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Developing Destination Marketing Strategy for Success (The Case of the Czech Republic)

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Abstract: The paper formulates, and using a host of statistical data and their analysis also proves the thesis that the lack of tourism marketing strategy may affect both, the inbound and domestic tourism in the destination. The paper compares the Czech Republic's and Austria's results in the development of the domestic and inbound tourism market. The significance of tourism for the Czech Republic's economy is relatively high, but it is not a dominant sector. Tourism contributes to Czech gross domestic product approximately three percent. In Austria, where tourism forms an important part of economy, tourism contributes to GDP approximately five percent. The destinations were subject to research using secondary data. The results of time series analysis of selected data were subjected to evaluation. Spearman's correlation coefficient was used to measure the strength of dependence between the development of the domestic and inbound tourism in both destinations. Recommendations for the Czech Republic tourism marketing strategy development are formulated based on the results of the analysis.

Keywords: Tourism destination, strategy, competitiveness, governance.

1. Introduction

The importance of tourism for the Czech economy is considerable, but not dominant. Tourism is accompanied by some of the effects that enhance its weight beyond the share of GDP. It provides employment and helps create jobs, is an important component of foreign trade, through an invisible exports and has thus significantly contribute to the payment the country's balance. Domestic tourism is one of the components of household consumption.

Tourism in the Czech Republic was in 2008 and 2009 seriously affected by the economic crisis, but long-term analysis of data published by the Czech Statistical Office shows that the problems of the tourism not come in parallel with the crisis, but they are already manifested a significantly longer time and relate, inter alia, with the lack of marketing strategy.

Based on available statistics, Austria recorded during the same period only a slight decrease in the number of guests and overnight stays and its revenue rose by 3%. Austria shows that the development, implementation and long-term, purposeful

promotion of the tourism marketing strategy and a systematic approach to tourism as an economic phenomenon are crucial. The example from Austria suggests that the Czech Republic could benefit from a tourism marketing strategy. It would bring satisfaction through visitor demand, appreciation of the tourism offers and significant economic benefits.

The main objective of this paper is to point out the potential contribution of the marketing strategy to the development of tourism and its subsequent positive effect on the national economy. To reach the objective of the paper, first the theoretical results of research in terms of tourism destination, competitiveness, and marketing strategy is characterized. The research focuses on the comparison of the key market data and products in the Czech Republic and Austria. Based on the results, recommendations are formulated in terms of destination's marketing strategy.

2.1. Competitiveness of Tourism Destinations

The development of tourism is conditioned by the existence of a suitable potential, which has a strong territorial dimension and is linked to the landscape system. Tourism develops in a territory where supports the stability of the local economy, and contribute to the economic wealth.

Traditionally, tourism destinations are defined as territories, geographical areas and places [1] [2]. Destinations can be considered also as a perceptual concept, interpreted subjectively by visitors, where a combination of all products, services and experiences are provided locally [3] to meet the needs of the visitors [4].

Tourism destination is a natural entity that has in terms of tourism unique conditions and properties different from other destinations. From the point of view of the visitor, destination is a subjective concept existing in their minds with vague geographical boundaries.

Destinations are complex and dynamic systems consisting of subsystems that have a direct or indirect impact on tourism development. Development of tourism in the destination is typically spontaneous, unless specifically influenced by destination management organizations. It can be analyzed quantitatively and qualitatively using statistical data, indicators and models that contribute to the detection of patterns as well as a prediction of future development of tourism.

Development of the successful and competitive marketing strategy is the precondition of the destination's success of the destination in the tourism market. A marketing strategy is a reflection of activities and tools the destination management will evolve on the selected tourism market in order to achieve the destination's objectives.

Competitiveness is defined in the literature from macro and micro perspective, but no clear definition has been developed yet. The macro perspective is related to the national level and was defined as the degree to which a country can, under free and fair market conditions, produce goods and services which meet the tests of international markets while simultaneously maintaining and expanding the real incomes of its people over the longer term [5].

