



# SUSTAIN-T

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## Sustainable Tourism through Networking and Collaboration



**Module 6:**  
**Innovation and competitiveness in  
sustainable tourism**

## Module 6: Innovation and competitiveness in sustainable tourism

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### Keywords

*Management; marketing strategies; new technologies; social networks; promotion.*

### Learning objectives

*As a result of engaging with the materials in this module, learners are intended to achieve the following learning outcomes:*

**Knowledge:** *learn how MSEs in the tourism sector can improve their performance and success by implementing innovative marketing strategies, information and communications technology (ICT) tools, as well as social networks, all of them under a sustainability approach.*

**Skills:** *improved ability to identify and implement at the MSE level the main innovative marketing strategies, information and communications technology (ICT) tools, and social networks.*

**Competencies:** *encouraging the use of innovative marketing strategies, ICT tools, and the use of social networks in order to promote a more sustainable tourism.*

### Methods

*Autonomous learning by reading and studying the course materials and the complementary sources and links provided in the materials.*

### Time schedule

*Time necessary for:  
Learning content (self-study): 1.5 hours  
Self-assessment questions: 5 minutes*

*Additional time (depending on learners) is required to complete the learning activities and review complementary sources and links.*

## Introduction

In the sustainability of business tourism MSEs, under the GTSC criterion - sustainable management system, it is considered very important the acquisition of skills in the areas of economics and finance and in the digital environment where MSEs are inserted. This is because entrepreneurs usually have few competencies in these areas, which is one of the main reasons for the high mortality rate of this type of company. In general, within the EU, these tourism MSEs have negative equity and a low return on invested capital.

This module is structured into four modules. The first one refers to the economic management for sustainable MSEs. It offers an introduction to the key concepts and topics to be taken into consideration for an appropriate economic management of businesses. Concepts such as profit performance, profit margin, turnover or breakeven are explained. The second unit deals with innovative marketing strategies in the sustainable tourism businesses, a key aspect for their performance and sustainability. Marketing mix and the role of new technologies are some of the aspects analysed in that unit. The third unit is dedicated to ICT, new technologies, artificial intelligence and sustainable tourism. Finally, the last unit refers to the value of social networks for sustainable tourism promotion and development, especially as a digital marketing strategy for tourism MSEs.

## Content

### 6.1 Economic management for sustainable MSEs

The tourism industry encompasses a broad range of activities and types of organisations. The range of activities and a regular demand create a degree of complexity to manage tourism business, namely (Vanhove, 2018):

- *Sales volatility*: Tourism is extremely susceptible to the highs and lows of the economic cycle, and also the different levels of demand throughout the year.
- *High perishability product*: The unrealised sales of most tourist products and services are lost sales, so they are considered perishable products.
- *High fixed component in cost structure*: The need for administrative and operational personnel and the structure of the investment creates a fixed structure with little flexibility.
- *Labour-intensive activities*: Tourism is a people-to-people activity.
- *Low ROI (Return-on-Investment)*: Tourism is a sector with low rate of return on capital invested and with the need for capital intensive.

Different functional areas of **tourism MSEs** should play an active financial management role by demanding excellence in the design of accounting systems. In the last few years there appears to have a strong movement away from accountings traditional “command and control” philosophy to more of an “inform and improve” philosophy. Despite this, some question the appropriateness of using financial measures to direct and control business. Criticism includes:

- Financial measures focus on symptoms rather than causes (ex: profit may decline because of declining customer service);

- Financial measures tend to be oriented to short-term performance of the past. This can hinder forward-looking, longer-term initiatives (i.e. Development of a strong image among customers).

A profit and loss statement is the main document for financial information. This document is divided into Net Revenue, Cost of Sales, Payroll and Related Expenses, Other expenses and Profit/Loss, which focus on Operating Departments, Undistributed Operating (administrative, human resources, marketing, energy...) (IMA, 2006).

or

Ratios is a financial technique used to analyse performance and stability of organisations. The results of a ratio analysis convey limited information unless they are put into some context. In this sense, ratio analysis are most usually conducted in the context of a comparison to one or more of the following four benchmarks (Guilding, 2014): a) ratios from prior years (trend analysis); b) ratios that have been set as goals (budget analysis); c) ratios achieved by others companies; and d) tourism industry average ratios. The main ratios used are the following ones:

- *Profit performance*

$$\text{Return on Equity (ROE)} = \text{EBIT} \div \text{Total assets}$$

There are two major financial metrics that drive return on equity (ROE): operating efficiency, asset use efficiency and financial leverage. Operating efficiency is represented by net profit margin or net income divided by total sales or revenue. Asset use efficiency is measured by the asset turnover ratio.

This means that EBIT (earnings before interest and tax) is the appropriate profit level to remunerate the investment made.

- *Profit margin*

$$\text{PM} = \text{EBIT} \div \text{Revenue}$$

- *Asset turnover*

$$\text{AT} = \text{Revenue} \div \text{Total assets}$$

There are three major financial metrics that drive return on equity (ROE): operating efficiency, asset use efficiency and financial leverage. Operating efficiency is represented by net profit margin or net income divided by total sales or revenue. Asset use efficiency is measured by the asset turnover ratio. Leverage is measured by the equity multiplier, which is equal to average assets divided by average equity.

- *Dupont formula*

$$\text{ROE} = \frac{\text{EBIT}}{\text{Revenue}} \times \frac{\text{Revenue}}{\text{Total assets}} = \frac{\text{EBIT}}{\text{Total assets}}$$

Very important to defining a business strategy. As we know  $3 \times 10 = 10 \times 3$  ie a high margin sales business does not require a high turnover on the other hand, other businesses that have low margins require high turnover for attractive returns (e.g. comparing margins and rotations required by an expensive restaurant compared to fast food to have the same profitability).

