
Speculation on the Future of Destination Marketing Organizations (DMOs): A Conceptual Discussion Paper

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Purpose

To stimulate thinking about the ways the structure, function and focus of Destination Marketing Organizations (DMOs) might evolve in response to both changing needs within the tourism system and external change drivers.

Summary

This paper argues that the rationale underpinning the formation of DMOs, i.e. the need to undertake collective marketing on behalf of their supplier constituents, is being weakened by modern information technologies; the shift in power to people and communities; competition for public funds; competition from other agencies; the need for destinations to pay more attention to management and conservation issues than has been necessary in the past; and a fundamental shift in the way we understand how societies and economies work.

Established service sectors such as the music, newspaper and advertising industries are experiencing tough times as a result of similar forces. DMOs are unlikely to survive the next decade unless they harness these change forces to their advantage.

There is no suggestion that DMOs are no longer necessary – in fact in a global network, places, which act as hubs in a network, are competing even more fiercely than ever before. But the nature of work, organizational structures and the allocation of resources can be expected to change radically and encompass some or all of the following features in varying combinations:

1. DMOs will adjust to the new and still emerging paradigm/mindset and worldview that recognizes that economic activity runs less like a clock work machine based on static, interdependent parts that can be dissected and manipulated, and more like a complex, organic system comprising self-organizing, interdependent agents that create value through their interactions. They will recognize they are not running “value chains” but orchestrating multiple communities.
2. DMOs will need to do less and enable more by deploying Web 2.0 technologies to create digital platforms to facilitate community-wide collaboration with the goal of ensuring the community is smart, and resilient. They will learn to harness the energies of all members of the tourism community to enable their destination to reach and entice more visitors and persuade them to return and refer.
3. DMOs will do less push marketing. They will promote less, and attract more.
4. Integration – visitor marketing will be integrated with place marketing.
5. More focus will be placed on visitor and supplier support to ensure the guest experience generates positive referrals.
6. DMO’s primary task will be to grow the collective intelligence of the destination community and enhance its resiliency, creativity and vitality.
7. The functions of the various levels of DMO (provincial, regional, community) will be rationalized and some duplication eliminated.

8. The M in DMO will increasingly stand for Management as they recognize that many of the “inputs” on which they depend (land, landscapes, hospitable/welcoming people, diverse and different cultures) are finite and fragile, must be protected, and need to achieve the highest rate of return.

Destination Marketing Organizations – Definitions and Historical Context

The future of DMOs cannot be considered without an understanding of the historical context and an appreciation for the factors which have combined to create a complex and complicated system of tourism-related organizations.

At its simplest, a destination is a place where people want to BE and, as such, a destination can be an inward investment location, a leisure site, resort or a retail destination (e.g., a shopping mall). It can even be a building or a street, a city, a country or a continent.

A tourism destination is a place travelers and tourists wish to visit for a variety of purposes.

While from the tourists’ perspective the destination is a subjective construct existing in their minds with fuzzy geographical boundaries, from a supplier and resident perspective it is a PLACE with administrative boundaries that are sharply delineated.

Destination Marketing Organizations emerged concurrently with mass tourism in order to promote visitation to a place. They initially were city or community-based organizations established to take care of visitors already attracted to the place, or to attract more visitors to it. Many were originally named Convention and Visitor Bureaus.

Because DMOs were created by suppliers of tourism products and services, their geographical scope matched the places to which the suppliers felt most aligned and which matched political boundaries.

While DMOs initially appeared as community-based organizations, visitors’ mobility meant their perception and experience of a destination encompassed multiple communities. Partly in response to this reality, regional tourism organizations were formed to differentiate and promote a collection of communities. As tourism grew in economic importance in terms of tax revenues, jobs and “foreign” exchange, state/provincial and national governments saw the benefits to marketing even larger geographical areas that, again, were aligned with political boundaries.

Thus, hierarchical networks of DMOs developed over time throughout the world and Canada is no exception. The Canadian Tourism Commission (CTC) is the national DMO responsible for attracting visitors to Canada; each province and territory has its own marketing agency and “beneath” that, with varying degrees of connection and accountability, exist both regional and community-based marketing agencies.