From the micro perspective Porter [6], Barney [7], Grant [8], Prahalad and Hamel [9] connect competitiveness to the firm's behaviour.

Storper [10] defined regional competitiveness as "...the ability of an economy to attract and maintain firms with stable or rising market shares in an activity while maintaining or increasing standards of living for those who participate in it".

Competitiveness is widely accepted as the most important factor determining the long-term success of destinations [11]. Regardless of the definitions, the competitiveness is characterized by human development, growth and improved quality of life [12]. From a micro perspective, it means new growth options that create value for shareholders; from a macro perspective competitiveness brings new jobs and better living conditions [13].

The most comprehensive work on tourism destination competitiveness was undertaken by Crouch and Ritchie [14] [15] [16] [17], who developed a conceptual model of destination competitiveness based on the theories of comparative advantage [18] [19], and competitive advantage [20]. According to Ritchie and Crouch [17] the comparative advantage of the destination includes destination's resource endowments, and the competitive advantage includes its capacity to deploy the resources. The model acknowledges the impact of competitive (micro-environmental circumstances) and global (macro-environmental forces) factors on tourism destinations. Ritchie and Crouch [17] considered a destination competitive if it can increase tourism expenditure and increasingly to attract visitors by offering them satisfying, memorable experiences. They focus on long-term prosperity of the destination and claim that the most competitive destination is that which most effectively creates well-being for its residents on a sustainable basis and underline the importance of economic, ecologic, social, cultural and political sustainability. Various empirical studies were based on their conceptual framework [21] [22] [23]. Ritchie & Crouch [16] state destination's competitiveness as the ability of the destination to create added value and thus increases national wealth. Competitiveness has incorporated the concept of competitive development strategies [21] [22].

Dwyer and Kim [26] created an integrated model of destination competitiveness. Their model shows that the competitiveness of destinations and its socio-economic prosperity is affected by the interaction of the resources and destination management with tourism demand and the current conditions in the destination.

Tourism destination competitiveness can be enhanced through development of marketing strategies. Smeral and Witt [27] state that evaluation of the overall competitiveness of the destination in the global tourism market should form a solid basis for optimizing the allocation of funds and the creation of marketing strategies. Number of other studies focused on a particular dimension or a particular sector of tourism, such as Bueno [28], Cizmar and Seric [29], Hassan [30], Osmanagic-Bedenik [31], Pechlaner [32], Prideaux [33] or Dwyer, Forsyth, and Rao [34].

Most of the studies that focused on the concept of competitiveness in the destinations [15] [22] [30], were investigating how destination competitiveness can be sustained and enhanced while maintaining a market position among other destination competitors.

OECD defines competitiveness of tourism destination as its ability to optimize its attractiveness for residents and non-residents, to deliver quality, innovative, and attractive (e.g. providing good value for money) tourism services to visitors and to gain market shares on the domestic and global marketplaces, while ensuring that the available resources supporting tourism are used efficiently and in a sustainable way [35].

2.2. Destination's Marketing Strategy

Marketing strategy determines how an organization defines its relationship to its environment in the pursuit of its objectives [36]. It is a reflection of activities and tools the destination management will develop to achieve the objectives on the selected tourism market [37].

Kotler 2004 and Armstrong [38] define marketing strategy as a set of principles for adapting marketing concepts to changed circumstances. The tourism market is dynamic and subject to many changes, from which some of the most important are seasonality and trendiness.

Basic purpose of the strategy is to increase destination competitiveness [39].

The success of a destination in terms of satisfaction the visitor is a function of several interdependent components; this underscores the need for strategic and integrated planning, together with the selective use of specific tools and techniques. The development of a strategic plan for a destination is an articulation of the strategic priorities and direction that have been identified by stakeholders for the

planning, development, management, and marketing of a destination. It is essential for the long-term success and sustainability of a destination.

Tourism is a fragmented industry that consists of many small organizations with a characteristic feature that none of the organizations holds a significant market share. In such a market, there is no leader who would fundamentally set the rules of competition.

