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# Global Strategies for Destination Management Organizations<sup>1</sup>

## Focus on Country Brand Experience Management

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Destination management organizations (DMOs) compete for international tourists globally. This study applies Yip's (2003) Total Global Strategy (TGS) framework to global competition among DMOs in the tourism industry. TGS aims to answer two important questions: 1) how global is the industry; and 2) how global should the business strategy be? Based on the TGS framework this study first addresses the impact of market-, cost-, government- and competitive globalization drivers on the tourism industry globalization potential. The focus is on the special characteristics of tourism services including environmental and social sustainability, safety and security issues. Second, the study investigates how DMOs can apply global strategies based on the five strategy levers of global market participation, global products and services, global marketing, global location of value-adding activities, and global competitive moves. Third, this study illustrates how DMOs can customize and/or standardize these five global strategy levers in the context of brand experience management (BEM) proposed by Laitamaki (2007a). The study uses Australia, Tourism Australia and Brand Australia as examples of how the TGS Framework and BEM principles can be applied to a country, a DMO, and a country destination brand respectively. The focus of this study is on DMOs' global country brand strategies and the extent to which they should be customized versus standardized in the context of country brand experience management.

The study contributes to the existing tourism literature by intro-

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ducing the Total Global Strategy framework as an alternative for the cluster theory (Porter 2000) and the resource-based view (Wernerfelt 1984; Barney 1991, 2001) of competition among country destinations and brands. The study contributes to DMO strategies by illustrating how DMOs can standardize and/or customize the five global strategy levers based on the four country brand experience management phases when competing for international tourists.

## Competitive Advantages of Countries in the Tourism Industry: Theories and Frameworks

The cluster theory by Porter (2000) and the resource-based view (RBV) by Wernerfelt (1984) and Barney (1991, 2001) have been used for explaining competitive advantages of tourism destinations. In principle the cluster theory measures competitive advantages of a destination based on market share, while the resource-based view measures them based on domestic economic prosperity. Tourism researchers are divided between these two theories, and d'Hautesserre (2000) argues for the cluster theory while Buhalis (2000) makes a strong case for the RBV. Hassan (2000) supports the RBV with an important modification that domestic prosperity should be sustainable. Researchers however agree that no matter which theory is applied, the various tourism stakeholder groups are critical for the success of any competitive strategy due to the complexity of tourism systems (Easterling 2004). This study first reviews these two theories and then proposes Total Global Strategy (Yip 2003) as an alternative for developing global strategies for country destination brands based on customization and/or standardization of global strategy levers. Yip (2003) clarifies global standardized versus multilocal customized strategies by stating that “a multilocal strategy treats competition in each country or region on a stand-alone basis, while a global strategy takes an integrated approach across countries and regions.”

### The Cluster Theory of Competitive Advantage

According to Porter (2000, 15), “a cluster is a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities”. The cluster theory proposes that the most competitive nations and regions in the global economy draw their competitive advantages from these clusters of industries. The competitiveness of a country or region is built on the principle of the economy of globality and proximity (Kuah 2002). Accordingly, economies of small countries have an inherent edge over bigger ones because of their geographical compactness and the cluster formation itself which further boosts the proximity element (Garelli 1997). Application of the cluster theory to emerging economies has resulted in criticism because these economies usually possess incomplete industrial clusters and are fueled more by external than internal demand. In addition, these economies are more dependent on external investment by multinational corporations (Clancy et al. 2001). Recent cluster theory research has

focused on operationalizing the theory by mapping the cluster elements as well as industrial linkages and interrelationships among these elements. Miller and Gibson (2006) analyzed clustering in tourism industries in general and De Holan and Phillips (1997) applied cluster theory to Cuba's tourism industry. Cluster theory has been applied extensively to tourism industry micro - level analysis and policy development in the professional field around the world (Cluster Consortium 1999; Ortega, Villalobos & Mejias 2000; Arizona Department of Commerce 2001; Gollub, Hosier, and Woo 2002). The most recent research by Miller et. al. (2008) focused on Cuba's tourism industry and concluded that cluster theory can explain competitive advantages of countries in the tourism industry. However, in the case of Cuba these competitive strategies have been diminished due to less-focused execution. The cluster theory considers firm strategy, structure and rivalry based on Porter's (2000) principles of cost (i.e. standardization), differentiation (i.e. customization) and focus strategies.

This study suggests that due to the special characteristics of tourism services, the competitive strategy for a country destination brand cannot be based sole on a single principle of cost, differentiation or focus as proposed by Porter (2000). It has to be a combination of cost (i.e. standardized cost effective services) and differentiation (i.e. value adding customized services) strategies with clear focus on specific source markets. The Total Global Strategy framework address these combinations based on the five strategy levers of global market participation, global products and services, global value-adding activity location, global marketing and global competitive moves. A DMO can formulate its global strategy based on the balance between customized and standardized application of these five strategy levers depending on the strength of the globalization drivers in the markets where it chooses to compete.