When referring to cost in everyday tourism business affairs, managers use terms suggesting a multitude of cost classification schemes. These classifications include: fixed and variable costs, direct and indirect costs, opportunity costs, incremental costs, sunk costs, non-controllable and controllable costs. Accounting information is a resource that has a cost. It is important to recognize that organisational resources are expended collecting and analysing cost information. We should not spend more money on collecting and analysing cost information than the decision making or control benefit that will derive from the cost information

As stated Guilding (2007), a key determinant of many costs is the volume of sales achieved. There are management scenarios necessitating the classification of costs into variable and fixed. One is the connection with breakeven analysis, but three others scenarios where the distinction between variable and fixed costs are: a) The danger of classifying fixed costs as variables; b) short-term price management; and c) decision-making about closing a company's activity in the off-season.

Conceptually, the contribution margin results from the reduction of variable costs to total revenues. The advantage of using the contribution margin is in determining the percentage of sales absorbed by variable costs. Demonstrating whether the remaining value can, or does not, cover fixed costs. Once revenue achieves a level that is sufficient to cover all fixed cost, additional sales will contribute to the earning of profit. Once the contribution margin refers to total revenue minus total variable costs, then unit contribution will be calculated as follows:

$$\text{Contribution per unit} = \text{unit sales price} - \text{unit variable cost}$$

that is, what margin of contribution each unit sold contributes to the coverage of fixed costs. Thus, we have the basis of the breakeven calculation that is given by the expression:

$$\text{Breakeven (number units sold)} = \frac{\text{Total Fixed Costs}}{\text{Contribution per unit}}$$

Yield and revenue management is the practice of obtaining the highest possible revenue in the selling of a service firm's capacity. Practitioners of revenue management use tools such as targeted pricing, market segmentation and demand forecasting so that the limited capacity of the firm is sold at the highest possible price. Since many customers buy in advance, the firm sets prices based on forecasted patterns of demand so that capacity sold to earlier (and perhaps lower paying) customers would not deprive the firm of obtaining higher revenue from customers arriving later. This practice is starting to find with many service firms that face relatively fixed capacity e.g. restaurants, hotels, cruise lines, rent-a-car, and railways. Otherwise, yield and revenue management indicate the income management, a capacity management system that aims to optimise and maximise the business volume. In other words, yield and revenue management are designed to control capacity in such a way that the return is as high as possible. This revenue management technique should be applied to those services that:

- The fixed costs are high;
- Variable costs are low;
- The product we offer has a demand is elastic;
- The product is perishable;

- Demand changes over time;
- There are several different segments;
- There is a high competitive market.

The yield management allows:

- Set a rate in real time, adapting the price to the existing demand at any time.
- Increase the profitability of the business, since prices can be raised in times or days of high demand.
- Be able to forecast needs: stock of food, material resources needed, configuration of templates, etc.
- Have better control over sales and prices.
- Analyse the possibilities of each sales channel.
- In short, yield management is a way of adapting the pricing policy to new times, more competitive and flexible, allowing tourism businesses high levels of profitability at all times of the year that allows them to develop, generate employment and always give an excellent service to its customers.

The financial plan is a summary of a company's financial needs or goals for the future, and how to achieve them. Corporate financial planning involves deciding what investments and activities would be most appropriate under both the company's individual and broader economic circumstances. All things being equal, short-term financial planning involves less uncertainty than long-term financial planning because, generally speaking, market trends are more predictable in the short term. Likewise, short-term financial plans are more easily amended in case something goes wrong. The business financial plan commonly appears in the overall business plan for a small business. However, the financial plan is a self-supporting document intended to support and direct the actions of the business. It explains what your business can afford, how it can afford to do it and what the expected profits will be. For a small business, like a **tourism MSE**, a well-written business plan can be the difference between you carrying the business or the business carrying you.

Nominally, **tourism MSEs** only give importance to the financial area when problems of this nature appear so we recommend that you prepare a business plan, (good practice for business sustainability), before starting the activity and that it is constantly updated. This anticipates problems and increases profitability.



### Learning activity 6.1.

**Practical exercise 1:** *BestRest and EasyRest are two companies in the restaurant industry. The following financial data for 2017 relate to their food and beverage activities:*

| <i>(u: thousands €)</i> | <i>BestRest</i> | <i>EasyRest</i> |
|-------------------------|-----------------|-----------------|
| <i>Revenue</i>          | <i>500</i>      | <i>300</i>      |
| <i>Cost of Sales</i>    | <i>200</i>      | <i>220</i>      |
| <i>EBIT</i>             | <i>50</i>       | <i>15</i>       |
| <i>Total assets</i>     | <i>250</i>      | <i>75</i>       |

*Required...*

- (a) Use the Dupond formula (based on EBIT) to compare the performance of the two companies;  
 (b) Do the two companies appear to be operating different strategies? If so, in what way?

**Practical exercise 2:** The Hostel Paradise with 25 rooms incurs annual fixed costs of 260.000€. The Hostel is open 365 nights in the year and charges an average room rate of 38€. The variable costs associated with room occupancy are 8€. Calculate the room occupancy level for breakeven.

**Practical exercise 3:** Using as a tool the spreadsheet that is attached as an Annex to this unit, build the financial plan for your MSE.