An industry can become consolidated through the concentration of capital depending on various factors; however, many industries remain fragmented for a longer time. Creating a strategy is one of the most important characteristics typical of this process. It is a decision-making process which consists of finding ways how to achieve strategic objectives. There are many ways to meet the strategic objectives and to make changes in the views and approaches in the case of failure of the strategy. A strategy is a strategy not only from the point of view of a business subject but also the industry as a whole [40] [3] [41].

The Czech tourism needs significant changes not only in the structure of the industry but also in the practical application of the tourism policy and theory from the viewpoint of the process-oriented management. The management system can take a business process orientation in newly-established companies or when a function-oriented management system is transformed to a process-oriented system. In tourism theory and the assessment of changes in tourism markets, a model of consumer choice can be used. In the modern market economy, where the supply exceeds the demand, the importance of consumer behavior in the market analysis continuously increases. The tourism strategy must be closely connected with the national economy strategy. Successful tourism development depends on a modern competitive strategy respecting the economic development of the country and the conditions of the national economy. An effective tool for the implementation of an innovation strategy in tourism at a national and regional level can be a project that can make use of the opportunities in changing markets.

Many researches on the topic of tourism destination highlight how single players of a destination are not self-sufficient, implying a high level of interdependencies among the plurality of local actors. Thus, in order to survive, destinations at local, regional and national level must be comprehensively governed and coordinated through new form of collaborations. One of them is re-inventing the structure in terms of collaboration and leadership which can add value to a destination in terms of growth, innovation, and competitiveness. Destinations are difficult bodies to manage due to the dynamic of benefits and interests sought by stakeholders. Although they have numerous linkages and interdependencies, they do not collaborate, and they often have different development visions but none of them can control the destination [3] [42].

The theoretical foundations for destination governance present a rather indefinite picture. There are still questions of governance to be defined, from the attempt to define the term 'destination governance' to the identification of types of governance models to research based on theories relating to various forms and problems of governance [43].

One of the first contributions that used the concept of governance in the tourism sector, pointed to the differences between institutional and individual level of analysis and to the control variables that must be analyzed for an effective destination management [44]. It is also under the light of destination governance research that various theories increasingly gain importance and enrich the existing destination management literature with explanatory approaches [45] cost economics [46].

Beritelli, Bieger and Laesser [41] stated that the concept of governance in tourism destination means not only setting and developing rules for a policy but also business strategies. These strategies must be developed together by all institutions (municipalities and government districts) and products and services supplier in order to create an effective strategy at all levels.

Selected authors studied the different types of governance [47] [48] [49] identifying policy and planning networks and self-regulating networks as the two main typologies. Other authors [50] [51] question about the governance models and, hence, on the existence of different forms of governance as well as on the related involvement for the stakeholders that compose the structure.

In the light of governance models, there are some studies highlighting the paths of governance creation and development as well as the role of leading stakeholders [52] [53]. When this point is clear, and the actors can recognize their resource dependencies and their need of collaboration, it will be possible to set a mechanism and the successful strategy of development based on formal and informal networks of relationship between them. This attitude will generate positive impacts on the level of growth of the destination.

In summary, governance research of tourist destinations looks at the norms and mechanism and consequently the conditions which help explain why events in tourist communities happen or not, in order to suggest concepts and models helpful for effective destination management and planning.

Tourism in the Czech Republic is since the velvet revolution under strong competitive pressure of traditional summer-sea-sand destinations and also the traditional European destination Austria with developed organizational structures and large marketing activities. To be successful in the international market the Czech Republic must not only develop innovative destination's marketing strategy based on power of synergy and with support of information and communication technologies [54] [55] [56] [57] but also create an effective system of destination governance at national, regional and local level.

3. Methodology

Marketing strategies used in tourism are examined first to reach the objective of the paper. Further on, the tourism products and time series of selected data in the Czech Republic, and Austria are analyzed. In the last years, analysis and comparison of selected data from the viewpoint of their interdependence were not frequently used by authors thus the tourism market development could be seen only from specific research of national tourism data.

