TOURISM PRODUCT CLUB IN GENERATING THE VALUE CHAIN

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Abstract: The increasing dynamics and turbulence of the tourism market encourage cooperation, networking and synergy in identifying competitive advantages based on innovation (speed) in order to create new value for the modern tourists. The paper explores the tourism product club as a response to the challenges of the 21st century tourism in the optimization of value chain and logistic processes aiming at permanent innovation of the tourism product. The goal is to provide a unique experience and emotion at minimum cost, multiplying the profit which will be reinvested in new intangible resources (information and knowledge) in the process of achieving excellence and product recognition. The paper examines the types of stakeholder associations aiming at valorising natural prerequisites and turning them into competitive advantages in the achievement of sustainable and responsible development. It synthesizes and builds on the theoretical and applied knowledge on the development of tourism product club and value chain management excellence and their interaction. The paper further investigates the potential interests and benefits for the stakeholders based on a new business philosophy of cooperation and value chain management. It presents the limits and proposals for the implementation of tourism product clubs in Croatian tourism. Tourism product club represents a new and insufficiently explored concept in both theory and practice; the results of the research can be implemented in the development of a specific and recognizable destination product and value chain optimization.

Key words: tourism product club, value chain, enterprise, management, innovation

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Introduction

Tourism of the 21st century sets new business postulates based on various forms of cooperation and active creation of the future. The complexity of tourism product development and profiling requires a multidisciplinary and interdisciplinary approach, as well as innovation management based on the synergy of stakeholders and entrepreneurial initiative in the creation of new values and value chain optimization. The dynamics of stakeholders’ interrelations, conditioned by external challenges, must result in improving the managerial functions and new, innovative solutions based on research and knowledge in order to create new values in an increasingly competitive environment.

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Contemporary Collaboration Trends and Development

Tourism is changing rapidly; the boundaries in creating new content are disappearing and the tourism product of the future is impossible to predict. The changes on the market bring new competition, new tourist destinations with innovated tourism products and services. The tourists seek more demanding and complex tourism products, personalized service, emotion and experience. Tourism becomes an industry of events, experiences, active holidays, culture and traditions (sustainable development), unique experiences, personalized offer and original content. In line with the rapid changes, tourism offer is forced to become actively involved in shaping the future.

Globalization and modern tourism trends encourage partnership, strategic alliances, joint ventures, coalitions, cooperation, collaboration and joining in generating new solutions. The successful pursuit of most forms of human endeavour involves networking between various interests for the achievement of common aims (Prat Forga and Canoves Valiente, 2014). There are many similar divisions of advantages and motives for networking and collaboration. It strengthens the resource base, ensures a better negotiating position on the market, the exchange of experience and knowledge, joint market performance, increased specialization, and generating new ideas. Collaboration also implies the following (Hall, 2000): broad comprehensive analysis of the domain improves the quality of solutions, response capacity is more diversified, the risk of impasse is minimized, the process ensures that each stakeholders’ interests are considered in any agreement, the potential to discover novel, innovative solution is enhanced, relations between the stakeholders improve, cost associated with other methods are avoided. The motives for company mergers and acquisitions are: entering new markets, increased market share, expansion of the portfolio of products, eliminating competition, access to new supply and distribution channels, developing new products, achieving economies of scale and scope (Lazibat et al., 2006). Integration and collaboration must aim at the realization of particular goals through the success of business venture. Business collaboration and integration (vertical, horizontal and diagonal) will be transformed into four categories of network organizations for the future (Cooper and Hall, 2008): internal networks, vertical networks, inter-market networks, and opportunity networks. Tourism product club is an example of collaboration and cooperation as the driving force of development in tourism.

Theoretical Determinants of Tourism Product Club

Tourism product club is new concept in world tourism. The first tourism product club was established by the Canadian Tourism Commission's Product Club by joining entrepreneurial initiatives and tourism companies in the development of a specific product in 1996. The purpose of tourism product club is to stimulate a meaningful, goal-oriented process of balancing the dynamic interactions of all stakeholders. Product club partnerships come in a number of forms (Cooper and
Hall, 2008): vertical linkages – with suppliers, industry sector linkages – such as wine tourism product club, in-market links – through travel trade distribution channels, regional linkages – as a particular destination, thematic linkages – based on particular product themes, non-traditional linkages – products developed by a particular community.

Tourism product club ensures benefits for the stakeholders, tourists, local population and the destination. Generic benefits produced by a tourism product club to members are (EC-Europa, 2016): greater market opportunities and income at a lower cost, increased market penetration with less individual effort, better forecasting of seasonal demand, increased certainty for market shares, increased competitiveness, increased credibility, and improved business image. The benefits for the tourists include: higher quality and more complex product, a unique experience, a personalized and more dedicated approach to tourist, more emotion for money. The benefits for the destination are: a high quality, more innovative integral tourism product; unity and cooperation of stakeholders in the realisation of the vision; greater destination potential; the possibility of destination rejuvenation; branding and repositioning; the use of distribution and promotion channels of all stakeholders. The importance of tourism product clubs comes to the fore in the development of selective forms of tourism, and the totality of sustainable and responsible destination development. Parallely, the brand of the tourism product club has the potential to become the key brand and the synonym for the destination.