DMOs are primarily marketing organizations – intermediaries designed to bring buyers (visitors) in contact with sellers (providers of tourism products and services). This intermediary role was essential because prospective buyers could not pre-test the product nor return it if unsatisfactory. Similarly, independent suppliers lacked the ability and resources to reach markets located at some distance from the point of consumption. The latter agreed (by default) that it was both necessary and sensible to create demand by first promoting a place and then creating a desire to visit. Having generated demand for a place (i.e., identified prospects), suppliers could then compete for their share of that market. DMOs flourished because they reduced the friction in a marketplace associated with high transaction costs and high risk.

For the purpose of this analysis, the following definition of destination marketing has been applied:

Destination marketing is a proactive, visitor centered approach to the economic and cultural development of a destination, which balances and integrates the interests of visitors, service providers and the community. Source: DMAI **Futures Study**, Karl Albrecht

Traditional and core DMO functions encompassed:

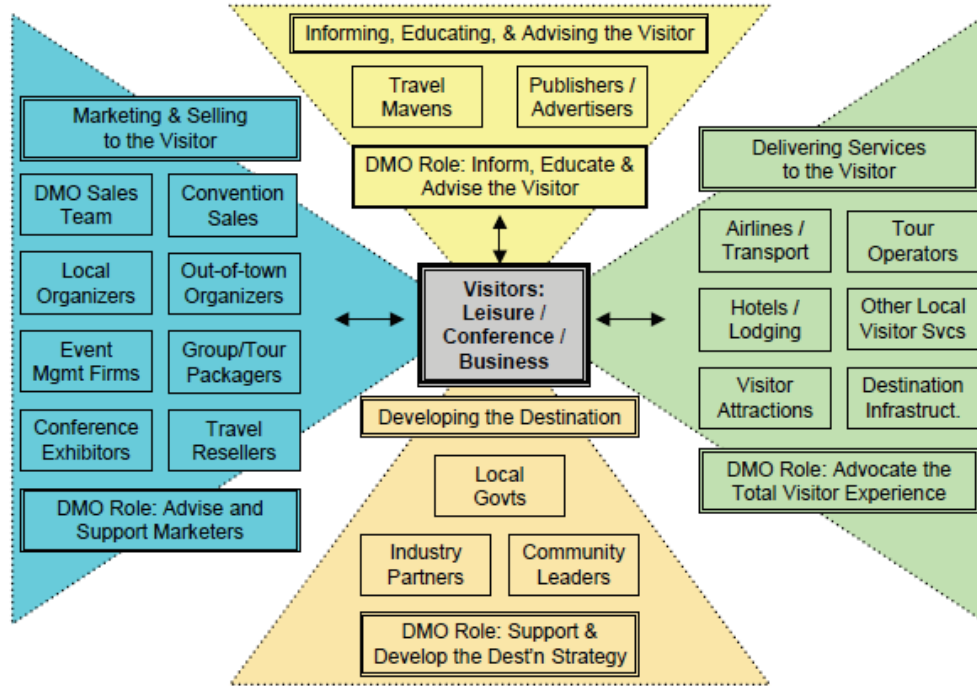
- a. marketing the destination as attractive to visitors (i.e., generating prospects) through traditional marketing and promotional activities – branding, advertising, media production, etc.);
- b. providing suppliers with market intelligence plus cost effective access to distribution channels (tour wholesalers, travel media and online channel); and
- c. providing some level of support to the visitor at the destination (information leaflets and visitor centres).

As tourism evolved as an economic phenomenon dependent on an adequate supply of inputs such as labour, natural resources, infrastructure and financial capital, it became apparent that a number of other key functions were needed, including:

- a. forecasting and planning;
- b. product development – attracting financial capital; developing social capital;
- c. infrastructure development;
- d. policy formulation;
- e. advocacy and advice; and
- f. impact evaluation.

Over time, some of these functions were undertaken by DMOs; in other cases they were performed by other organizations that ranged from government departments (e.g., the Ministry of Tourism, Parks, Culture and Sport) or sector associations (e.g., Saskatchewan Outfitters Association).

The figure below provides a generic outline of the functions undertaken by most DMOs, regardless of their geographical scope.



Source: DMAI **Futures Study**, Karl Albrecht

The spatially hierarchical nature of DMOs (i.e., the existence of national, provincial, regional and community-based DMOs) inevitably leads to potential duplication; the need to delineate roles and responsibilities; and the need for personnel to be open to collaboration and integration.