To evaluate the dependence between the domestic and inbound markets time series of data and Spearman's correlation coefficient is used. Spearman's correlation coefficient measures the strength of dependence between two or serial quantitative characters; in this paper the development of the domestic and inbound market is measured. The size of the coefficient can take values from the interval between -1 , 1 ; if the coefficient is closer to -1 , the correlation is negative; coefficient closer to 1 means positive correlation. Spearman's correlation coefficient is a measure of a monotonic relationship and thus the value of the coefficient equal to 0 do not imply there is no relationship between the variables.

$$r_s = \frac{\sum_{i=1}^n (r_i - \bar{r})(s_i - \bar{s})}{\sqrt{\sum_{i=1}^n (r_i - \bar{r})^2 \sum_{i=1}^n (s_i - \bar{s})^2}}$$

where

r is the order of character A

s is the order of character B

n is the number of monitored characters

4. Calculation, Results, and Discussion

The Czech Republic is an example of how it is possible to waste the potential of tourism development with a direct impact on the economy and employment. The country has not implemented any tourism development strategy, and this situation is redoubled by not respecting the product-market matrix since new markets were not looked for and the old ones, stabilized, were let tumble. The central European countries benefited significantly from that situation, and they focused their efforts on attracting visitors from the surrounding countries. By analyzing the reached results in tourism, forecasting its future development and setting the fundamentals for a tourism development strategy to the future, Czech Republic has to draw from best practices in implementing strategic management models. The suggested model is the product-market matrix, which enables the country to decide if it will provide existing products to existing customers, existing products to new customers, new products to existing customers, or, by applying the diversification process, new products to new customers. Therefore, it is necessary to choose what strategy should be implemented and what it should be aimed at – stabilization, growth or decline and individual tourism objects should decide if they will choose a cost, differentiation, or focus strategy.

From the product-market matrix point of view, the first step is to compare products. For the comparison of the product base [58] [59] and the visitor group Austria was chosen because of two factors: (1) similarity of the provided products and (2) similarity of visitor target groups. The impact of the world economic crisis on the numbers of accommodated visitors and overnight stays as a significant impact factor with a radically different progress was compared.

The main tourism products offer in the Czech Republic consists of summer mountain and winter mountain holiday, ski holiday, rural holiday, sport and activity holiday, MICE, walking and hiking, cycling, spa holiday, cultural holiday, wellness and beauty holiday, and city.

Austria's tourism products' base consists of the active holiday, ski holiday, recovery holiday, family holiday, walking and hiking, sightseeing holiday, spa holiday, cultural holiday, participation in various events, wellness and beauty holiday, and city break.

Austria and the Czech Republic have similar products connected with a different primary and secondary offer conditioned by the geographic location. These are mainly winter and summer mountain holidays, spa holidays, cultural holidays, wellness and beauty holidays, and city breaks.

WTTC [60] reports that the direct contribution of tourism to GDP in the Czech Republic was US\$5.6 billion (2.9% of total GDP) in 2013 while the total contribution of the sector was US\$16.7 billion (8.4% of GDP). The sector supported directly 248,500 jobs (5% of total employment) what means in total 511,500 jobs (10.4% of total employment) including jobs supported indirectly. In accordance to the relative importance of tourism's contribution to GDP, the Czech Republic was ranked to 50th (absolute) and 105th (relative size) place out of 184 countries in 2013. From the long-term growth perspective (2014-2024) the Czech Republic is ranked to 167th place. WTTC predicts for the Czech Republic 2.7% annual growth in direct tourism contribution to GDP and 2.9% in the total contribution to GDP for the period from 2014 to 2024, that is below the world average level, but equal to Europe's level. The World Economic Forum ranked the Czech Republic 22nd in terms of tourism competitiveness in its travel and tourism competitiveness Index for Europe in 2011 [61].