## The Resource-based View of Competitive Advantage

The resource-based view (RBV) explains competitive advantages based on the strategic resources internal to the firm (Wernerfelt 1984; Barney 1991, 2001). The RBV assumes that strategic resources within an industry may be heterogeneously distributed among firms within the industry, and that these resources may not be perfectly mobile across firms, and thus heterogeneity can be long lasting (Barney 1991). In order to provide a sustainable competitive advantage, a resource must have the following four attributes: (1) it must be valuable, in the sense that it exploits opportunities and/or neutralizes threats in a firm's environment; (2) it must be rare among a firm's current and potential competition; (3) it must be imperfectly imitable; and (4) there cannot be strategically equivalent substitutes for this resource that are valuable but neither rare or imperfectly imitable (Barney 2001, 105–106). The RBV has been applied to the tourism industry to a lesser extent than the cluster theory. De Holan and Phillips (1997) referenced RBV, while the first actual application was by Melian-Gonzalez and Garcia-Falcon (2003) for Canary Islands. They concluded that the application of RBV to the tourism industry is complicated because tourism destinations include resources that are general in nature, and it is difficult to assess whether a destination will succeed based on the external variables. The RBV has been found to be more applicable to emerging economies than the cluster theory because it explic-

itly considers the role of multinational corporations and state-owned firms in such economies (Hoskisson et al. 2000; Peng 2001 & Guillen 2000). The RBV measures competitive advantage based on market share, but it does not provide specific global competitive strategies that a DMO could use.

The Total Global Strategy framework offers five strategy levers of global market participation, global products and services, global value-adding activity location, global marketing and global competitive moves that a DMO can use when competing for international tourists. The DMO can formulate its global strategy based on the country's competitive resources and the balance between standardized versus customized application of the five strategy levers depending on the strength of the globalization drivers in the markets where it chooses to compete.

### Total Global Strategy: Drivers of Globalization in the Tourism Industry

According to Yip (2003), competitive advantages can be gained based on the fit between the four drivers of globalization and the five global strategy levers which capitalize on these drivers. Total Global Strategy aims to answer two important questions: 1) how global is the industry; and 2) how global should the business strategy be? The first question is answered by investigating the globalization potential of an industry based on the four globalization drivers of the cost, the competition, the government and the market (see Figure 1). According to Lovelock and Yip (1996) tourism services can be considered as people processing services whose special characteristics will have an influence on the strength of the globalization drivers in the tourism industry. The second question can be answered by investigating the five strategy levers that DMOs can use for capitalizing on the globalization potential of the four drivers. Figure 1. illustrates how DMO's can gain strategic benefits such as cost reduction, improved quality, enhanced customer preference and competitive leverage based on globally standardized strategy levers. The DMO may also face drawbacks (underlined in Figure1.) such as draining resource due to too early entry to source markets, currency risks, and limited local competitiveness due to too much standardization of products and marketing.

Next this study addresses the impact of the special characteristics of tourism services including environmental and social sustainability, safety and security issues on the market-, cost-, government- and competitive globalization drivers in the tourism industry.

*Market globalization drivers* include common customer needs and tastes, global customers, global channels, transferable marketing, and lead countries which all contribute to the globalization of the tourism industry (Yip 2003). In terms of common customer needs, increasing per capita income in the emerging markets has created new middle classes with disposable income for international travel and tourism. Their lifestyles and tastes have started to converge, and tourists from different source markets are increasingly seeking similar travel and tourism experiences. In terms of transferable marketing, global advertising and media have accelerated the development of global travel and tourism brands that are marketed more uniformly across source markets. Global customers such as large multinational corporations

have consolidated their business travel purchases and look for global travel service providers especially in lodging and transportation. Global distribution channels such as the Internet and global reservation systems have increased the reach of tourism and

Global Strategy Levers Globalization Driver	Global Market Participation	Global Products	Global Location of Activities	Global Marketing	Global Competitive Moves
<b>MARKET DRIVERS</b> Common custom. needs & tastes Global customers Global channels Transferable marketing	Volume & scale economies improve	Global availability & recognition	<u>Currency risks</u>	Reduces design & production costs	<u>Local competitiveness may be sacrificed</u>
<b>COST DRIVERS</b> Global scale economies Steep experience curve effects Sourcing efficiencies Fast changing tech. & internet					
<b>GOVERNMENT DRIVERS</b> Favorable trade policies Global crises management Compatible technical standards Common marketing regulations					
<b>COMPETITIVE DRIVERS</b> Competitors globalized Competitors from diff. continents					

Figure 1: Globalization Drivers and Strategy Levers for DMOs: Benefits (cost reduction, improved quality, enhance customer preference, competitive leverage) and Drawbacks Adapted from Yip G. S. (2003): Total Global Strategy II

travel product distribution. They allow DMOs reach target markets around the world with more uniform products and marketing. At the same time technologies such as dynamic packaging allow customers to design their own travel experiences on the web site by choosing desired transportation, lodging, attractions and other tourism activities from a menu of choices. In terms of leading country brands France and Spain have maintained their position among top three countries based on international tourist arrivals between 1980 and 2004 (United Nations World Tourism 2005). During that time period Switzerland, Belgium, Canada and Greece lost their position among the top ten countries while the newcomers among the top ten included China, Hong Kong, Mexico, Germany and Austria.