Three further complicating factors that influence the scope, functions and inter-relationships between DMOs are markets, stakeholders, and what can best be described as “people issues”:

- a. **Markets:** each destination attracts a unique mix of visitors that can be categorized in a variety of ways (trip purpose, origin, demographics, activity, trip type, party composition, etc.) Generally speaking, national and provincial DMOs focus on and are more effective in international markets where knowledge of the destination is limited. Regional and community DMOs focus on attracting visitors coming from regional and close-in markets. Similarly, community-based DMOs, which have facilities such as convention centres and exhibit space to fill, tend to focus more on sales and lead generation than provincial bodies.
- b. **Stakeholders:** While DMOs are accountable to similar sets of stakeholder (industry supplier, government/resident, and visitor), their relative importance varies according the DMO’s position in the hierarchy. Thus, provincial DMOs have a greater responsibility to the provincial community as a whole and may assume responsibility for policy, impact, capacity building and management; while community-based DMOs, which also derive funding from individual supplier businesses, are more directly accountable to the supporting business community (i.e., distributing information about their businesses’ products, generating leads, etc.).

- c. **People Issues:** Destinations are not only about places but people who take on different roles while interacting with it according to circumstance. While DMOs tend to focus on visitors (people who do not live in the destination), the viability of a destination depends on residents who welcome and support visitors, as well as on students, entrepreneurs, investors, immigrants, event creators and people of influence – leaders, celebrities, film producers – who can create awareness of the destination in their own right. Each of these types of individuals has a stake in the destination. Their roles are often interchangeable – a visitor becomes an immigrant or investor; a business traveler returns to buy an apartment which he rents out to friends as a vacation home. Each has his or her own network of connections who may be persuaded to visit. Thus, the destination marketing function inevitably involves far more than the staff of a DMO or the employees of a tourism enterprise. It also relies on significant people skills and a capacity to collaborate and harness the energy of this diverse population.

It must also be remembered that DMOs are not the only agencies with a stake in the marketing of a place or the welfare of tourism-related suppliers. Each place also has personnel responsible for economic development or inward investment or a combination of the three. In many cases, agencies formed to support these functions operate separately from the DMO. Similarly, each sub-sector within tourism (accommodation, attractions, events, activities) has its own needs to ensure the fiscal and regulatory environment is favourable or it attracts the attention it believes it deserves, and has created “sector associations” designed to perform functions such as advocacy, collective purchasing, capacity development, etc.

Why Will or Should DMOs Change in Form and Function?

Nearly 60 years have passed since mass tourism emerged as a high growth phenomenon and, since that time, literally thousands of DMOs have been formed around the world to promote visitation to a particular place.

The structure, form and function of most DMOs have remained much the same despite enormous and fundamental changes occurring in the broader economic and social systems in which these organizations are embedded.

Western societies like Canada now run multiple economies in parallel: resource-based extraction; manufacturing; service; knowledge/creative; and most recently an emerging experience economy. Fundamental changes are also occurring within each of these economies that affect their structure, operations and relationships. Tourism is being affected by these changes and the scale and speed of change is outlined in a chart available from Desticorp. www.desticorp.typepad.com/files/my-changing-world-1-6.pdf

Seven key change drivers and their impacts may be summarized as follows:

a. **Information Technology Enables Global Connectivity and Digital Platforms that Mirror Reality**

The digitization of information and the falling costs associated with its manipulation and electronic distribution have transformed the way tourist-related experiences can be marketed, promoted, distributed, explored, experienced and transacted.

Unimaginable improvements in computer processing power and speed, combined with open source, interoperability (the automated ability of machines and systems to talk with one another), miniaturization and the proliferation of personal and professional computing devices are revolutionizing the way travel is bought and sold. The problems of distance (separating buyer from seller) have been virtually eliminated, and consumers enjoy access to near perfect information instantly and continuously.

Since its emergence in 1993, the Internet has become the preferred channel for researching and planning. According to the Phocuswright Consumer Travel Survey, 51% of US travel was

booked online in 2007, and it projected that percentage to increase to 56% in 2008 and 60% in 2009.

