Tourism Networks and Clusters

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INTRODUCTION

The push towards networked information and communication technologies (ICT), combined with increased customer expectations, has put extraordinary pressure on the information-centric and service-based tourism industry to include the Internet as a major new marketing channel.

To date, most research into the implications of the Internet, especially for small tourism firms, has revealed many individual business barriers in relation to ICT adoption. There is widespread consensus that industry preparedness in terms of ICT and e-business skills and training falls well short of the requirements to operate within a now ICT-driven sector (Braun, 2004; Hollick, 2003). As Evans et al. (2001) have noted, small tourism firms may well remain lost in the electronic marketplace unless they are assisted in the usage of ICT tools and acquire the skills needed to participate in the digital economy. With technological change underpinning a global economy, small tourism firms can take advantage of their geographic concentration to form a virtual tourism network or cluster to develop competitive advantage for tourism their destination.

In the context of emerging technologies and related e-business models, this article discusses the role of virtual tourism networks, clustering and value chains for small tourism operators in freely assembled destinations. In discussing destination benefits and barriers surrounding SME clustering and networking, business acumen and business performance are highlighted. It is proposed in this article that successful destination clusters can be created by boosting tourism operator performance, and matching skills and infrastructure with visitor expectations.

TOURISM NETWORKS

The growing influence of ICT, networks and relationships as critical factors in shaping the distribution of economic advantage is relevant to tourism, as it directly impacts on interactions between local and global forces (Giddens, 1990). The realities of global competition require an understanding on the local level of global markets and the complexities of interactions with multiple stakeholders along global supply chains (Youngdahl, 2000).

Well resourced large industry players in the tourism sector have been steadily upgrading and globalising their virtual network systems, building on long-established relationships between key tourism services such as attractions, transport, accommodation and hospitality for competitive advantage. The dynamics are quite different for freely assembled destinations, predominantly made up of SMEs and micro tourism operators, where network strategies and knowledge transfer is often ad hoc or altogether absent (Morrison, 2004).

The interrelationship between tourism networks and technology is not a recent phenomenon and its legacy is worth revisiting as it still dominates today's dual industry structure composed of large international players and SMEs. Tourism and technology dates back to the early days of computing and the impact of post-1960s mass travel. Computerised reservation systems (CRSs), initially developed and operated by airline companies to manage their increasing volume of passengers and related operations and logistics, were among the first integrated global information technology networks. In due course proprietary CRSs were made accessible to travel agents and subsequently expanded to include hotels and car rental companies (Werthner & Klein, 1999).

In the 1980s, CRSs started to integrate with other technology networks to form global applicability systems, or so-called global distribution systems (GDSs), examples of which are Amadeus, Galileo, Sabre, Worldspan and the Australian ETAS system (Inkpen, 1998). Another systemic upgrade linked GDS technologies with specialist hotel distribution systems, in effect becoming sector-specific networked distribution systems. Such distribution systems or sector value chains have been of the greatest importance to smaller hotels without their own distribution system, which used to have to rely on intermediaries for their bookings.

There are other intermediaries, such as GDS technologies themselves, functioning as the mediating link between airlines, hotels, car rental companies and travel agents. However, many of the smaller tourism operators are not part of such GDSs, as most of the accommodation establishments worldwide are family-run small and medium size tourism enterprises belonging to local entrepreneurs (Buhalis & Main, 1998). In Europe alone, 85 percent of micro and small tourism firms are not listed on GDSs serving more than 50,000 travel agents worldwide (Werthner & Klein, 1999), restricting both tourism firms and customers access to one another (Anckar & Walden, 2002). Especially in today's economy this poses a distinct problem for small tourism firms.

Over a decade ago, in addressing tourism and technology, Poon (1993) stressed that to avoid isolation, achieve economies of scale, and maximise destination benefits, there would be no place in the future for the stand-alone tourism SME; and that networking would allow small tourism firms to pool their resources, reduce operating costs, increase know-how, and formulate strategic marketing plans.

TOURISM CLUSTERING

There is increasing evidence that the performance of existing enterprises is significantly improved by clustering (Rosenfeld, 2001). By networking and sharing knowledge, small firms are able to compete for and access specialised resources and information systems as well as internalise competencies and assets that typically are internalised by large firms with economies of scale (Tayler & McRae-Williams, 2005). Clustering, both geographic and/or virtual, hence provides SMEs benefits that would be unavailable or be available at a greater cost to non-clustering members.

A local destination network (*Figure 1*), as proposed by Tremblay in 1998, resembles a current day (virtual) tourism cluster, as it builds on the coordination of complementary assets at the booking or destination end of the service chain. Marketing bodies, tourism chains and small business operators at the destination share public infrastructures and attractions, cooperatively manage their resources, and innovate while reducing the threat of negative externalities. Cooperative marketing and transaction strategies play a pivotal role in such a local destination network.

Tourism SMEs can participate in one or more overlapping networks, depending on their formal and informal relationships. Chain A may have formal relationships with both the tourism marketing agency and the ground transportation service. Attraction A, to the contrary, may have a formal relationship with the ground transportation service, but an informal one with the marketing agency. A small independent tourism operator may have informal relationships with both the marketing agency and the transport services. Regardless of the relationship, the co-location of the players provides the potential for lowering of transaction costs and exploiting of economies of scale. In this scenario a variety of value-based SME networks may be established within a destination or tourism cluster. Based

Figure 1. Local destination networks (Adapted from Tremblay, 1998)
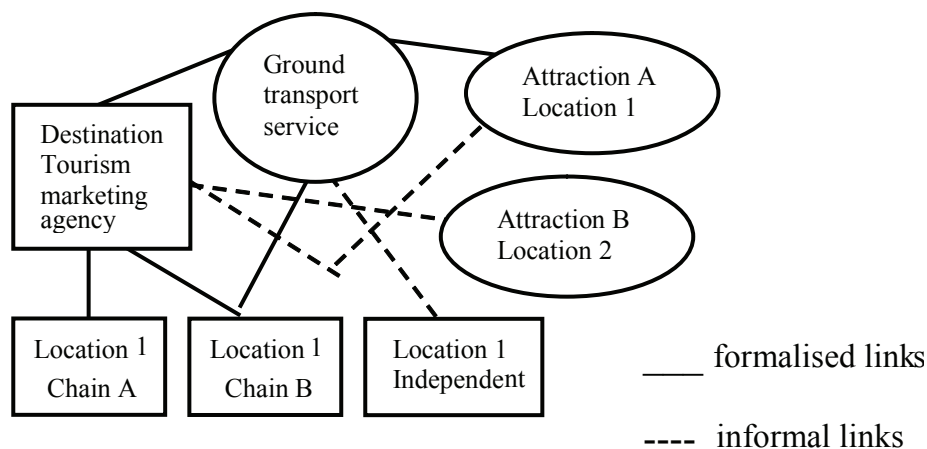
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