Tourists are involved in the actual production of the tourism experience which is often produced by service personnel. These human-related characteristics reduce the degree which tourism services can be standardized and still meet the needs of several international tourist markets (Lovelock & Yip 1996). Tourists may be less involved with some tourism related services such as fast food and airline services which can be more tightly controlled and standardized. On the other hand, the flexible nature of the tourism experience delivery makes it possible to customize the experience with a reasonable cost relative to several manufacturing goods. A vacation experience can include both locally customized services such as tours as well as a more standardized service such as air and bus transportation. Environmental and social sustainability

requirements may lead to more customized travel experiences while increasing safety and security pressures may increase the need for standardized services that can be better controlled.

*Cost globalization drivers* depend on the economies of scale and scope of the business. They include global scale economies, steep experience curve effects, sourcing efficiencies, favorable logistics, differences in country costs (including exchange rates), high product development, and fast-changing technology (Yip 2003). There is a continuing pressure to lower costs due to global competition and accelerating technological innovations. Tourism industry cost drivers are influenced by innovations such as Airbus 380 which can transport close to nine hundred passengers with lower cost per passenger mile. New Internet technologies allow dynamic packaging of travel experiences with transparent pricing at the fraction of the cost relative to traditional travel agencies. Larger cruise ships have made affordable cruise vacations available for middle classes around the world. Emerging markets are increasing price competition by developing new tourism destinations that offer lower prices due to lower development and operating costs. Development of mega resorts in Las Vegas, Dubai and other destinations have made it necessary to recoup the high investment costs with revenues from international tourists because domestic demand is not enough. The Internet has lowered distribution costs and put cost pressures on travel service providers due to transparent pricing.

Lack of inventories, customer involvement in production and people as part of the service experience all limit opportunities for achieving cost reductions through economies of scale in service production (Lovelock & Yip, 1996). This is why service companies aim for cost reduction and economies of scale by standardizing service production and focusing on steep experience curve effects. They can also increase the scope of operations through franchising, licensing and with the help of global distribution channels. In terms of favorable logistics, internet is driving down costs through economies of scale and scope because many costly physical activities can be replaced with cost effective web-based virtual activities. Access to the Internet allows destination management organizations to distribute information and market their country brand and tourism products with a fraction of the cost relative to traditional travel agents and international tourism offices. Sourcing efficiencies do not usually reduce cost significantly in the tourism industry because most services have to be produced in the destination country itself. Differences in country cost can influence cost competition in terms of exchange rates when tourists from strong currency countries increase their visitation to weak currency countries and vice versa. Environmental and social sustainability as well as safety and security pressures can increase rather than decrease the cost of country brand experiences.

*Government globalization drivers* depend on the rules set by governments in the areas of trade policies, technical standards, marketing regulations, foreign competition and ownership and other government concerns (Yip 2003). International tourist access to a country has major impact on government globalization drivers. Several governments have reduced non-tariff and other travel barriers which have increased international travel. Favorable trade policies, harmonization of technical standards and marketing regulations have increased travel and tourism across borders. Due to

the September 11th and other terrorist attacks, security and immigration inspections have become more stringent resulting in less travel to destinations such as the USA. Due to the collapse of the Soviet Union several Eastern-European countries have emerged as competitive tourism destinations. Privatization of state-run industries and companies has improved travel and tourism services in Latin-America. Increasing participation of BRIC countries (Brazil, Russia, India and China) in the global economy has increased travel to and from these countries. The Internet has allowed country destination marketers to reach global markets and some countries such as Australia provides visa services over the Internet. Governments and other NGOs are increasingly influencing tourism-related environmental and social sustainability, safety and security issues that may limit globalization of the tourism industry.

*Competitive globalization drivers* depend on the extent to which competitors are global and from other continents as well as whether they are able to transfer their global competitive advantages. High exports and imports as well as interdependence of countries will also have an impact on these drivers (Yip 2003). The tourism industry is one of the most global industries with several country destination brands from various continents competing for international tourists around the world. Some countries such as Seychelles are highly dependent on international tourists with 44% of direct employment derived from tourism. Tourism industry is one of the largest global industries, and the increasing number of country destinations has intensified global competition for international tourists. Governments have relaxed ownership requirements and allowed foreign ownership of tourism and travel companies. Global hotel chains, airlines and car rental companies originate from different continents and increasingly compete for the same international tourists globally. These global companies are able to transfer their competitive advantages from one international market to another. These companies are becoming more globally than nationally centered. Global strategic alliances have increased in travel and tourism led by airline alliances of One World and Star Alliance. Globalization of financial markets as well as advances in information and communication technologies has increased global competition. The Internet has allowed instant global distribution for travel and tourism products with increasing competitive pressures due to transparent pricing and instant competitive comparisons by customers. Environmental and social sustainability, safety and security related issues can significantly limit competitiveness of a country destination. Polluted nature, artificial and commercial culture, poor safety and security will keep international tourists away because it will take a long time to correct these problems and change tourist perceptions.