DMOs are essentially brokers/intermediaries which do not have product of their own to sell. They act as content brokers, using information in text, numeric, and image form, to attract visitors, support their selection of products and services, and enrich their experience. Given the paramount importance of content in the travel sales process and that all forms of travel-related content can now be digitized, manipulated and distributed electronically, effective use of technology has become of paramount importance to destinations. As Marshall McLuhan foretold, “the medium has become the message” and content and channels are merging:

“The traditional boundaries of media and entertainment have become meaningless. Today, almost every business and social activity is a form of media. An increasing proportion of our social interactions happen across media channels. Every organization is now a media entity, engaged in creating and disseminating messages among its staff, customers and partners to achieve business objectives. As the physical economy becomes marginalized and economic value becomes virtual, media encompasses almost everything.”ⁱ

While it is true that pervasive digitization has been around for nearly 10 years, DMOs have changed relatively little – most have websites and some are interactive. But the current change goes far deeper than simply “going digital”. A new electronic infrastructure (hardware, software and rich content from multiple sources) is needed to support the efficient two-way exchange of content, transaction value and market intelligence. To quote Alan Moore:

*“The new digital economies have removed the need to decide between rich content or its reach. Today, you can get both. This changes essentially everything. It changes the way customers can access information and changes the way they use it. It changes the way business can communicate with their customers and it also changes how they might go to market. It changes the linkages between channels....It also offers competitors the chance to rethink their business strategies and attach your business model”.*ⁱⁱ

Most of us are now aware that over its brief 12-year history the Web has morphed from a static, digital publishing tool (a one-to-many broadcasting tool) to a fully interactive **collaborative platform** (a tool supporting many-to-many conversations).

What is also becoming clear is the value of a network originates in the data that can be amassed about those conversations. While this data about people, products and places is the stuff of place marketing and management, it is increasingly possible that individuals and enterprises outside tourism will spearhead innovations. The following quote is from Tim O’Reilly the Internet expert who coined the term Web 2.0.

*Web 2.0 is all about collective intelligence - applications that depend on managing, understanding, and responding to massive amounts of user-generated data in real time. **The “subsystems” of the emerging internet operating system are increasingly data subsystems: location, identity (of people, products, and places), and the skeins of meaning that tie them together.** This leads to new levers of competitive advantage: Data is the “Intel Inside” of the next generation of computer application. See [OReilly on Web 2.0 Summit, 2009](#)*

Suppliers need to develop new digital marketing and interactive skills to take advantage of the electronic marketplace. Those that do not will fall behind. The DMO’s role, therefore, is increasingly one of capacity building, ensuring all members of the tourism community can use the Web as a collaborative platform.

Most of the technology that has been applied to travel since the emergence of a commercial Internet in the late 90s, has been deployed by and benefited the small number of industrialized, vertically integrated, often large, multinational companies and chains that were already using the airline GDS as distribution channels. The online travel agencies such as Expedia and Travelocity cater to the same market as their predecessors such as Sabre and Amadeus. But in most destinations, especially relatively rural destinations like Saskatchewan, the majority of suppliers are independently owned, small, niche providers. Recently recognized as “the long tail of tourism”, these niche providers are the ones fuelling the distinctive, unique memories of events and activities that surpass visitor expectations. Yet it is this end of the tail that has been left on its own to struggle to keep up with and fully benefit from the Internet revolution.

*Devices, communications and industries are all converging into one vast space for doing business. This is **the flow economy**, in which all value is based on the flow of information and ideas. Companies must continually reposition themselves in this flow economy both to meet new competitive challenges from unexpected quarters, or to take advantage of the massive emerging opportunities...Every company must think of itself as no longer belonging to any particular industry but simply a participant in the flow economy.ⁱⁱⁱ*

If a destination is to convince visitors it can offer a unique set of distinctive experiences that reflect a specific place, the DMO will need to think of itself as less of a marketer in the promotion sense and more of an orchestrator. Creation of an agile, flexible, electronic platform that enables collaboration, distribution, cross selling, intelligence gathering and exchange to occur will be essential.

b. Marketing Is Being Turned Upside Down – from Push to Pull; from Promotion to Attraction

DMOs grew in number during the late 1950s, at a time when manufacturing dominated the economy and wealth creation. DMO business models and management processes were borrowed from industrial activity that dealt with the extraction, processing and manipulation of materials to produce higher value goods that could be shipped and sold to consumers to meet needs and desires.