## 6.2. Innovative marketing strategies in the sustainable tourism businesses

Marketing for tourism enterprises and destinations is a key aspect for their performance and sustainability. The marketing function in **tourism MSEs** is hindered by constraints such as poor cash flow, lack of marketing expertise, business size, tactical customer-related problems, and strategic customer-related problems. The marketing function is perceived by MSEs to be peripheral to their requirements, relating to sales and promotions only, a perception that has grown from the ability of MSEs to obtain sales without planning their marketing activities.

The major changes in tourism marketing since year 2000, reflect a more sophisticated development and a different demand, with customers more involved in purchasing decisions through interaction with suppliers on the internet. Undoubtedly, the internet has introduced, on the supply side, significant changes in the operation of tourism businesses, regardless of the size of the company, revolutionising the traditional marketing-mix of the 1990s (Middleton *et al.*, 2009).

Marketing in travel and tourism differs from other forms of consumer marketing practice. By applying marketing principles to the management of tourism industry, consumers will be able to deliver quality products, and avoid the development of unnecessary and unsustainable products. Products in tourism can be "ideas", "services" and "goods". The tourism industry mainly serves the services. Marketing activities become more complicated because they are "inexpensive and unpowered" (Alisher, 2017).

The principal source of successful innovation is the knowledge and experience of people within a MSE, in particular, the owner/manager. However, innovative individuals must be able to manage the process from opportunity recognition to product or service production to exploit the concept. Such innovative ability gives **tourism MSEs** their competitive advantage, a key element in capturing market success and inter-firm competitiveness, which enables them to exploit new products and markets while improving their cost base and pricing policies. Innovative new businesses create new competencies based on current and future market trends and customer demands; they are driven by a profit seeking mission. Chance or luck helps MSEs to recognise and take advantage of an opportunity. Less formal organisational structures, such as those within SMEs, have been identified as being conducive to innovation, as they encourage a corporate culture, which enables participation, networking, inclusion, and experimentation throughout the organisation. Moreover, the environmental uncertainties and challenges faced by MSEs may prompt an innovative response to establish competitive advantage.

Marketing mix is a classic tool to help MSEs plan what to offer and how to offer it to consumers. Marketing has 4 determinant aspects called 4P: Product, Price, Promotion and Point of Sale. The product/service is usually developed based on the needs and desires of consumers obtained through market research. Companies control most production decisions from design/conception to final product. The price comes from a combination of calculations from production costs to the analysis of competition and the value that the consumer intends to pay for it. After the companies decide *what to offer (Product/Service and Price)* they have to decide *how to offer (Point of Sale and Promotion)*. **Point of sale** is the place where to distribute the product/service so as to make it accessible to the consumer, and at the same time the **promotion** is the way to communicate/inform its existence to the target audience using various methods such as advertising, public relations and sales promotions. If the application of 4P is optimised, the sale becomes less difficult, since consumers are attracted by value propositions (Kotler *et al.*, 2017).

According to Kotler *et al.* (2017), in a digital and connected world the marketing mix has evolved to integrate greater consumer participation, and it is recommended that 4Ps be reviewed for 4C (*Co-creation, Current Currency, Community Activation and Conversation*). Co-creation is related to the influence of the consumer in the design of the product especially in the personalisation of the products/services giving rise to superior value propositions. Today, using *big data*, companies charge different prices to different consumers based on historical purchase patterns (store location, consumer profile, etc.). In the digital economy, price is like currency, which fluctuates due to market demand. The channel concept is changing with the sharing economy, becoming *peer-to-peer*. Companies like Airbnb and Uber are revolutionising the accommodation and taxi sectors by providing easy access to consumers of products/services they do not own but are held by other consumers. Also, the concept of promotion has evolved unilaterally, (messages from the company to consumers), to the opinions shared by consumers through social networks and the comments and classifications that are placed on consumer rating systems (i.e. TripAdvisor, Yelp).

It is recommended that digital marketing should not replace traditional marketing, but they should coexist with complementary roles. Digital marketing promotes and encourages more action and more results while traditional marketing initiates interaction with the consumer.

Connectivity is, perhaps, the most important element of the changing marketing history. Connectivity has resulted in an excess of information which has led to a greater weight of the opinions of friends and family and a decrease in individual attention. Connectivity is not just technical, (we have the connectivity of social relations and lived experiences). Young people inspire older people in connectivity and soon it will become the "new normal" changing the market.

With the digital era we have a new type of consumer, which is emerging globally and will be the majority in the near future - young, urban, middle-class, with strong mobility and connectivity. When they think about consuming, they search online for prices and quality, make purchasing decisions at any place or time, and use many types of devices. They communicate with each other and ask opinions in their networks to friends or family. However, in terms of the future of marketing, it should contain a homogeneous mix of online and offline experiences at every instant of the various stages of consumption. The great challenge that brands and companies will face will be the integration of both areas into a total consumer experience.

The major consumer groups have been called YWN (Youth, Women and Net Citizens). Young people are the ones who first adopt new products and technologies. They also set out the trends that follow. In addition, they constantly change the rules of the game. As information collectors and holistic buyers, women are effectively the managers of families, managing financial managers of purchases and assets. Net-citizens are social connectors because they connect, talk and communicate with their peers. They are prescribers as well as content contributors in the online world. These groups together are the key to innovative marketing strategies in the sustainable tourism businesses.

Obviously, the overall strategy for the innovative development of a company specialising in tourism is not identical, but it should be developed in a complex fashion. At the same time, all or even some of the tasks of formulating the relevant components of the strategy will not be consistent. Therefore, it is necessary to solve them as much as possible. In order to develop sustainable tourism businesses, it is essential to create innovative marketing strategies that surprise customers, and get them to use word of mouth to recommend our products/services.