In conclusion, the four globalization drivers are very applicable for explaining why the tourism industry is one of the most global industries in the world. The special characteristics of tourism services including environmental and social sustainability, safety and security issues do not significantly reduce the globalization potential of these drivers, but in some cases they may actually increase it. Next section addresses the five global strategy levers that DMOs can use for capitalizing on the significant globalization potential of the tourism industry.

## Global Strategy Levers of Destination Management Organizations

Global strategy levers address the question of how global should the business strategy be? If the industry is truly global then strategy levers should be global; if the industry is local then these strategy levers should multilocal. Yip (2003) defines five global strategy levers of (1) global market participation which involves choice of country- markets in which to compete for market share; (2) global product and services in terms of the extent to which they are offered standardized versus customized in different countries; (3) global location of value-adding activities of the entire value-added chain; (4) global marketing in terms of how standardized versus customized are various marketing elements including brand names and advertising; and (5) global competitive moves to the extent that they are made in individual countries as a part of global competitive strategy. Multilocal strategy seeks to maximize worldwide performance by maximizing local competitive advantage, revenues or profits; while globalized strategy seeks to maximize worldwide performance through sharing and integration. This study focuses on global competition among country destination brands from the destination management organization (DMO) point of view. The tourism industry is a truly global industry which is why DMO's strategy is also assumed to be more global than multilocal. Tourism Australia is used as an example of a DMO that is using these five global strategy levers for marketing and managing Brand Australia globally.

*Global market participation* in the tourism industry addresses the selection of international source markets from where the DMO aims to attract international tourists. Several factors influence the choice of these source markets including proximity, ease of access in terms of transportation services, available holiday time and competitive advantages of the country destination brand. DMOs have limited resources, and they need to focus on most attractive source markets. DMOs may also have to limit their investments in the source markets and instead of establishing marketing offices they may rely on country's other export offices, third party representatives, travel agents and the Internet. The Internet is the least expensive way of reaching source markets assuming that customers are able to design and purchase tourism products on their own with the help of dynamic packaging. Environmental and social sustainability, safety and security issues can influence the selection on source markets. If the country has unpolluted nature, authentic culture, high safety and security, then the DMO may focus on markets where tourists value these aspects of the country brand experience.

*Global products and services* in the tourism industry can be partly customized or standardized depending on customer needs and tastes. The Internet allows customizing information, while the nature of tourism product allows customization of the country brand experience itself. Environmental and social sustainability, safety and security issues can influence the tourism product, and result in more standardized country brand experiences.

*Global location of value-added activities* of a DMO is often divided so that the destination country brand experience design takes mainly place in the destination



country itself while market research, marketing and sales take place in the source markets. Access to the Internet allows several marketing activities to be located also in the destination country. Environmental and social sustainability, safety and security issues should be considered by the DMO when selecting where to locate value adding activities such as marketing and sales offices. If the country has a good track record on these areas, the DMO may focus on markets where tourists value unpolluted nature, authentic culture, high levels of safety and security.

*Global marketing* can be fairly standardized especially when using internet for branding and positioning the country. The Internet also allows customization based on language, pricing, and advertising content. Whether marketing is customized or standardized depends on customer needs and tastes. If the country has unpolluted nature, authentic culture, high safety and security, then the DMO may focus on markets where tourists value these aspects of the country brand experience.

*Global competitive moves* can be coordinated based on global rather than local benefits. By using the Internet-based marketing the DMO can quickly adjust country brand offerings to new competitive realities. Due to its flexibility, the country brand experience delivery can be economically adjusted to new competitive situations. Competitive advantages in environmental and social sustainability, safety and security areas may direct DMO's competitive moves by targeting those markets where tourists value unpolluted nature, authentic culture, high safety and security.

## DMO's Global Strategy Levers: The Case of Tourism Australia

In 2007 Australia was ranked 8th of 38 countries in The Anholt Nation Brands Index (Anholt Nation Brand Index 2007) and in 2008 the country was fourth of 130 countries on the World Economic Forum's Travel and Tourism Competitiveness Index (TTCI). What makes Australia an interesting case is that in spite of its number one ranking in human, cultural and natural resources, it had a low ranking of 63 in affinity for travel and tourism. In other words, Tourism Australia and other tourism stakeholders have to work hard to get wider support and affinity for the travel and tourism industry in Australia. Regarding regulatory framework the country ranked 30th with tough challenges in environmental sustainability (53rd) due to the fragile but harsh nature of Australian natural environment. Even though Australia ranks 11th in travel and tourism business environment and infrastructure it faces tough global pressures in terms of price competitiveness (111th) and ground transport infrastructure (43rd) which are due to the large size of the country located in a far away continent.

