

## ACTIVITY OF DESTINATION MANAGEMENT ORGANIZATIONS IN THE BANSKÁ BYSTRICA REGION

*Diana Kvasnová*

### **ABSTRACT**

*The current approach to management of tourism destinations in countries with developed tourism is marketing management. Marketing management is based on a systematic planning of tourism development in destination linking its supply with demand, in way bringing benefits to all stakeholders as well as tourism destination. The responsibility for performing of marketing management in tourism destination has destination management organizations (DMOs). The aim of the paper is to examine the activity of DMOs in the Banská Bystrica region. The material utilized by the author presents selected outcomes of field research realized from October to December 2016 in the Banská Bystrica region. The paper is focused on the analysis of activity of DMOs, benefits and barriers of their performing in tourism destinations.*

### **KEY WORDS**

*Banská Bystrica region. Destination management organization. Marketing management. Stakeholders. Tourism destination.*

### **JEL CLASSIFICATION**

*L83.*

### **INTRODUCTION**

Tourism in developed economies has established as an economic activity generating positive economic and social effects. Therefore, theory and practice of tourism are looking for ways how to maximize these effects of tourism and ensure their sustainability in the future. Changes on tourism market in last decades have brought the new approach to managing tourism development in destinations - "destination marketing management". The concept presents a tool ensuring cooperation and coordination of stakeholders in tourism destination and enhances systematic planning of its development. Responsibility for fulfillment of tasks of marketing management has destination management organization (DMO) connecting

individual stakeholders participating on tourism development in destination and their different interests.

## 1 THEORETICAL BACKGROUND

Marketing management is relatively new approach to managing tourism development in destinations. The concept was developed in the 90s in Switzerland and Austria. At this times have these countries faced a decline in a number of visitors and have looked for ways how to turn the situation. The greatest interest about this topic was noticed after 2000, when were published 95 % of all professional studies of destination marketing management (Morrison, 2013).

The definitions of destination marketing management vary in the literature. Seaton and Bennett (1996) define destination marketing management as a process which essence is in influencing the level, timing and structure of demand in a way enabling of tourism destination to achieve its objectives. According to Kotler et al. (2007, p. 46) is destination marketing management "the science and art to choose target markets and create with them mutually beneficial relationship." Palatková (2011, p. 20) refers to destination marketing management as the process of managing a destination based on the principles of marketing, which responds to current situation in the tourism market and providing tourism destination flexibility and dynamics. Its aim is to connect supply of tourism destination with its target markets of visitors, bringing benefits to all stakeholders (businesses and organizations of private and public sector, visitors and residents) and tourism destination, too. Destination marketing management is a process consisting of marketing research of tourism destination, determining its vision and objectives, formulation of strategy, creating marketing mix and implementation and evaluation of all these activities (Nejdl, 2011).

Performer of the concept of marketing management in practice of tourism destination is destination management organization (DMO). We consider the establishing of appropriate organizational structures in tourism destinations as the key assumption enabling the systematical tourism development. According to Laesser (In Pike, Page, 2014) the first DMO was established in 1864 at St. Moritz. Their number grew considerably during the post-war period. The first DMOs were mostly focused on promotion of tourism destination and marketing activities. Nowadays, as a result of globalization and increasing competition is the main goal of DMOs to enforce strategic approach to tourism development in destination - marketing management.

As Wang and Fesenmaier (2007) argued DMOs were established because of the need to plan, coordinate and promote of tourism destination. Majewski (In Borzyszkowski, 2014) considers DMOs as the driving force of tourism development in destination, the leaders of planning, product creating and promoting of tourism destinations. Volgger and Pechlaner (2014) interpret them as a team consisting of professionals, who lead and coordinate stakeholders in tourism destinations. The main roles of DMOs are leadership and coordination, product development, marketing and promotion, partnership and teambuilding and community relations (Morrison, 2013).

## 2 AIM AND METHODES

The aim of paper is to examine the activity of DMOs in Banská Bystrica region. The paper presents selected outcomes of field research realized from October to December 2016 in the Banská Bystrica region. The tool used for collecting relevant data was questionnaire distributed by e-mail. The data sample consists of 29 DMOs established in the Banská Bystrica region, including 6 local destination management organizations, 18 tourism associations and 5 local action groups. The respondents were representatives of DMOs. In the field research participated 20 respondents (11 representatives of tourism associations (55%), 5 representatives of local destination management organizations (25%) and 4 representatives of local action groups (20%)). Respondents asked 12 questions. In the paper we present evaluation of selected questions. The survey is primarily focused on identifying the motives, tasks, benefits and barriers of activity of DMOs and the level of cooperation between their members.

## 3 RESULTS AND DISCUSSION

We consider the analysis of the activity of DMOs in the Banská Bystrica region (BBR) as the basis for identifying the level of application of marketing management in tourism destinations. Results of the analysis were processed into tables. Motives leading to the establishment of DMOs summarizes table 1.

