional relationship with the tourism in the area. Private businesses or bodies that subscribe with an annual fee can express ideas and participate in the decision making process in the Member's general assembly of the Organization. The General Assembly makes recommendations to the Executive Board. In any case we must make clear that executive tasks are carried out exclusively by the Executive Board. The last is also the one that hires the TDMO's staff.

Destination Marketing Associations International (DMAI, 2008) estimates that membership participation to the decision making process of a DMO contributes to the maximum achievement of the Organization's goals. Since local tourism product like any tourism product is affected not only by "classical" resources e.g. accommodation, monuments, gastronomy, recreation, but also by a wide variety of other services e.g. public transportation (metro-urban -regional), taxi, airport, tour guides, airlines etc. it is also important to share with them the same goals.

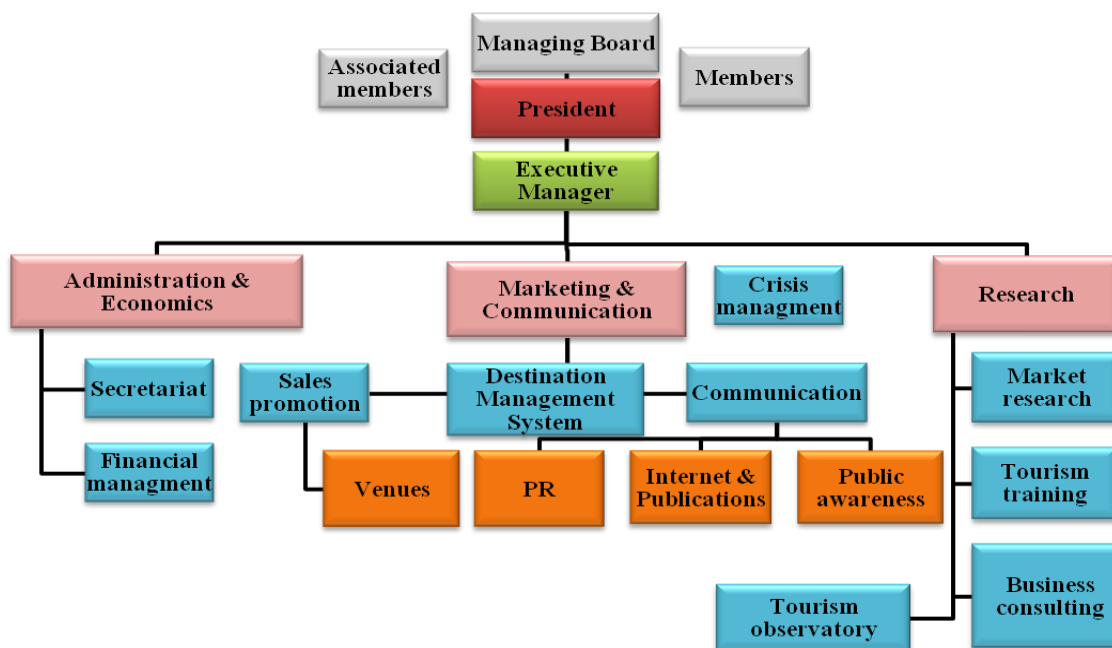


Figure 2 Organizational Chart

5.3 Associated Members

This is a third level of participation and involvement in the TDMO's functioning. The specific member does not have any professional relationship with tourism but can offer scientific advice to the executive board relevant to the field of expertise. In this category belong local tertiary level educational institutions (TEI and universities), other scientific research bodies etc.

Regarding funding a similar with the European standards funding scheme was adopted, that means most of the funding will come from the public sector. Also a funding scheme from the private sector was selected on the basis "the one benefited from tourism activity will pay accordingly". Also was taken into consideration the relevant difficult financial situation in the economy. Thus the operational cost (salaries, utility costs, rent, Organization's main portal etc, the 1/3 of total budget and equally divided by the three) is covered by the public sector executive members (Municipality, Region, Helexpo). This is to secure viability of the Organization in the long term. Another source of funding comes from the private partners that are represented on the Executive Board. This is 1% on the total revenue the businesses are making. This form of funding (tactical) covers the marketing cost of the Organization that comprises the 2/3 of the total budget. The idea behind this is that private businesses are most benefited by the marketing activities of the organization like income generated for them by increasing tourism arrivals. Other sources can be membership annual fees by it's members as well as funding from E.U. projects or central government funding.

Taking into consideration the relevant difficult financial situation an adopted forecast for the first operational year was conducted. It is worthwhile to mention that an average forecast for a European DMO is approximately 1 mil. Euros.

5.4 Expenditures (on an annual basis)

5.4.1 Operational Cost

Table 1. Operational Cost "Visit Thessaloniki-DMO"

Wage and social security of General Director: 3.000 X 12 months	36.000€
Wage and social security of rest personnel: 2.000 X 3 persons X 12 months	72.000€
Rest operational: 3.500 X 12 months	42.000€
Internet main portal	20.000€
Total operational cost	170.000€

(TDMO Bussiness Plan, 2011)

5.4.2 Marketing Cost

Includes participation in targeted international tourism fairs, printing promotional material, general public relation cost: 330.000€

Total Expenditures (Operational + marketing cost): 500.000€

5.5 Revenues (on an annual basis)

Table 2. Projected revenues “TDMO”

Annual contributions (public sector partners): 56.000€ X 3	168.000€
Tactical revenues (1% of gross revenue (private partners)	332.000€
Total revenues	500.000€

(TDMO Bussiness Plan, 2011)

The above projected annual budget is realized viable since:

- a. It takes into consideration current financial situation of the Greek economy and the financial capabilities of both public and private sector partners.
- b. It is quite lower from the “small” European DMO’s average annual budget of 1 mil Euros.
- c. Some percentage of operational versus marketing cost complies with the international DMO’s standards of 1/3 for operation and 2/3 marketing cost (for the T-DMO 34% for operational costs and 66% for marketing cost).
- d. It is expected after the first operational year revenues will increase due to other sources of income e.g. advertisement cost, private sponsorships etc.

6. CONCLUSION

Contemporary trends in Destination Management Organizations require involvement of a wide spectrum of partners (stakeholders) from either private or public sector. Professional branding and promotion of a tourism destination is just one aspect of the marketing function. Before marketing undertakes action a balanced organizational DMO governance and funding scheme must be formed in a form to guarantee the sustainability of the initiative. This can be done by incorporating all the local key players. Since resource base of a tourism destination is more than sightseeing, gastronomy or accommodation other quality factors, like local people could add value to the tourism experience. A form to mobilize all interested parties is reflected to the DMO’s organizational structure.

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