In order to compete in the digital economy, companies must be prepared to use technology-mediated channels, create internal and external value, formulate technology convergent strategies, and organise resources around knowledge and relationships. On the marketing side, communication and customisation are among the new demands of the digital economy, whereby mass markets are a phenomenon of the past and interactive “markets of one” are the future. This is to consider the personal satisfaction of each customer, “massification towards individualisation”.

The capacities of **tourism MSEs** are therefore poorly utilised in many cases and do not have a lot of earning power. The economic situation of those companies can only improve by offering services in partnership with others and marketing these as a package. Co-operation is vital for the positioning and marketing of the services offered by **tourism MSEs**. It is also a way for these companies to increase productivity and bring down their costs. However, before considering co-operation MSEs entrepreneurs should first think about taking full advantage of any unused potential for internal growth. Additional rooms for a hotel, additional seating for a restaurant or additional carrying capacity for cable car companies help to lower the average costs. In this way, MSEs can begin to grow to an optimum size. Co-operation only makes economic sense if it increases profits and reduces costs.

An appropriate marketing strategy to develop sustainable tourism aims to expand the tourism offer of MSEs to make them more sustainable and more competitive. In particular, the strategy is oriented to the full use of the competitive advantage linked to the plurality and variety of cultural, natural, anthropological and other cultural heritage, also expressed towards local skills, knowledge, talents and traditions. The strategic lines intend to qualify tourism in the major attractions of the country, making its use more sustainable and innovative, and aim to promote greater dissemination of visitor flows. All this can be done through the boosting of all those principles and actions mentioned in the previous modules 2, 3, and 4, that want to promote sustainability of **tourism MSEs** and the destinations where they operate as well.

### Learning activity 6.2



*How does your company manage to increase its market share in young people, women and net-citizens? Write down the company's main marketing strategies that it is currently developing, and underline its main connections with sustainability.*

### **6.3. ICT, new technologies, artificial intelligence and sustainable tourism**

The Fourth Industrial Revolution is causing business model changes that will significantly disrupt labour markets, as well as dramatically changing many consumption patterns. According to a 2017 white paper published by the World Economic Forum, digitalisation is expected to create up to \$305 billion in additional value for the travel industry between 2016 and 2025, while reducing the industry's environmental footprint, and migrating \$100 billion in value from traditional players to new competitors. Digitalisation will also result in a net displacement of current jobs in the industry, as it is expected to only be partially offset by the creation of next-generation jobs, according to the report (World Economic Forum, 2017). Online travel aggregators and travel service platforms have shaken up the industry.

All travel and tourism providers are now seeking ways to develop stronger interaction with customers, and adapting operations to try to both better understand their customers and to boost their own financial performance. Connected devices and artificial intelligence provide ample opportunities to make operations more effective, and enable collaboration and asset-sharing among tourism enterprises.

The combination of voice recognition, augmented reality and artificial intelligence will likely have a profound impact on the travel industry, by enhancing people's ability to discover the world. To remain competitive, industry players must complement a high-touch approach with high-tech applications. Consumers want to feel special and expect the personalisation of services and experiences.

Digitalisation could also have a potentially positive environmental impact, by contributing to a more sustainable industry footprint through innovation in manufacturing, and through more efficient resource use. Intelligent automation will change the nature of some travel jobs, and put other jobs at risk. It will also generate new employment opportunities that could outpace the automation of existing roles, especially as the industry is expected to maintain its growth. A concerted effort among industry players, governments, educational institutions and civil society will be required to best mitigate potential negative impacts, and to promote job creation and skills development.

Intrinsically, tourism is affected by information and communication technologies (ICT), as the latter represents a strong driving force for changes in tourism development, creating new products, communication networks, business models, business practices, industry structure, as well as types of firms. On the other hand, the growing demand in the industry induces the requirement of new technologies for management, leading to the emergence of more and advanced technologies being applied to supplement the continuous industry development.

The use of ICT in tourism is driven by the intangible nature of its products as well as the information dependent nature of the industry. Unlike other durable and physical goods, tourism products are generally intangible, which normally is not physically possible to be displayed or inspected prior to

purchasing. They thus depend exclusively on representations and descriptions, provided by suppliers, intermediaries, or even previous customers, to attract more business. Since ICT provides effective tools enabling suppliers and intermediaries to convey product information to, and communicate with, worldwide customers, it has become indispensable to global marketing of the industry. Given that customer preferences change rapidly and information is critical for day-to-day operations in tourism organisations, ICT enables suppliers to search for meaningful and profitable niche markets, to identify value-added components, and to promote differentiated products through specialised media to particular segments that would be of interest.

Given the current technological development of the tourism sector, it is important to understand how the stakeholders perceive and use technology. In particular, it is fundamental to identify preferences and trends in the usage of tourism mobile applications. However, regarding on-line tourism-related information, the large volumes of data, the number and diversity of features and variety of sources are incompatible with traditional approaches.

Increasingly, tourists are using web and/or mobile-based technology to plan business and leisure travels. It is observed that the mobile technology has direct influence in tourism activities due to its ubiquity in terms of Internet access, services and applications. Additionally, it boosted the explosion of opinion-based information (ratings, likes, shares and reviews about tourism resources), generating a ripple effect where the decisions of current and future travellers are influenced by the opinions of their predecessors.

On the other hand, the large volumes of tourism-related information available, either shared by tourists or posted by businesses, can be processed for the profiling of tourists and subsequent recommendation of personalised offers, using data mining and big data approaches. The combination of these techniques together with the Web and mobile technologies have contributed to the personalisation and enrichment of the tourist experience.