The Australian Government has addressed global competitive challenges by developing a White Paper for A Medium to Long Term Strategy for Tourism and forming Tourism Australia as the DMO responsible for Brand Australia. (Australian Government 2003). Tourism Australia is a good example of a DMO that uses global strategy levers for marketing and managing Brand Australia globally. *In terms of global market participation* Tourism Australia promotes Brand Australia through its 18 tourism offices of which 5 are representative offices, as well as through the Aus-trade network of 142 locations in 64 countries (Australian Government 2003, 2006). For specific marketing activities such as the Global Destination Brand Campaign of

“Uniquely Australian Invitation” Tourism Australia chose only 23 key source markets for the traditional advertising. The website part of the campaign, however, reached more than 200 countries and resulted in more than 1.5 million visitors during 2006. Tourism Australia offers fairly standardized *global products and services* which are customized only in terms of the languages on brochures and websites. Most of the Tourism Australia’s *global value-adding activities* are located in Australia with the exception of sales and marketing offices which are located in 18 locations outside Australia. Tourism Australia’s *global marketing* is fairly standardized with the exception of pricing and languages which are adapted to local markets when necessary. The Australia.com website offers 18 country specific websites in 8 different languages. The contents are somewhat customized to reflect global competition in products, services and pricing. Tourism Australia coordinates most of its *global competitive moves* in individual countries with a global competitive strategy in mind. “A Uniquely Australian Invitation” is an example of a competitive strategy whose goal was to increase the active intention for travelers to visit Australia in several target markets. The same message was launched across several markets with varying mediums from website to traditional advertising. In summary, Brand Australia is the key instrument for implementing Tourism Australia’s global strategies that capitalize on the five global strategy levers.

In summary, DMOs can rely on the five global strategy levers when capitalizing on the drivers of the tourism industry globalization. These five strategy levers allow DMOs to develop global competitive advantages for the country destination brand that they manage and market. The next section addresses country brand experience management (BEM) as the global competitive strategy that allows DMOs to customize and standardize the five global strategy levers when competing for international tourists.

## Country Destination Branding

Marketing and branding countries has gained increasing attention in the business and academic literature since Philip Kotler and his colleagues published two important books on marketing places in 1993 and marketing nations in 1997. Regarding general and conceptual research Olins (2002) provided a historical context for nation branding while Caldwell and Freire (2004) addressed the differences between branding a country, a region and a city. Brand valuation models for nations have been proposed by Sinclair (2004) and Anholt (2005) whose Nation Brand Index has been used as a measure for the success of nation branding. Laitamaki (2007b) has proposed that destination brands differ from other consumer product brands, but there is no universally accepted definition for a country brand. Most of the literature is case studies that focus on individual countries or regions, and the pros and cons of their branding efforts (see Anholt 2002; Gilmore 2002; Endzina & Luneva 2004; Hall 2004; Amine & Chao 2005; Florek 2005; Johansson 2005; Wanjiru 2006; Wetzel 2006; Anderson 2007; Florek & Conejo 2007; Kemming & Sandikci 2007; Nuttavuthisit 2007; Szondi 2007). These studies have addressed country branding in several nations including the United States, Great Britain, Latvia, Poland, Costa Rica, Moldova, Spain, Tur-

key, New Zealand, Thailand, Australia and Finland. The Finland Promotion Board is an example of an organization with responsibility for developing and managing the country brand for Finland (Moilanen & Rainisto 2007). A country can be considered a large tourism destination which suggests that destination branding principles can be applied to country branding. Blain et. al. (2005) reviewed the literature regarding destination branding and suggested that destination branding can be defined as a set of activities that (1) support the creation of a name, symbol, logo, word mark or other graphic that readily identifies a destination; that (2) consistently conveys the expectation of a memorable travel experience that is uniquely associated with the destination; that (3) serve to consolidate and reinforce the emotional connection between the visitor and the destination and that (4) reduce consumer search costs and perceived risk. Collectively, these activities serve to create a destination image that positively influences consumer destination choice. This study applies the above destination branding definition to country branding in the context of global competition among country brands. It suggests that a country destination brand can be managed based on the brand experience management (BEM) principles proposed by Laitamaki (2007a).