Main results of the implementation of a tourism product club are (EC-Europe, 2016): improved tourism products and services, increased supply of tourism products and services, collaboration-synergies formed, cooperation) installed, business networks developed between stakeholders and companies, increased competitiveness, more innovation, differentiated products and services. The promotion of a tourism product club is based on a new system of values and the affirmation of entrepreneurship and innovation. The diversity of tourism product club stakeholders should turn into an opportunity, since negotiation, consultation and solution seeking open new opportunities for development. The shaping of the future must be based on the methods of creativity (brainwriting and brainstorming) in a synergetic innovation of all managerial functions and development management. One essential precondition is the awareness of the common interest of stakeholders and in recognizing competitors as potential partners. The key lies in deriving concrete benefits from forming a tourism product club in overcoming the problem of a single market approach through the implementation of a new strategic orientation in business dynamics. As a business philosophy of cooperation, tourism product club is oriented toward the optimization of value chain and logistic processes in tourism in the process of achieving excellence.
Specificities of Value Chain in Tourism

The development of tourism is based on value chain optimisation. The definition of value chain has evolved through time, differentiating different definitions and correlations with the logistic processes and supply chain (Mrnjavac, 2010; Vouk, 2005; Dunković, 2010; Christopher, 2011). Christopher (2011) defines the supply chain in a broader sense, as a network consisting of connected and independent companies working together or cooperating in order to control, manage and improve the flow of materials and information, from the suppliers to the end users. The chain does not end with the delivery of the product to the user; customer satisfaction needs to be monitored in order to continuously improve all elements of the chain. It is necessary to define the best concept that will guarantee competitive advantage in the present and the future; from the lowest price (cost leadership) to focus, quality and innovation (speed) as the highest level. The chain is monitored through primary activities (inbound logistics, operations, outbound logistics, marketing, sales and services) and support activities (procurement, research, technology and system development, human resource management and company infrastructure). Through strategic management, it is necessary to define the best concept that will guarantee competitive advantage in the present and the future; from the lowest price (cost leadership) to focus, quality and innovation (speed) as the highest level (only innovation can ensure the leading position). The stability of partnerships in the chain is reflected on the potential to achieve the desired value. Very often chain members exercise power in an opportunistic way to appropriate value for themselves rather than creating better value (Sridharan and Simatupang, 2014.). The value chain is based not only on the material components (the transformation of resources into a product), but also on the management of intangible components (research, transformation process data – information – knowledge).

Tourism value chain is a set of interrelationships, products and services which tourists consume and use in their travel and accommodation arrangements (Horwath, 2013). It includes: informing the potential tourists, transportation, integral tourism product in creating experience, and transportation of tourists to the place of residence. The key difference in the value chain concepts of the tourism industry, when compared to manufacturing industry, is that the customer experiences the chain at first hand as it is the customer that passes from one process to other – rather than the goods in manufacturing – along the value chain (Yilmaz and Bititci, 2006). The specificities arise from the specificities of the tourism market (supply and demand), services and global tourism. One prominent advantage of the value chain management is speed. In order to increase the target market, the value chain requires interaction and linking of companies with all stakeholders (tourists, suppliers, business partners) (Stipanović and Rudan, 2015). Stakeholders in the tourism industry interact which each other to resolve their divergent business objectives across different operating system (Zhang and Song, 2009). The multidisciplinarity of stakeholders and the complexity and dynamics
of relationships should lead to the innovation of managerial functions based on a shared vision and aspiration of each stakeholder in the self-realization of the business venture. The significance of the new strategic orientation in innovative logistics processes in a turbulent environment can be represented by causal loop method. It is an excellent tool for modelling a complex system and thus strategic decision making (Jere Lazanski, 2009; Stipanović and Rudan, 2014).

![Diagram of Causal Loop Model of Value Chain in tourism (hospitality)](Stipanović and Rudan, 2015)

The role of the value chain at the micro level is gaining competitive advantage (Song et al., 2013) through integration of all sub-processes in product creation, with the aim of generating profits. At the macro level, the value chain in tourism is observed at four levels: tourism product planners and designers, tourism products and services suppliers, intermediaries and tourists (Cristopher, 1998).