Thus, DMOs were founded on the notion that a place and the services associated with that place could be treated as a product; i.e., branded, packaged, priced and promoted to different classes of visitor (market segments) based on purpose (business or leisure), origin or activity.

Traditional methods of marketing, advertising and branding that DMOs have emulated from other economic sectors are increasingly ineffective and tend to deter rather than attract customers, and undermine engagement.

The proliferation of choice in terms of products and channels has led to a new set of scarcities – customers’ time, attention, disposable income and, more recently, trust. Consumers no longer need to be persuaded to consume because consumption is as essential as breathing in today’s world.

As forecast by the authors of *The Cluetrain Manifesto* in 1999, markets are now conversations. Power has shifted to the consumer so they now both have the power and desire to pull the support they need when they need it and resist offers being pushed at them. The prize now is engagement as customers want to become part of the design and productive process.^{iv}

Technology has enabled a Connected Age in which consumers have permanent connections to trusted peers, friends, and family. They are no longer isolated, passive recipients of information broadcast from a more powerful source, but vociferous members of multiple

communities with the tools to publish, manipulate and share content of all kinds at all times of the day and night. Customers now manage extensive networks of personal influence and have unparalleled levels of reach. Their suppliers, their employees, the residents of a community, investors and even visiting students are now their partners.

DMOs cannot just bolt on a social media strategy and get active on social sites such as Facebook and Twitter to be effective. The change goes far deeper – they must see all marketing and all business as utterly social in nature.

The most important conversations are the ones consumers have about your destination and they cannot be manipulated, only supported by some official body and also by the entire host community.

Markets are fragmenting into units of one. As individuals take trips for a variety of reasons and under different circumstances, the fragmentation and need for personalization and relevance is even more urgent. DMOs cannot use traditional methods to reach this level of customization – they must think collaboration and infrastructure.

In short, thanks to technology, the fundamental rationale for DMO's existence is being eroded. The intermediary function, i.e. the linking of buyers and sellers, can now be undertaken by any and everybody at a fraction of the cost based on an emerging digital infrastructure.

Thanks to the proliferation of information and channels, customer attention, time and trust are much harder to find and keep. Customers trust their peers more than brands and are relying on each other for information, reviews and recommendations. Technology has socialized business and made it possible for others to fulfill many of the roles played by DMOs.

In short, DMOs must recognize that traditional methods of controlling and marketing their brand will generate decreasing rates of return and will likely alienate many customers. Promotion must give way to attraction – staging, being and modeling the kinds of experiences customers seek and providing continuous support and care to convert visitors into zealous ambassadors. Thus, marketing becomes effective experience design and delivery and must engage the entire host community in a collaborative effort from start to finish. This approach implies higher levels of community engagement and consultation or new infrastructures to facilitate and speed collective responses.

c. Emergence of the Creative/Experience Economy

Visitors to a place are not buying products but having an experience that serves a deeper purpose.

While much lip service is paid to the Experience economy, most DMOs organize their content and their functions around “product” lines and take a catalogue approach to content display that requires the customer to do the heavy lifting of search, selection and booking.

Consumers' expectations and aspirations continue to evolve, seeking experiences that are authentic and transformative and delivered in an environmentally responsible and socially just manner. The bar on both customer service and corporate responsibility just keeps rising. In the future, the quality assurance role of the DMO will also increase in importance.

DMOs need to recognize their role is more of stage manager and conductor than promoter. They need to develop and share the tools that enable suppliers of the experience to better understand the deeper motivations and emotional aspirations of the visitor if the host community is to exceed visitor expectations.

Traditional economics, with its need to label and define phenomena, has focused on industrial “clusters”, but this kind of boxed in thinking can miss huge opportunities if it fails to see the connections that link the traditional creative industries (music, performing arts, visual arts, multimedia, new media, software, and architecture) with equally creative activities such as museums, art galleries, homemade, locally produced food products and cuisine, traditional land and animal management practices, boutique hotels, local arts and crafts.