According WTTC [62] direct contribution of tourism to GDP in Austria was US\$19.3 billion (4.9% of total GDP) in 2013. The total contribution of the sector was US\$53.1 billion (13.4% of GDP). The tourism sector directly supported 224.500 jobs (5.3% of total employment). In total, the sector contributed 14.3% of total employment (601.000 jobs) including jobs supported indirectly. Based on the relative importance of tourism's contribution to GDP, WTTC ranks Austria to 21st

place out of 184 countries (absolute) and to 56th (relative size) place. From the long-term growth perspective (2014-2024) Austria is ranked to 155th place. WTTC predicts for Austria 3.3% annual growth in direct tourism contribution to GDP and 3.0% in the total contribution to GDP for the period from 2014 to 2024. The predicted total contribution is bellowing the world average level but higher than Europe's level [63].

Tables 1 to 4 include data on the number of overnight stays in Austria and the Czech Republic. These data show that Austria recorded only a slight decrease or even an increase of domestic tourism between 2005 and 2013 despite crisis [59] [64].

Table 1. Number of overnights from selected countries in the Czech Republic 2005 – 2013 (in thousands)

Country/Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
Austria	390	364	358	358	364	392	380	408	414
Germany	5 888	6 055	5 635	5 291	4 852	4 610	4 578	4 601	4 404
Hungary	261	212	232	230	192	230	238	234	215
Poland	557	610	651	786	718	739	777	779	800
Slovakia	760	806	871	656	582	621	683	762	774
Total of foreign countries	19 595	20 090	20 610	19 987	17 747	18 366	19 425	21 794	22 145
Czech Republic	20 725	21 357	20 221	19 296	18 915	18 543	18 810	19 045	18 596
Total	40 320	41 448	40 831	39 283	36 662	36 909	38 235	40 839	40 741

Table 2. Number of overnight stays from selected countries in the Czech Republic in the years 2005 to 2013 (in %)

Visitors/Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
Austria	0,97	0,88	0,88	0,91	0,99	1,06	0,99	1,00	1,01
Germany	14,60	14,60	13,80	13,50	13,23	12,50	12,00	11,23	10,81
Hungary	0,65	0,51	0,57	0,59	0,52	0,62	0,62	0,57	0,53
Poland	1,38	1,47	1,60	2,00	1,96	2,00	2,03	1,91	1,96
Slovakia	1,88	1,94	2,00	1,67	1,59	1,68	1,80	1,87	1,90
Total of foreign countries	48,60	48,47	50,48	50,88	48,41	49,76	50,80	53,40	54,36
Czech Republic	51,40	51,53	49,52	49,12	51,59	50,24	49,20	46,60	45,64
Total of overnight	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00

Over the past 19 years, the value for international tourism, receipts (current US\$) in Czech Republic has fluctuated between \$8,871,000,000 in 2008 and \$2,880,000,000 in 1995. The latest value for this indicator was \$8,462,000,000 as of 2011. The value for international tourism, number of arrivals in Czech Republic was 8,775,000 as of 2011. Over the past eight years, this indicator reached a maximum value of 10,162,000 in 2007 and a minimum value of 7,641,000 in 2003 [65].

Table 3. Number of overnight stays from selected countries in Austria in the years 2005 to 2013 (in thousands)

Visitors/ Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
Czech Republic	1 133	1 236	1 390	1 779	1 955	1 972	2 079	2 124	2 150
Germany	51 028	48 763	48 139	50 144	48 857	48 155	47 390	49 606	50 823
Hungary	1 296	1 398	1 511	1 642	1 499	1 510	1 598	1 624	1 622
Poland	820	894	1 037	1 389	1 386	1 423	1 519	1 479	1 496
Slovakia	232	262	295	389	424	465	499	525	557
Total of foreign countries	87 741	87 238	88 400	92 840	89 864	89 857	90 706	95 052	96 874
Austria	31 501	32 120	32 994	33 879	34 443	35 023	35 297	35 964	35 754
Total of visitors	119 242	119 358	121 394	126 719	124 307	124 880	126 003	131 016	132 628

Table 4. Number of overnight stays from selected countries in Austria in the years 2005 to 2013 (in %)