The success of the chain depends on the inter-organizational management, coordination, cooperation and integration. The value chain must be flexible and adaptable. Managerial leadership and internal process optimization are the primary prerequisites for optimal chain integration; therefore, it is necessary to apply logistics as part of the supply chain management which plans, coordinates, implements and monitors the process within the organizational environment. The value chain is based on the synergy of stakeholders whose success can be multiplied by creating a tourism product club.
Development of Tourism Product Club in Value Chain Optimisation

By definition, both tourism product club and value chain aim at collaboration, association and joint business. The integral tourism value chain allows for the combination, variation, grouping and/or distributing different individual products from different manufacturers (suppliers), in a goal-oriented way that will satisfy the various personal preferences of potential users (Ivandić and Kunst, 2013). The development of tourism product club in value chain optimization must recognize modern tourism trends. The starting points are entrepreneurial initiative, vision and managerial leadership, and the key prerequisites knowledge and information in knowledge management. The greater the knowledge of the trends underpinning tourism development, the greater the capacity of destination management to formulate strategies to achieve competitive advantage for the organisation (Dwyer et al., 2009). Therefore, it is necessary to explore the market, define the target market segment, set an idea and identify the potential stakeholders of tourism product club in creating the value chain. These steps are followed by: setting up organizational structure and management style, creating new values, monitoring and control in order to redefine the ideas and the business venture – i.e. the implementation of managerial functions in profiling the tourism product club (Figure 2).

In order to achieve development, it is necessary to make decisions based on knowledge and continuously stimulate learning and innovation in business. Innovation is the implementation of a new or significantly improved product, process, marketing method or organizational method in business practices (Oslo manual, 2010). Innovative activity is also related with the corporate cultural environment, characterised by the cultural and historical tradition, systems of values, ethical norms and behaviour standards (Pachura, 2012). Innovation must
be part of all tourism product club stakeholders, their management and chain elements in the continual improvement and reaction speed. In the value chain optimization, the implementation of tourism product club can represent the milestone for the development of Croatian destinations.

Possibilities and Limitations of Tourism Product Club in Croatian Tourism

In tourism development, tourism product clubs play an increasingly important role (for example: product clubs for nautical centres Estaciones Nauticos, tourism product club La Toscana). Croatian tourism does not sufficiently recognize the importance and possibilities of joint entrepreneurial action or the creation of tourism product club. In Croatia, there are no scientific papers or development documents on the topic of tourism product clubs. The studies dealing with the integration of enterprises in the tourism industry (either horizontally or vertically) are insufficient.

Looking at the development of Croatian tourism, and considering the Croatian Tourism Development Strategy until 2020, the possibility for implementing tourism product club is the strongest in the development of cultural tourism, creative tourism, gastronomic tourism, rural tourism, sports and adventure tourism. The Croatian Tourism Development Strategy until 2020 proposes entrepreneurial clusters as one possible measure, defined through the following activities: cooperation, exchange of experiences, improvement of service quality through standardization and/or certification, stronger market performance, increased market recognition and the like (Ministarstvo turizma, 2013). According to the Strategy, clusters should be created on a regional basis (total available regional offer for the market of tourist experiences) and/or the production and thematic basis (cluster of winemakers, olive oil producers, cluster of national parks and the like). One example is the creation of Kvarner Health Tourism Cluster in 2014 that includes health institutions that are partly or completely focused on the tourism market. The cluster is directed toward the integration of their offer and joint promotion, applying to public calls by Croatian Ministries and EU funds, education of cluster members, joint research and development, and other activities (Kvarner Tourist Board, 2016).