Table 1 Motives leading to establishment of DMOs

Motives	Respondents	
	Count	Percentage
Recognition of the need for cooperation	20	33,33
Possibility to use pooled funds	16	26,67
Possibility to obtain non-repayable financial contributions from domestic or foreign resources	12	20,00
Possibility of spreading the costs necessary to carry out projects, promotion, new technologies etc.	9	15,00
Improvement opportunities to ensure sustainable development of tourism	3	5,00
Successful examples of cooperation among stakeholders in foreign/domestic destinations	0	0,00
Total	60	100,00

Source: Own elaboration, 2016.

As the primary motives supporting the establishment of DMOs the majority of respondents consider recognition of the need for cooperation in tourism destination (33,3 %), possibility to use pooled funds (26,7 %) and to obtain non-repayable financial contributions from domestic or foreign resources (20 %). As the important motive respondents also consider possibility of spreading the costs among the members of DMOs necessary for the implementation of projects, promotion and new technologies (15 %). Successful examples of cooperation among stakeholders in foreign/domestic tourism destinations respondents do not considered as a motive for establishment of DMOs. Activity of DMOs influences resources of their funding (table 2).

Table 2 Resources of DMOs' funding

Resources of funding	Percentage
Membership fees	57,78
State subsidy	25,33
Non-repayable financial contributions from domestic and foreign resources	6,00
Own revenues	5,00
Donations, sponsorship	3,00
Voluntary financial contributions	2,89
Total	100,00

Source: Own elaboration, 2016.

Respondents as the most important resources of funding perceived membership fees (57,8 %), the subsidy from the state budget (25,3 %) and non-repayable financial contributions from domestic and foreign sources (6 %). Respondents mostly used the

resources of the European Union given for Rural Development Policy. Own revenues (which should dominate in resources of funding) make up only 5 % of their budgets. As a main sources of own revenues respondents mentioned sale of developed products of DMOs, organization of events, provision of promotional activities for tourism businesses and selling tickets to various events. The lowest portion on budget of DMOs represent donations, sponsorships (3 %) and voluntary contributions (2,9 %).

Resources of funding are used to cover the costs following from the activity of DMOs (table 3).

Table 3 Costs of activity of DMOs

Type of costs	Percentage
Costs of realized projects	51,00
Running costs (including personal expenses)	30,00
Costs of legal advice	10,00
Costs arising from legislation	9,00
Total	100,00

Source: Own elaboration, 2016.

The most significant are for respondents costs of realized projects (51 %) and running costs (including personal expenses) (30 %). Others types of costs following from the activity of DMOs are costs of legal advice (10 %) and the costs arising from legislation (9%).

Destination marketing management consists of partial activities/tasks. The most important activities of DMOs are summarized in table 4.

Table 4 Activities of DMOs

Activities	Percentage
Organization of events	34,00
Development of product and its distribution	25,00
Building general and tourism infrastructure	12,00
Providing information for visitors	10,00
Development of branding and image of destination	9,00
Strategic research and planning	5,00
Education and exchange of knowledge	4,00
Activities focus on residents supporting their contribution to tourism development	0,85
Participation in conferences, fairs	0,10
Statistics	0,05
Total	100,00

Source: Own elaboration, 2016.

From all activities are DMOs primarily concentrated on organizing of events (34 %), developing of product for domestic and foreign visitors and its distribution (25 %), building general and tourism infrastructure (12 %) and providing information for visitors (10 %). On the other hand, respondents pay little attention to the strategic research and planning (4 %), education and exchange of knowledge among members of DMOs (4 %). At least the respondents focus on local residents and activities concentrated on their participation in tourism development (0,85 %), participation in conferences, fairs (0,10 %) and the development and evaluation of statistics (0,05 %).

Communication of members is considered as the one of main conditions of DMOs' functioning. Therefore we decided to examine the ways of communication among DMOs' members and their relevance (1- the most relevant, 5- irrelevant) for respondents (table 5).

Table 5 Communication among members of DMOs

Way of communication	Relevance
Organizing formal meeting arising from articles of DMO	1
Continuous e-mail communication, telephone contact	2
Organizing informal meetings initiated by the management of DMO	3
Organizing informal meetings initiated by members of DMO	4
Communication within the established work teams	5

Source: Own elaboration, 2016.

Respondents considered as the most relevant ways of communication organizing formal meeting arising from articles of DMOs (1), continuous e-mail communication, telephone contact (2) and organizing informal meetings initiated by the management of DMOs (3). As the way of communication with the lowest level of relevance assumed respondents communication within the established work teams (5).

We were also interested in opinions of respondents about the benefits arising from activity of DMOs for tourism destinations. Respondents ordered selected benefits according their relevance (table 6).

Table 6 Benefits from activity of DMOs for tourism destinations

Benefits	Relevance
Development of product for visitors	1
Growth of indicators of tourism development	2
Unified promotion of tourism destination	3
Decrease cost of marketing communication	4

Support of regional producers and their production	5
Improving the relationship between stakeholders in destination	6
Improving of quality of life of residents	7

Source: Own elaboration, 2016.