According to a UNWTO Affiliate Members report (UNWTO, 2011), the travel cycle is composed of the following five stages, that have their corresponding ICT implications:

- *Dreaming*: The tourist starts to consider travelling. In this stage, the web typically acts as an inspirational source of information where the tourist browses through social networks, blogs, wikis or travelling sites, going through shared tourism information (texts, photos or videos) regarding potential destinations.
- *Researching*: The tourist invests time to research further about the viability of his travelling intentions with the support of the countless tourism services available on the web, e.g., TripAdvisor, Booking, eDreams, Expedia, Airbnb, Wikivoyage, etc. Some of these tourism services, which use profiling and recommendation mechanisms, offer registered users automatic support and guidance.
- *Booking*: The tourist books the selected resources, including transportation, accommodation, events, etc. Online booking, both from desk/laptop and mobile devices, has increased exponentially. In particular, to meet the tourist needs, booking websites should offer desk/laptop and mobile versions and present an intuitive and responsive web design.

- *Experiencing*: The tourist searches for location-aware tourism information mainly via smartphones. In this context, mobile applications provide real time access to routes, recommendations, maps or complementary information.
- *Sharing*: The tourist shares opinions and information in real time or in deferred time. This valuable feedback information, (pictures, reviews, opinions or general travel information), influences the decisions of tourists and businesses alike.

It is observed that **tourism MSEs** focusing on intensifying marketing and sales of their products and services in the target market are inclined to adopt ICT. This is due to the great competitive advantage provided by ICT facilities, which can be used both to attract customers as well as to increase the efficiency of their operations. This helps to blunt the advantage enjoyed by the MSEs competitors.

Rapid advances in technology as well as the increasing demands of customers, who look forward to flexible, specialised, accessible and interactive products and communication influence adoption of ICT leading to an improvement in operating efficiencies and customer service levels desired by the customers.

ICT-based products and processes aimed at enhancing operating efficiency of MSEs and improving the service experience of customers as well as providing a means to access markets on a global basis is more likely to be adopted by those companies.

Effective adoption of several ICT technologies requires a substantial investment of resources. This explains the lack of inclination of smaller MSEs to adopt costly ICT, while relatively larger companies with some resources may be positively inclined to adopt ICT. This is further compounded by high initial ICT investment costs especially in cases where almost all ICT equipment are imported and subjected to taxation and other non-tariff barriers, high ICT usage charges especially for international and Internet connectivity and the addition of regulatory factors such as license fees to the cost of ICT investment. This risky nature of investing in new technologies may prompt MSEs to wait until the technology has stabilised before investing in it. In most MSEs where ICT is adopted the organisation performs most of its functions online. These include the storage and sharing of information, communication and service of customers and the use of internet software application to perform some of its functions. Moreover, most **tourism MSEs** have a functional website where most of the company information can be obtained.

Today the presence and a good visibility in the main search engines can be a decisive competitive factor for a business; in a market now saturated with any type of advertising, the alternatives to be visible on the web are still different and often expensive:

1. Improve online organic positioning and favour indexing in search engines and directories, addressing the SEO (Search Engine Optimization);
2. Use pay per click with or without the contribution of SEM (Search Engine Marketing) and therefore the application of web marketing strategies;
3. Be visible on the pages of a specialist or generalist web portal (links/commercial agreements);
4. Be visible on the web pages of the institutional tourism promotion sites.

The battle for the top positions on the results pages has become an economically demanding undertaking, especially with reference to the tourism sector. The possibility of designing the Internet as a new democratic frontier of information does not seem to adapt to this sector. The hotelier could reach/be reached, through its own website, more easily by his/her potential client: it is also true that today, in this highly competitive and closed market, entrepreneurs are forced to allocate new and more significant resources in online communication, with really variable results. Search engines and directories are already crowded, especially for commercial proposals and a voluminous presence of large online tourism organisations (which can afford higher spend on paid channels).

For tourism businesses, being present on institutional tourism promotion sites as well as encouraging a uniform communication of the tourist offer of an area, (in a rational and systemic way), constitutes a considerable economic saving, especially if the site guarantees a high level of visibility (obtained thanks to economic efforts of a public or mixed nature). Aspects to reach and satisfy the potential users, who may thus prefer the institutional website for the booking or the possible subsequent purchase of tourist products and services, are:

- The presence of a database of products, services, events, structures, assets that can be updated in real time by various entities;
- The predisposition of web pages with good accessibility;
- The presence of interactive or georeferenced maps, (the latter as innovative tools are able to illustrate the characteristics of a territory in terms of spatial coordinates, distances and geographical features);
- The exhaustive presence of all information related to itineraries and more generally to the characteristics of mobility existing in the territory as well as the provision of e-booking and e-commerce services.

So, it is possible to understand that the use of new information and communication technologies (ICT) is fundamental for the development and promotion of all sectors, especially that of sustainable tourism, characterised by a more and more degree of competitiveness, where it is possible to emerge only by adopting most of the ICT tools available to date.

### **Learning activity 6.3**



*Identify strengths and weaknesses, opportunities and threats that the 4th industrial revolution can bring to your company, especially in sustainability terms.*

## **6.4 The value of social networks for sustainable tourism promotion and development**

The role of social media has become decisive in tourism marketing. The social media and technologies make possible content sharing (e.g. text, video, image), social networking (e.g. Instagram, Facebook, LinkedIn), social bookmarking (e.g. rating, tagging), collaborative writing (e.g. wikis) or a syndication (e.g. RSS feeds). The role of tourism intermediaries has been changed significantly through social media (Buhalis & Law, 2008).