Visitors/ Year	2005	2006	2007	2008	2009	2010	2011	2012	2013
Czech Republic	0,95	1,04	1,15	1,40	1,57	1,58	1,65	1,62	1,62
Germany	42,79	40,85	39,66	39,57	39,30	38,56	37,61	37,86	38,32
Hungary	1,09	1,17	1,24	1,30	1,21	1,21	1,27	1,24	1,22
Poland	0,69	0,75	0,85	1,10	1,11	1,14	1,21	1,13	1,13
Slovakia	0,19	0,22	0,24	0,31	0,34	0,37	0,40	0,40	0,42
Total of foreign countries	73,58	73,09	72,82	73,26	72,29	71,95	71,99	72,55	73,04
Austria	26,42	26,91	27,18	26,74	27,71	28,05	28,01	27,45	26,96
Total of visitors	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00	100,00

Over the past 16 years, the value for international tourism, receipts (in US\$) in Austria has fluctuated between \$24,346,000,000 in 2008 and \$11,382,000,000 in 2000. The latest value for this indicator was \$22,432,000,000 as of 2011. The value for international tourism, number of arrivals in Austria was 23,012,000 as of 2011. Over the past 16 years, this indicator reached a maximum value of 23,012,000 in 2011 and a minimum value of 16,647,000 in 1997 [66].

In the last eight years, both the domestic and the inbound market show a similar growing trend in Austria. The correlation coefficient (number of domestic and foreign visitors) is 0.976 and p-value only 0.00003314. It can be stated that there is a strong dependence between the growth of the domestic and inbound markets and success of the tourism policy.

Gradual implementation of market entry strategies, continuous product development strategies, and market development strategies by using the product-market matrix is the way that brought success to Austrian tourism. On the basis of a long-term market evaluation, Austria aimed at the existing products, which were innovated progressively and developed for existing target groups. Sustainable domestic tourism plays an important role in Austrian tourism development strategy. Since the beginning of the 90-ties of the 20th century, Austria has focused on the surrounding markets, knowing that their purchasing power will grow. By accessing the markets of the surrounding Central and East European countries, Austria replaced the losses from the gradually declining number of visitors and overnight stays from Germany.

Austria succeeded by following the basic strategies with the growth strategy at the product-market matrix level and the differentiation strategy at the regional level, without applying the diversification strategy, which is costly. It based the differentiation at the regional level on the fact that the country and its regions are the brands that are still well-purchasable, and on the supply of a differentiated product in individual regions. A sharp increase of visitors and overnight stays from Slovakia, the Czech Republic, Poland, and Hungary in recent years proves that its strategy has been successful. Including the visitors from Germany, these markets accounted for 56% of the number of visitors and 54% of the number of overnight stays. Austria applied a rather simple strategy built on the country's good reputation, proximity of potential source markets and lack of activity of its competitors. This strategy has brought Austria significant achievements and large savings of funds to be invested in distant markets.

6. Conclusion

The paper compared the state of tourism in Austria, and the Czech Republic based on the data on their products and markets. It shows that a well-conceived tourism strategy can reduce the losses caused by the crisis. The Czech Republic needs to create, develop, and promote a purposeful tourism development strategy that will bring it back to the desired competitive position.

The result of the analysis of the presented data points to the fact that in the past few years the Czech Republic has relied too much on the booming trend in the economy and has not made much effort to develop tourism marketing strategies at the national and regional level. There is a need to strengthening and innovate the existing products so that they respect the tourism trends, and to focus on the markets where Czech Republic can be a differentiator.

Competition in the tourism market is increasingly based on differentiation, innovation, diversification, individualization and integration. The Czech Republic as a destination that faces with global competition must offer sustainable and high-quality tourism products, playing on its competitive advantages.

The Czech Republic has a significant growth potential considering the numbers of visitors and overnight stays from Germany in Austria. Markets such as Russia, Ukraine, Italy, and the United Kingdom, can play a significant role in the number of visitors and overnight stays.

Identification and exploitation of niche markets can be another source of revenue.

The country and its regions may further take advantage of the potential of social media.

Without functioning and mutually consistent tourism marketing strategy at the national level the Czech Republic will not be able to use the market opportunities.

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