Country brand experience management can be affected by several tourism-related public and private stakeholders at international, national, regional and local levels. Public sector stakeholders include legislative, judicial, and executive agencies addressing environment, taxation, investments, customs, immigration, transportation, infrastructure, communications policy, public safety and security (Biederman et. al. 2008). The private sector consists of privately owned hospitality-, tourism-, transportation-, retail- and other companies providing services directly or indirectly for tourists. At an individual destination level, private and public sector stakeholders are joined by nongovernmental organizations (NGOs), local communities and tourists themselves. Morgan et. al. (2002) suggest that due to various public and private sector stakeholders, destination branding faces challenges in terms of the amorphous nature of destination product, the politics involved in destination management and limited resources allocated for destination marketing. The goal of country Brand Experience Management (BEM) is to provide a competitive country brand experience that capitalizes on the customized and standardized aspects of the five global strategy levers.

## Country Brand Experience Management

The key global strategy issue is how to design and deliver country brand experiences that offer both globally standardized functional benefits (i.e. flights to the country are safe and on time) and locally customized emotional benefits (i.e. unexpected and spontaneous experiences with locals) for the purpose of creating visitor loyalty, positive referrals and word-of-mouth promotion for the country.

This study proposes that the DMOs can rely on country brand experience management as the way to customize and standardize global strategy levers. Laitamaki (2007a) has proposed that competitive brand experience management (BEM) consists of the following four phases (see Figure 2.): (1) Researching key target customers,

competitors and stakeholders; (2) Developing a Customer Value Added (CVA) Map and Competitive Country Brand Positioning; (3) Deciding on Competitive Country Brand Strategies based on the Waterfall of Customer Value Added and Critical Brand Experience Touch Points; and (4) Competitive Country Brand Experience Delivery and Monitoring. The next section will address these four BEM phases and their implications for customizing and standardizing the five global strategy levers when appropriate. It also illustrates how Tourism Australia has applied these BEM principles when designing and implementing global strategies for Brand Australia.



*Figure 2. Brand Experience Management (BEM): The Four Phases*  
 Source: Laitamaki (2007a)

*Phase 1: Researching key target customers, competitors and stakeholders*

The foundation for any competitive brand positioning is built in the minds of target customers. The challenge is to collect reliable information about the real life situations and emotions that customers go through when considering or experiencing specific country brands. Quantitative research methods such as conjoint analysis can provide some valuable information about brand value trade-offs that potential customers make when choosing between different countries and destinations (Hurley & Laitamaki 1995). Quantitative methods should be complemented with qualitative research such as focus groups and in-depth interviews in order to understand why customers make these trade-offs. In addition, research is challenging because target customers do not always behave the way they respond to questions. Target customer research should always take into consideration competing country brands and their positions because customers have a choice, and they do choose from a consideration

set of competing countries. Country brand development involves several private and public sector stakeholders whose views need to be considered. Government and tourism officials and politicians as well as tourism related business leaders should be researched and their opinions considered. In addition they should experience the country brand similar to the way that target customers do. Direct and unedited field observations and experiences are some of the ways to enter target customers' real life country brand experiences. Ultimately, no research method can substitute for a stakeholder's personal experience of the country brand.

*Implications for global strategy levers.* Research on customers, competitors and key stakeholders is critical for all five global strategy levers. However, it is a must when deciding on global versus multilocal products and marketing. The DMO is not able to design, deliver and market competitive country brand experiences unless it has a thorough understanding of competing country brands and customer needs. Decisions regarding global competitive moves, location of value-adding activities and market participation also require solid competitor, customer and key stakeholder research.

*Brand Australia.* The Australian Tourism Commission (ATC) was responsible for developing Brand Australia launched in 1995. Brand development was based on systematic research of Australia's image in key source markets. This data was used for developing a core brand identity which was then tested with key stakeholder interviews. Interviews included key decision makers in the Ministry of Trade and Industry, Austrade Trade Investment Organization, The Business Council of Australia, major hotel chains, travel agencies, Qantas airlines, The Australian Tourism Export Council (ATEC), state level tourism authorities, Australian Arts Council and national sports organizations. The goal was to discover and debate with these key stakeholders what Brand Australia really stood for. ATC used additional qualitative and quantitative market research when developing an integrated international marketing campaign around Brand Australia.

The Australian Government's Tourism White Paper in 2003 noted that high-quality and timely research and statistics are critical for maintaining Australia's competitiveness in global tourism markets. Tourism Research Australia (TRA) was founded in 2004 as the hub for tourism research including The Destination Surveys Initiative that provides a range of information on travel patterns and experiences at the local level. Customer and stakeholder research has continued to be at the center of Brand Australia's development including the brand redesign in 2003, and the launch of the highly successful "A Uniquely Australian Invitation" in 2006.

### *Phase 2: Developing a Customer Value Added (CVA) Map and Competitive Country Brand Positioning*

Based on the target customer, competitor and stakeholder research country brand developers can produce a Customer Value Added (CVA) Map. This map positions the country brand relative to competing countries based on target customers' perceived cost on the X-axis, and perceived value of the country brand experiences on the Y-axis (Laitamaki & Kordupleski 1997). The goal of the country brand positioning is to provide higher perceived value with lower perceived cost than the competing country

brands in an area of the CVA map that is not crowded with competing country brands. Based on the CVA Map results, stakeholders can decide on competitive positioning, goals and strategies for obtaining the desired position in target customers' mind.