**Tourism MSE** owners, (entrepreneurs), have a range of goals, (personal and business are often intertwined), which more effective digital marketing can help to facilitate. There are also concerns about business sustainability and growth, (customer acquisition and retention and combating seasonality), innovative marketing through digital media and autonomy, (reducing dependency on intermediaries for marketing), personal development, (satisfaction in mastering digital marketing and technology) and profitability, (more effective and efficient marketing).

Social networks online were first created in order to create links between all the people that were part of them; those links were intended to share issues on personal nature. The idea of social networks, though, has evolved to such a level that now they are used the same way by some businesses as individuals except that instead of sharing personal information or personal experience, businesses share information on their products or services in order to promote and increase online sales.

Currently social networks are used to analyse, to monitor and to talk to customers in real time. They provide an environment that allows the study and the analysis of massive marketing data, sales strategy, advertising campaign, and the direct dealing with the client. Through social networks, companies have created new markets and increased existing ones since social networks allow them to interact with existing and potential customers and to address in a faster way the comments, suggestions and doubts they have. One of the consequences of these interactions is a higher consumption since current or potential customers have a better knowledge of the products or services.

Tourism entrepreneurs face a number of organisational challenges which affect sustainability and growth of their business. A significant issue facing entrepreneurs in **tourism MSEs** is the dominance of large online intermediary businesses, for example Booking.com, which increase the cost of marketing for MSEs significantly. Entrepreneurs are reluctant to use such powerful intermediaries who are perceived by them to be ineffective, creating indirect links between the entrepreneur and their customers and unresponsive to the entrepreneur's needs.

Social media issues for these entrepreneurs include being overwhelmed by speed and choice, with entrepreneurs having a 'me-too' attitude rather than using informed marketing planning activity. They also have difficulty measuring the impact of their marketing activities but in general they recognise that some impact related to use of social media is for the long term and cannot always be measured by immediate sales or bookings. Entrepreneurs feel the need to gain competency in using social media and as yet are unsure of its usefulness and application. A key finding is that these entrepreneurs want to be able to assess the profitability for their efforts, i.e. the balance between time taken to use social media and being able to measure the effectiveness of marketing using social media.

Social networks today have a fundamental value for the development and promotion of sustainable tourism, since the basic requirements of social networks are the identity of users and the sharing of information. Social media can be classified into generalists, professionals and community builders, so it is essential to structure a good marketing plan and choose the right tools to be used for the promotion and development of sustainable tourism. The most famous social channels popular in the world are WhatsApp, Facebook, LinkedIn, Instagram and Twitter, although there are many

others, such as QQ Tencent, WeChat, QZone, Tumblr, among others. Each social network is functional to achieving a specific goal. The choice of channels and platforms to be used must be made according to the objectives but also depending on the time and budget that is available for management.

Facebook is considered the social network of excellence for the establishment of virtual relationships and sharing, used not only by young people, but also by over 35 year olds. Recently it is also used by companies and has become very useful for marketing because it allows users to join and support brands and companies, to participate in groups, interacting with existing fan pages or even creating new ones. It is a very useful tool for a tourism company to create its own profile, diffusing own posts, blog or adding its own page to groups and installing third-party applications such as the YouTube channels. Facebook allows the company to increase and expand its community and acquire new users (which can be former, current or potential customers). In addition to acquiring users it is also essential to maintain the community, so quality content is essential.

LinkedIn, contrary to Facebook, is considered a social networking site oriented to work and business that is mainly used to obtain business relationships and to find services recommended by other users. For a company or destination, it may be appropriate to find potential customers or to connect with communities and groups with certain interests. This platform also allows the creation of groups to create affinity and increase brand awareness.

Another important social network is Twitter, a free service that allows users to communicate with short messages. Because of its immediacy, it allows communication in real time and in a constant manner with the market and the network, facilitating, in the case of marketing strategies, contact with new and potential customers, as well as favouring the loyalty of those already acquired. Twitter can be used to generate sales and reservations, to launch proposals and to disseminate exclusive offers for the followers of the company. It also proves to be very useful for assistance to tourists, as well as to respond quickly to criticism and questions rather than to thank the comments and positive reports.

Digital marketing needs a strategy and that requires ongoing campaigns incorporating all techniques from the online marketing toolkit and every action taken on social networks should be a part of a larger social media marketing strategy. Creating a social media marketing plan will guide MSEs online actions, but it will also be a measure by which they determine whether they are succeeding or failing at social media. This plan is a summary of what MSEs expect to achieve for their business using social networks and serves to establish objectives and goals to achieve, (which should be aligned with their broader marketing strategy), and prove the return on investment (ROI) (Carter, 2014).

Any digital and social media plan for a MSE should follow the following recommended principles:

- 1) With the multiplicity of available media tools, a principle should be defined since the beginning - a logical and coherent use of "media" should be elaborated.
- 2) The second principle determines that it is impractical and have a high cost to use all the available media tools. The concentration in some media is an advantage.

- 3) The third principle advocates that the website should be the centre of the digital strategy. It will be the headquarters or storefront of the entire company. Who we are, where we are, what we offer, what we want and where we are going.
- 4) The fourth principle dictates the mandatory management of all digital channels.
- 5) The need of staff for the management of the digital channels in a company is the fifth principle.