Again it is this proclivity to use the term “industry” to describe what are, in fact, very organic, deeply inter-connected, activities that might be the source of the problem. Even economists are coming round to the view that:

In microeconomic theory industries do not exist. What exists, of course, are agents, prices, commodities, firms, transactions. Markets, organizations, technologies and institutions. These are economically real at the level of any individual agent’s transformation or transaction.
(Potts et al 2008:MS p.2) ^v

While Richard Florida may be credited with drawing attention to the Creative Economy and the power of certain kinds of places to attract certain kinds of creative talent, his focus on urban centres has overshadowed the revival in rural creativity in which tourism has a vital role to play.

The majority of reports on the Creative Economy focus on the role of culture and the arts, software, media, content and design, yet many authors are recognizing that creativity can be applied to virtually all human endeavour. An important working paper from the Martin Prosperity Institute titled *From Kraft to Craft: Innovation and Creativity*, points to the possibilities for tourism. The author distinguishes the older industrial “Kraft” food economy from a new “Craft” economy.

Economic power within the industrial food economy is highly concentrated; food is highly processed and incremental innovation is invested in packaging and marketing; firms are located close to traditional production inputs.

*By contrast, in the new “Craft” economy, economic power is diffused and decentralised from owners or controllers of the means of production to individual, highly creative knowledge workers and extrafirm institutions. Ideally the control of land, resources and capital and dispersed and quality is a measure of taste, terroir (the attribution of a product’s quality and reputation to its geographical origin) and talent of entrepreneurs. The traditional production dimension is important, but **place becomes central to quality food making, marketing and consuming.***

This observation could be applied to tourism to distinguish “industrial” tourism dominated by a small number of large, virtually integrated, chains of enterprises spread across multiple sectors and the large number of small, independently owned niche suppliers of boutique accommodation and diverse attractions, activities and events.

In short, there is an urgent need to blur the boundaries that have been traditionally applied to economic sector analysis, management and stimulus. Counties such as Prince Edward County in Eastern Ontario are experiencing a grassroots economic revival as a thriving, small scale, craft-oriented agricultural community (mixed farms, fruit producers, wineries) which has helped to attract tourism and creative businesses (artists, galleries, film production, design companies).

d. **Changing Economic Realities: Globalization vs. Localization**

Two seemingly opposing forces are at work in modern society: globalization and localization. The former has dominated economic growth over the past 10 to 20 years as companies were able to shift production to cheaper economies, sustain market share by keeping prices lower and ship goods around the world cheaply. Those western economies that could not rely on the extraction and sale of much sought after raw materials (energy, minerals, lumber, food), have had to respond to the shift of high paying manufacturing and knowledge jobs to emerging nations by ramping up creativity and innovation. Places realize their ability to thrive depends on their ability to attract talent and capital to create new business models and even new business sectors. Talent is increasingly mobile and places (especially cities) are now engaged in a fierce “place race” to attract the brightest and most creative of people.

In a highly globalized network of hubs and spokes, places must stand out – brand coherence and differentiation are critical – and all aspects of a business community must work together more effectively to enhance their attractiveness, communicate a distinct identity and stage experiences that resonate with that brand identity. The boundaries between tourism and other efforts to attract workers, students and investors and sell exports are blurring fast.

It is important to note in this context that DMOs are no longer the primary body with a vested interest in promoting the place. Other often better funded economic development agencies are now active, be they encouraging foreign direct investment, stimulating trade or immigration (skilled labour). DMOs must assume that a higher degree of integration is both inevitable and beneficial especially given the shift towards experience design and management.

If the globalizing trend continues, DMOs will find that the costs associated with traditional marketing approaches will spiral out of control as precious funds are spread across a larger number of smaller markets. Furthermore, marketplace volatilities (currency exchange, travel restrictions due to terrorism, disease and natural hazard) will also increase and exacerbate potential but shorter, more peaked business cycles (i.e., the boom and bust cycle).

If the globalizing trend continues, increasing numbers of residents will also travel out of the country/province, negatively affecting the net income associated with tourism.

But there is an alternative possibility and a counter force at work. In response to rising energy and other input costs (food, credit) following the current global downturn, the globalization trend may reverse and destinations will need to rely on more local markets less willing and or able to pay premium prices for iconic attractions. They will also be more attracted to less well-known locations that may not be able to offer the levels of service and value desired by these well travelled customers.