*Implications for global strategy levers.* The DMO can apply the CVA map when deciding on global competitive moves and market participation as well as product and marketing customization and standardization. The CVA map is critical for all five global strategy levers. However, it can contribute the most when deciding on what markets to participate and how to make global competitive moves. By mapping global competition in prospective source markets the DMO can choose which markets to participate and which ones to avoid due to limited competitive advantages in value and/or price. Based on the CVA-map the DMO management can also make competitive strategy decisions addressing product and marketing customization versus standardization.

*Brand Australia.* According to the principles of the CVA Map, the Brand Australia is focusing on unique Australian Nature-, Aboriginal- and Outback Experiences that provide a competitive country brand position in target customers' minds. These experiences are marketed to selected niche markets that are not price sensitive and provide high average expenditure and yield per visit.

### *Phase 3: Deciding on Competitive Country Brand Strategies based on the Waterfall of Customer Value Added and Critical Brand Experience Touch Points*

The desired country brand positioning on the CVA Map provides the direction for competitive brand strategies. These strategies can be decided based on the Waterfall of Customer Value Added and Critical Brand Experience Touch Points. Each step of the Waterfall responds to a specific area of a customer's country brand experience. The most critical Brand Experience Touch Points under each step provide opportunities for competitive advantages based on increased customer value and reduced cost for the customer. Research suggests that hospitality and travel brand experiences provide competitive value for customers based on sensory, social, emotional or intellectual appeal to their senses (Dube, Le Bel & Sears 2003). These critical Brand Experience Touch Points provide key information for moving the brand to the desired competitive position in the target customers' mind.

The Waterfall of Customer Value Added considers all value adding steps in the customer experience (Laitamaki & Kordupleski 1997). The country brand experience for a leisure travelers has typically the following steps: (1) Decision to take a leisure trip and researching destination countries; (2) Making the travel arrangements; (3) Making the lodging arrangements; (4) Making the program and activities arrangements; (5) Travel to the country; (6) Travel experience in the country; (7) Return travel from the destination country; and (8) Remembering and sharing the travel experiences. After deciding on the most important brand experience touch points in terms of customer value and cost, stakeholders need to (re)design these touch points so that they provide sustainable competitive advantages for the country brand.

*Implications for global strategy levers.* All five global strategy levers can benefit from the strategic concepts of the Waterfall of Customer Value Added and the Critical Brand Experience Touch Points. Decisions regarding standardized versus customized

products and marketing can be done by defining most critical steps for delivering customer value. By mapping these critical country brand experience steps and customer value added, the DMO can decide whether certain steps and critical touch points need to be standardized or customized. These two strategy tools can also assist DMO when deciding where to locate value-adding activities so that they provide competitive advantages for the DMO.

*Brand Australia.* Tourism Australia has several partnerships whose goal is to improve the Brand Australia in the Critical Brand Experience Touch Points of the Waterfall of Customer Value Added. For the purpose of increasing customer value in the first four steps, Tourism Australia has developed the Aussie Specialist Program (ASP). This is a global on-line training program ([www.specialist.australia.com](http://www.specialist.australia.com)) designed to give travel agents and distributors the knowledge and skills to sell and share the Key Brand Australia Experiences more effectively. The Aussie Enthusiast Program (AEP) is similar to the ASP, but it is delivered in markets where Tourism Australia does not have an active presence. The AEP is delivered through the website [www.enthusiasts.australia.com](http://www.enthusiasts.australia.com) and through a partnership with Austrade's network of 142 overseas locations in 64 countries. Steps five and seven, travel to and from Australia, have been improved through Global Destination Marketing Partnerships with Qantas and Singapore Airlines with plans for a similar partnership with Emirates Airlines. Visa requirements have also been made more customer friendly through The Electronic Travel Authority Program which is, in effect an invisible visa used by 85% of visitors arriving on either a tourist visa or a short and long term validity business visa. The actual Brand Australia experience in the country (step 6) is improved by several public-private partnerships that bring together key business and society stakeholders. Tourism Australia has invested in a Business Ready Program for Indigenous Tourism which was established to assist high-potential Indigenous tourism businesses with the aim of improving their business skills. In order to meet and exceed customer expectations, Tourism Australia has developed a national, voluntary and industry led accreditation portal called Quality Tourism ([www.qualitytourism.com.au](http://www.qualitytourism.com.au)). The objective is to improve the quality of customer experience across all aspects of the Brand Australia Experience. The Tourism Toolkit is an important off-the-shelf support kit for industry associations and tourism businesses delivering the key Brand Australia Experiences. The toolkit contains material such as segment specific research (in the form of niche market snapshots); images and other promotional material; and distribution information for inbound tour operators and key wholesalers. Tourism Australia has a dedicated brand experience development group called Australian Experiences Development Team who helps the private and public stakeholders develop and offer unique and high quality Brand Australia Experiences.