Moreover, the strategy implementation should follow the next steps:

- 1) The first step in establishing the strategy is the choice of the most appropriate tools for the intended purposes. The choice should be related with the most preferred channels of the customers.
- 2) The second step is called the purpose of use. It should be defined as the purpose of communication for each of the communication channels.
- 3) The third step is related to the creation of the brand image that should be identical across all "media" channels.
- 4) In the fourth step you need to create a segmented database, that include private customers; customers trade – tourism suppliers; institutional and sectoral clients;
- 5) Finally, in the fifth step it is necessary to create templates with the defined brand image for the various channels of digital communication.

One example of a media strategy for a **tourism MSE** could be the following one:

- *Focus strategy – Website:* The website is the centre of the entire strategy as stated in the principles outlined above. Four relevant aspects should be present on websites: the vital rules of websites usability, direct selling, (e-commerce), geo-referencing, (maps, GPS coordinates and points of historical and cultural interest in the space surrounding the tourism unit) and the relationship B2C, (business to consumer) regarding the CRM, (customer relationship management) that allows the interaction with the customer (they can comment, give feed-back and/or criticise their visits, post photos of their surroundings visits).
- *E-mail marketing:* The use of email should be considered strategic, but it requires a deep thinking on each e-mail sent. It is recommended that the MSE have two types of communication with the target customers. To begin, a monthly newsletter on the MSE achievements, such as activities carried out with clients, presence at national and international fairs, events, conferences, new products and services, etc. If requested by customers, a weekly communication of a purely informative nature with news published weekly about the tourism region.
- *Facebook:* Due to its importance and worldwide weight in the number of users an official Facebook page should be created. Today Facebook has a feature that enables live sessions, and it is possible for a MSE to carry out, through this functionality, public presentations of new

products and services. This page should be used to promote tourism events and programs, as well as news on the activity of the MSE at local, national and international level, and news about the company's involvement in sustainable tourism actions.

- *Twitter:* On Twitter posted information should be what is happening at each moment. It is the news of the moment, such as local and regional markets and fairs, weather information on location or region.
- *LinkedIn:* It should be used as a curricular instrument. It should present the history of the company and why it was created, how the idea of products and services appeared, the awards or distinctions received throughout its history (regularly updated), and the images of personalities/clients recognised both at the national level and internationally, as well as good practices in sustainable tourism where the MSE collaborated or participated.
- *Instagram and/or YouTube:* On Instagram there should be placed photos about sustainable practices. Customers should be encouraged to post pictures during their visits. The YouTube channel is only recommended when a MSE already has some reputation at the national and international level. An alternative to not using a YouTube channel is to use Facebook to present movies.
- *Pinterest:* This space will be used to place all the images of communication and promotion of the MSE. The catalogues, programs, event posters, labels, (their evolution throughout the history of the company), logos, brands associated with the MSE, etc.

The entire notion of the whole strategy implies, necessarily, an interconnection between the suggested communication tools, through accesses via links. However, it is recommended that users at all times know what communication tool they are in and that it is possible to know how to move (move forward and backward) in accessing the information. An extremely important recommendation for the success of digital marketing is content management, being a central aspect, the constant updating of the contents of the various platforms where the MSEs are present. One must understand the presence in the cybernetic space based on the old saying of "*who does not appear is forgotten*".

Finally, a statistical analysis related with the performance of a digital marketing strategy it is very important and can be used to improve not only the communication with the target groups as well as increase the audiences and should be based on the study of the data related to "media" tools. The most famous one is Google Analytics, it is a free service offered by Google in which, after activation of the service through a Google account, enables the owner of a site to access all statistical information of visits made by users to the site. This tool was created to help webmasters optimise content for marketing campaigns and Google AdSense (Google ads on the site).



#### **Learning activity 6.4**

✓ *(Re)Write your digital marketing plan.*

*According to the information presented in the module, prepare a digital marketing strategy (incorporating all techniques), for your company. If you already have a digital marketing strategy*

established for your company, please analyse the results obtained through the e-mail marketing reports/Google Analytics/Facebook statistics, and present your major conclusions about it, measures for improvement and correcting actions, etc.

- ✓ Prepare a collaborative media plan with other local MSEs.

|                            |   |
|----------------------------|---|
| <p><b>Useful links</b></p> | <p><a href="https://edwardlowe.org/how-to-analyze-your-business-using-financial-ratios-2/">https://edwardlowe.org/how-to-analyze-your-business-using-financial-ratios-2/</a><br/><i>Website where it is explained how to analyse a business using financial ratios, showing the different types of ratios with examples.</i></p>  |
|                            | <p><a href="https://www.accaglobal.com/uk/en/student/exam-support-resources/fundamentals-exams-study-resources/f5/technical-articles/CVP-analysis.html">https://www.accaglobal.com/uk/en/student/exam-support-resources/fundamentals-exams-study-resources/f5/technical-articles/CVP-analysis.html</a><br/><i>Introduction to the topic of cost-volume-profit analysis, with examples of methods for calculating the breakeven point.</i></p> |
|                            | <p><a href="https://makeawebsitehub.com/social-media-sites/">https://makeawebsitehub.com/social-media-sites/</a><br/><i>Description of more than 60 social networking sites with their main characteristics and the number of users per month.</i></p>  |
|                            | <p><a href="https://www.entrepreneur.com/article/286408">https://www.entrepreneur.com/article/286408</a><br/><i>Article from Entrepreneur.com that deals with social media and its role in transforming tourism marketing for companies. It includes other related links.</i></p>   |
|                            | <p><a href="https://www.socialreport.com/insights/article/360016126711-8-Incredible-Social-Media-Tools-for-the-Travel-Tourism-Industry">https://www.socialreport.com/insights/article/360016126711-8-Incredible-Social-Media-Tools-for-the-Travel-Tourism-Industry</a><br/><i>Recommendations of social media tools for making more effective the travel and tourism industry performance.</i></p>  |

### Summary of key points

- Many imagine that managing a tourism MSE is easy and they do not realise how complex their management is. Due to the diversity of variables involved, tourism companies are considered to be the most difficult to manage.
- Management can be guided by two criteria: sales margin (marketing margin) and rotation of the asset (number of times the structure is used).
- Yield management, if well used, can be a tool to aid the management of tourism companies.
- As tourism is a globalised activity, innovative marketing strategies are needed to make MSEs competitive.
- The major changes in tourism marketing since year 2000, reflect a more sophisticated development and a different demand.