However, clusters do not provide enough opportunities for integration directed toward the product or the tourists, which could be resolved by creating a tourism product club. The question that arises is: can the synergetic activity overcome the situational problems of Croatian tourism (insufficient differentiation of products and services and a lack of innovative and quality contents for tourists). The answer lies in changing the attitudes and understanding the possibilities of tourism product club, which will be shown on two specific examples in Kvarner destinations. One example of a possible tourism product club implementation is the mountain cycling race 4 Islands MTB Stage Race, which connects 4 Croatian islands into a single product: Krk, Rab, Cres and Lošinj. The race includes 270 km of demanding trails and more than 5000 m climb for 4 categories of participants: male pairs over 45
years old, male pairs younger than 45, mixed pairs and female pairs (TZ Baška, 2016). The success of the concept is confirmed by the number of participants (in 2015, there were 200 participants and in 2016, a list of 400 participants was filled two months before the event). The key to the establishment of a tourism product club is the cooperation of all stakeholders (Adriabike, 2016) – the main organizer, Adria Bike Group - HD Navigatio (organizer of cycling events – Female MTB Baška, Adria Bike Marathon Plitvice), Tourist Board, local government, hoteliers, boat owners, sponsors with the inclusion of new stakeholders (renters, domicile travel agencies, …) in the value chain optimisation based on the creation of a new offer for participants and their families. Tourism product club provides an opportunity for the synergy of all stakeholders and destinations (all stakeholders should actively participate in the development of the entrepreneurial initiative of the main organizer – specialized agency HD Navigatio) and for achieving the best possible promotion and valorisation of natural resources in the process of rebranding and repositioning of the islands as competitive outdoor destinations (Event advertising was found to have a positive effect on people's attitude toward the hosting destinations. The effects of event advertising on peoples' attitude toward the destination are greater if the destination is relatively unknown) (Sungsoo and Jongwoo, 2016). The event must be continuously innovated and improved since the participants seek something new and different with each new arrival. Kvarner is known for its carnival events (e.g. Rijeka Carnival, “Balinjerada” in Opatija, etc.) which independently represent great events in the period of extremely low occupancy rates. The consideration of creating the Kvarner Carnival as a tourism product club should start (the phase of tourism product club forming and functioning) with the definition of potential partners (each micro-destination of Kvarner provides its own peculiarities, and the stakeholders are very different – tourist boards, hotels, restaurants, associations, etc.), setting up the organizational structure (horizontal, teamwork), management (through Tourist Board Kvarner or otherwise), leadership (especially important in the creation of this tourism product club due to the specific offer (parades, balls, concerts, burning the carnival figure – Pust, culinary offer etc. ), creating new value (joint action enables the creation of new value for the potential tourism market and a new recognition of the existing offer elements), monitoring and control in order to achieve re-innovation (innovation of managerial functions). Through this segment of integration and joint action of the existing stakeholders and offer elements, destination Kvarner can, via tourism product club Carnival, reduce its basic problem – the pronounced seasonality. Based on research, motivation, collaboration and realization of all stakeholders, the reconception of development needs to be focused on innovation in the value chain in order to produce a unique experience and achieve tourist satisfaction in the process of repositioning.
Conclusion

In generating competitive advantage, both tourism and the economy of the 21st century define the postulate of size (grouping and collaboration) and speed (innovation). The questions that arise are: the question of development management and value chain management, and the ways of valorising the given resource base in defining an innovative product that will be differentiated from the competitors and that will identify the increasingly demanding, specific tourist needs in the present and the future. Cooperation and collaboration based on knowledge and research, implemented into the synergy of a tourism product club and the value chain, as well as the interaction, motivation and self-realization of all stakeholders, can generate new tourism values based on innovation and excellence. This paper shows and proves the complexity of the relationships between the stakeholders and the necessity of a strategic management and leadership based on innovation in the operating strategies and in gaining competitive advantages. In future research, theoretical considerations need to be developed and built upon, allowing for research focused primarily on entrepreneurship (especially small) and the local population in tourist destinations that have not yet directed their activities toward an integrated performance on the tourism market or new models of development management. Tourism product club and value chain innovation have not yet been implemented into Croatian tourism (research limitation). In future research, the model can be applied in the development of specific products and the realization of the synergetic effect for the stakeholders, tourists and destination, based on innovation of managerial functions.

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KLUB PRODUKTU TURYSTYCZNEGO W TWORZENIU ŁAŃCUCHA WARTOŚCI

Streszczenie: Rosnąca dynamika i turbulencje na rynku turystycznym zachęcają do współpracy, tworzenia sieci i wykorzystywania synergiei w identyfikacji przewag konkurencyjnych opartych na innowacyjności, aby stworzyć nową wartość dla współczesnych turystów. Artykuł analizuje klub produktu turystycznego jako odpowiedź na wyzwania turystyki XXI wieku w optymalizacji łańcucha wartości i procesów logistycznych, mających na celu trwałą innowacyjność produktu turystycznego. Celem klubu jest dostarczenie unikalnego doświadczenia i emocji przy minimalnych kosztach, pomnożenie zysków, które będą reinwestowane w nowe zasoby niematerialne (informacja i wiedza) w procesie osiągania doskonałości i uznania produktu. Artykuł analizuje rodzaje zrzeszeń interesariuszy mających na celu waloryzację naturalnych warunków, zamieniając je w przewagi konkurencyjne w osiąganiu zrównoważonego rozwoju. Artykuł ponadto bada potencjalne możliwości i korzyści dla interesariuszy, na podstawie nowej biznesowej filozofii współpracy oraz zarządzania łańcuchem wartości. Przedstawia ograniczenia i propozycje dotyczące realizacji klubów produktu turystycznego w turystyce chorwackiej. Klub produktu turystycznego reprezentuje nową i niewystarczająco zbadaną koncepcję zarówno w teorii, jak i praktyce; wyniki badań mogą być implementowane w rozwoju konkretnego i rozpoznawalnego produktu, destynacji i optymalizacji łańcucha wartości.

Słowa kluczowe: klub produktu turystycznego, łańcuch wartości, przedsiębiorstwo, zarządzanie, innowacyjność

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