#### *Phase 4: Competitive Country Brand Experience Delivery and Monitoring*

The fourth phase of brand experience management focuses on competitive country brand experience delivery and monitoring. When the brand experience is designed properly should effectively deliver the desired customer brand experiences. Unfortunately, several country brand experiences are not designed according to the function that they serve which is why they fall short of customer expectations. Poorly

designed and executed nature activities, unauthentic and poor quality food and lodging services are examples of poor service design and delivery. In addition to proper design, stakeholders need to prepare for potential fail points in the brand experience delivery by investing in training, standard operating procedures and manuals producing desired brand experiences. Such management tools help to improve productivity and customer satisfaction by streamlining the country brand experience delivery and by minimizing fail points.

Stakeholders need to design critical brand experience touch points so that they can deliver competitive customer value and cost. Shostack and Kingman-Brundage (1991) have proposed that these critical touch points can be designed and delivered based on service process, means or evidence. The brand experience process aims at making the customer experience smooth and enjoyable. The means for delivering the brand experience include people, technology, goods, facilities, equipment and other necessary facilitating goods. The country brand experience evidence includes all brand visuals that the customer is exposed to including employee uniforms, advertising, promotion, packaging, facilities and equipment. The key is to design and deliver brand experiences so that they meet target customer needs and desires. Country brand experiences should be continuously monitored and adjusted based on the feedback from customers and other stakeholders.

*Implications for global strategy levers.* Competitive country brand experience delivery and monitoring influences the DMO's decisions regarding global location of value adding activities, global products and global marketing. Standardized versus customized products and marketing are directly influenced by the way the DMO decides to deliver the country brand experience. The more adapted the country brand experience delivery is to local source market conditions, the more multilocal are the DMO products and marketing activities. The country brand experience delivery may also influence the choice of value-adding activities and global competitive moves. Finally, the DMO may avoid certain source markets because it is not able to deliver expected country brand experiences.

*Brand Australia.* In 1993 the Australian Tourism Council formed an executive committee that was responsible for coordinating the implementation of the Brand Australia campaign and communication. The communication focused on key brand experience touch points that the committee could control. Stakeholder involvement was important for the consistency and coordination of the country brand experience. Key stakeholders' acceptance of the Brand Australia created a strong positive halo-effect when industry leaders and public officials embraced and delivered the desired brand experiences and activities. The Tourism Australia has invested in several public-private partnerships that bring together key business and society stakeholders. The Business Ready Program for Indigenous Tourism, The Tourism Toolkit and The Quality Tourism Program ([www.qualitytourism.com.au](http://www.qualitytourism.com.au)) are examples of partnerships whose objective is to improve the quality of customer experience across all aspects of the Brand Australia Experience. Tourism Australia's Australian Experiences Development Team is the key organization assisting key stakeholders in developing and offering unique and high quality Brand Australia Experiences.



## Conclusions, Limitations and Implications for Future Research

This study applied Yip's (2003) Total Global Strategy (TGS) framework to global competition among country destination brands in the tourism industry. Based on the TGS framework this study first addressed the impact of market-, cost-, government- and competitive globalization drivers on the tourism industry globalization with a focus on the special characteristics of tourism services including environmental and social sustainability, safety and security issues. The study concluded that these four globalization drivers explain well the reasons why the tourism industry is one of the most global industries in the world. Also, the study found that the special characteristics of tourism services including environmental and social sustainability, safety and security issues do not significantly reduce the globalization potential of the tourism industry.

Second, the study illustrated how the five strategy levers of global market participation, global products and services, global marketing, global location of value-adding activities, and global competitive moves can be applied by DMOs when competing for international tourists.

Third, this study illustrated how DMOs can customize or standardize the five global strategy levers in the context of brand experience management (BEM) with examples from Tourism Australia and Brand Australia. The study suggested that the BEM principles allow DMOs to customize and standardize the global strategy levers and this way making country destination brands globally competitive.

This study contributes to the existing tourism literature by introducing the Total Global Strategy framework as an alternative for the cluster theory (Porter 2000) and the resource-based view of competition (Wernerfelt 1984; Barney 1991, 2001) explaining competitive advantages of country destinations and brands. It contributes to DMO strategies by illustrating how the five global strategy levers and the four country brand experience management phases can be used when competing for international tourists. Generalization of the results is limited due to the conceptual and case study nature of the study. Future research could compare different country brand strategies based on the principles of the total global strategy and brand experience management. More quantitative studies could also assist DMO managers when designing competitive strategies and deciding on which competitive advantages to invest their resources. An important area of research is to compare the applicability of the cluster theory, resource based-view, and total global strategy to country brand experience management. Finally, the role of key public and private stakeholders in country brand experience management is an important area of future research.

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