- The sustainability of tourism MSEs requires an active strategy to use technologies and to be aware of the constant changes in the digital environment.
- A tourism MSE should have a strategy and know how to manage its presence in social networks, since today is a key area of management of a tourism business.
- Social networks today have a fundamental value for the development and promotion of sustainable tourism, since the basic requirements of social networks are the identity of users and the sharing of information.
- Digital marketing needs a strategy and that requires ongoing campaigns incorporating all techniques from the online marketing tool kit and every action taken on social networks should be a part of a larger social media marketing strategy.

### Integrative learning activity for Module 6: Position Paper



*Systematise the reflections you made while engaging with the module materials. Outline the aspects, which need to be considered for your enterprise to improve its sustainability performance.*

#### **Indicative structure:**

1. *The range of activities and a regular demand as a degree of complexity to manage tourism business.*
2. *Ratios as a financial technique used to analyse performance and stability of organisations.*
3. *The financial plan (a summary of a company's financial needs or goals for the future, and how to achieve them).*
4. *Marketing for tourism enterprises and destinations a key for their performance and sustainability.*
5. *Digitalisation as a contributor to a more sustainable tourism industry.*
6. *The social media and technologies become decisive for tourism SMEs business sustainability and growth.*

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## Glossary

|   |  |
|---|--|
| <b>Artificial intelligence</b>                        | <i>Refers to the simulation of human intelligence in machines which are programmed to think like humans and mimic their actions.</i>   |
| <b>Asset</b>  | <i>Is a resource with economic value that an individual, corporation or country owns or controls with the expectation that it will provide a future benefit. Assets are reported on a company's balance sheet and are bought or created to increase a firm's value or benefit the firm's operations.</i> |
| <b>Augmented reality</b>                              | <i>Is an enhanced version of the real physical world through the use of visual elements, sound or other sensory stimuli. It is a growing trend among companies involved in mobile computing and business applications in particular.</i>   |
| <b>Digital economy</b>                                | <i>Refers to an economy that is based on digital computing technologies, although we increasingly perceive this as conducting business through markets based on the internet and the World Wide Web.</i>   |
| <b>DuPont</b>   | <i>Is a framework for analysing fundamental performance popularized by the DuPont Corporation. DuPont analysis is a useful technique used to decompose the different drivers of return on equity (ROE).</i>  |
| <b>Fixed Cost</b>                                     | <i>Is the other cost incurred by businesses and corporations. Unlike the variable cost, a company's fixed cost does not vary with the volume of production. It remains the same even if no goods or services are produced, and therefore, cannot be avoided.</i>   |
| <b>Information and communication technology (ICT)</b> | <i>Is extensional term for information technology (IT) that stresses the role of unified communications and the integration of telecommunications (telephone lines and wireless signals) and computers, as well as necessary</i>   |

|                                  |   |
|----------------------------------|---|
|                                  | <i>enterprise software, middleware, storage, and audio-visual systems, that enable users to access, store, transmit, and manipulate information.</i>  |
| <i>Marketing strategy</i>        | <i>Is a business's overall game plan for reaching people and turning them into customers of the product or service that the business provides. The marketing strategy of a company contains the company's value proposition, key marketing messages, information on the target customer and other high-level elements.</i>                        |
| <i>Payroll</i>                   | <i>The term is commonly used to refer to the total amount of money that a company pays to its employees, a company's records of its employees' salaries and wages, bonuses, and withheld taxes.</i>   |
| <i>Profit</i>                    | <i>Is a financial benefit that is realised when the amount of revenue gained from a business activity exceeds the expenses, costs, and taxes needed to sustain the activity.</i>  |
| <i>Profit and loss statement</i> | <i>Is a financial statement that summarises the revenues, costs and expenses incurred during a specified period, usually a fiscal quarter or year.</i>  |
| <i>Return on Equity (ROE)</i>    | <i>Return on equity measures a company's profit as a percentage of the combined total worth of all ownership interests in the company.</i>  |
| <i>Seasonality</i>               | <i>Is the presence of variations that occur at specific regular intervals less than a year, such as weekly, monthly, or quarterly. Seasonality may be caused by various factors, such as weather, vacation, and holidays and consists of periodic, repetitive, and generally regular and predictable patterns in the levels of a time series.</i> |
| <i>Social media</i>              | <i>Are interactive computer-mediated technologies that facilitate the creation and sharing of information, ideas, career interests and other forms of expression via virtual communities and networks.</i>  |
| <i>Social networking</i>         | <i>Is the use of internet-based social media programs to make connections with friends, family, classmates, customers and clients.</i>  |
| <i>Yield</i>                     | <i>Refers to the earnings generated and realised on an investment over a particular period of time, and is expressed in terms of percentage based on the invested amount or on the current market value or on the face value of the security.</i>   |

## **Annex**

*Financial plan for tourism MSEs, complementary material for unit 6.1 (see attached Excel document).*



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