Respondents assumed as the most important benefits arising from the activity of DMOs for tourism destinations development of product for visitors (1), growth of indicators of tourism development (2) and unified promotion of tourism destination (3). The benefits with lesser extent are support of regional producers and their production (5), improving the relationship between stakeholders in tourism destination (6) and improving of quality of life of residents (7).

For improving the activity of DMOs is inevitable to identify the barriers of their future development. Respondents ordered selected barriers according their relevance (table 7).

Table 7 Barriers of activity of DMOs

Barriers	Relevance
DMO is not respected institution with authority in destination	1
Lack of financial resources	2
Unreal expectations of DMOs' members	3
Key stakeholders are not a members of DMOs	4
Legislation	5
Absence of strategic planning in tourism development	6
Mistrust and unwillingness of DMOs' members to cooperate	7

Source: Own elaboration, 2016.

Taking into consideration opinions of respondents we summarized the main barriers as follows. The most important barrier is fact that DMOs are not respected institution with authority in tourism destination (1). It is a consequence of current situation in tourism destinations in Slovakia, where on a relatively small area is established many DMOs. Afterwards respondents assumed as a barrier lack of financial resources (2), necessary for performing goals of DMOs. Significant barrier are also unreal expectations of DMOs' members demanding benefits arising from their membership in the short term (max. in 2 years) (3). Persisting barrier negatively influenced functioning of DMOs is the absence of key stakeholders in membership (4) who do not participate in tourism development. Respondents likewise considered as a barrier legislation adjusting establishment of DMOs (5). Less important barriers assumed respondents the absence of strategic planning in tourism development (6) and mistrust and unwillingness of DMOs' members to cooperate (7).

## CONCLUSION

Destination marketing management represents the current approach to managing tourism development in destination. It is a tool increasing competitiveness of tourism destination and supporting the long-term success of tourism development. The performer of the tasks of marketing management is DMO. With the aim to examine their activity we researched DMOs in the Banská Bystrica region.

The main motivation to establishment of DMOs is recognition of the need for cooperation, the possibility to use pooled funds and to obtain funds from state budget and other domestic or foreign sources. Activity of DMOs is mostly covered by member fees and state subsidy, the level of their own revenues is still low. System of funding of DMOs in Slovakia is discussed issue. Financial resources are limited factor determining the contribution of DMOs to tourism development in tourism destinations. The necessity to establish DMOs arises from their benefits to tourism destinations. The most significant benefits are development of product for visitors, growth of indicators of tourism development and unified promotion of tourism destination. On the other hand, in research we also identify barriers negatively affecting activity of DMOs. We considered as the most important barrier a huge number of DMOs which activities are overlapping, or duplicated.

We assumed these results as a motivation for further research. The exploration of activity of DMOs represents the way how to participate to tourism development in Slovakia and improving its position on the international tourism market.

## REFERENCES

BORZYSZKOWSKI, J. 2014. Theoretical approaches to destination management. In *Ekonomická revue cestovného ruchu*, roč. 47, 2014, č. 2. ISSN 0139-8660, s 108 – 118.

KOTLER, P. et al., 2007. *Moderní marketing*. Praha : Grada Publishing, 2007. 1041 s. ISBN 978-80-247-1545-2.

MORRISON, A. 2013. *Marketing and managing tourism destination*. Oxon : Routledge, 2013. 596 s. ISBN 978-0-415-67250-4.

NEJDL, K. 2011. *Management destinace cestovního ruchu*. Praha : Wolters Kluwer, 2011. 204 s. ISBN 978-80-7357-673-8.

PALATKOVÁ, M. 2011. *Marketingový management destinací*. Praha : Grada Publishing, 2011. 208 s. ISBN 978-80-247-3749-2.

PIKE, S., PAGE, S. 2014. Destination Marketing Organizations and Destination Marketing: A narrative Analysis of Literature. In *Tourism Management*, roč. 41, 2014, č. 2. ISSN 0261-5177, s. 202-227.

SEATON, A. V., BENNETT, M. M. 1996. *The Marketing of Tourism products: Concepts, Issues and Cases*. London : International Thomson Business Press, 1996. 562 s. ISBN 0-412-57320-2.

VOLGGER, M., PECHLANER, H. 2014. Requirements for destination management organizations in destination governance: Understanding DMO success. In *Tourism Management*, roč. 41, 2014, č. 1. ISSN 0261-5177, s. 64-75.

WANG, Y., FESEMMAIER, D. 2007. Collaborative Destination Marketing: A case study of Elkhart county. Indiana. In *Tourism Management*, roč. 28, 2007, č. 2. ISSN 0261-5177, s. 863-875.

## CONTACT

*Ing. Diana Kvasnová*

*Univerzita Mateja Bela v Banskej Bystrici*

*Ekonomická fakulta*

*Tajovského 10, 975 90 Banská Bystrica, Slovensko*

*diana.kvasnova@umb.sk*