Another trend accelerated by the recession is the growing interest in frugality, simplicity and a desire to slow down and not venture as far away from home. This can only assist the development of boutique, niche experiences that cater to more fragmented, smaller, more discerning markets. Faith Popcorn has identified 2010 as **The Year of Lo-Co (Local Cocooning)** as consumers “lighten up, pull in and reduce their radius”. In response to a threatening world, and a frown on all things “big”, Popcorn points to a growing desire to connect at a deeper level which will propel demand for local goods and services.

This is the “long tail” of tourism and the technologies described earlier are now in place to enable fragmented markets to find suitable niche suppliers.

e. **Biophysical Realities**

Four external factors will have a substantial impact on the rate and scope of tourism growth in the future:

- a. *Energy*. Demand for energy is expected to rise by 50% over the next 20 years and fuel costs will follow;
- b. *Demand for food* will rise by 50% and food prices will rise;
- c. *Availability of fresh water* will shrink by 30%; and
- d. *Average global temperatures will rise* and the need to reduce emissions will become more compelling. The cost of dealing with carbon will rise. Climate change mitigation and adaptation will require more emphasis on management and conservation.

Like all other sectors, tourism will need to operate in a low carbon economy and show it is making its contribution to lowering its ecological footprint and using non-renewable resources more wisely.

DMO's environmental record will come under increasing scrutiny and tourism agencies might find it harder to attract international visitation if the overall reputation of the country deteriorates due to policies that are perceived as contravening the will of the global majority.

A small but discerning, demanding, influential and growing group of consumers are seeking lifestyles that eschew excessive consumption and that create a closer connection between producer (preferably artisan) and consumer. The LOHAS^{vi} market (i.e., people following a Lifestyle of Health and Sustainability), which grew during the boom to some 41 million people in the US alone, has been reinforced by those responding to the recession with greater frugality. (See the growing trend toward Local Cocooning described earlier.) Slow travel is another emerging trend. Like Slow Food, the devotees are small in number and they reflect a growing search for simpler, more wholesome, less stressful forms of existence that can only benefit tourism's "long tail".

f. **Fiscal Realities**

Many western nations will find that current levels of national and consumer debt and increased infrastructural and energy costs combined with an ageing population which demands more social and health services may reduce discretionary government funds that have previously been available to support tourism marketing. DMOs will increasingly be asked to integrate their efforts with other agencies. Non-traditional forms of destination marketing that harness the promotional capacity of individuals will become more attractive.

g. **Changing Models and Mindsets**

DMOs were originally formed on the basis that individual suppliers could not reach distant markets cost effectively alone so there were advantages in collective action. Funds were pooled to develop a powerful destination and later brand message that could be broadcast more loudly and persistently. DMOs were tasked with extending an invitation on behalf of their members or constituents. They organized their activities according to function (marketing, sales, planning and research, customer support) and market (international vs. domestic leisure/business travel).

A command and control, top down, planning and implementation organization model that called for design and implementation specialists, strategies, objectives, tactics and evaluation processes was applied as this was the dominant organization paradigm derived from all established institutions. It was the most efficient approach given prevailing technologies (analogue one-to-many communications media).

Over recent years a new and very different paradigm is emerging that sees the destination not as a brand or product but as a community; an open system or network operating within a larger economic and social system. More importantly, huge breakthroughs in Network Science are explaining how communities function, decisions are made and people adapt.

The rapidly increasing ease and speed of information flow is blurring the boundaries of organizations. To survive and thrive, companies must create new kinds of relationships with their customers, suppliers and partners based on transparency, collaboration and value. Unless DMOs harness this knowledge, they will be sidelined by people who do appreciate the power of networks and who have learned how to manipulate them to their advantage.

Space does not permit a detailed discussion of the origins and implications of this new way of thinking; however, readers might find two papers of relevance. In 2001, DestiCorp published a paper called *Shifting Sands: The Tourism Ecosystem in Transformation* which also examined the business drivers and enabling technologies that would change the way travel was marketed and sold. More importantly, it described the characteristics of a Tourism Ecosystem. Another paper, prepared in 2009, addresses a broader range of change drivers but also describes the shift in mindset in more detail. *Beyond Recovery: Transformation!* Both papers are available on request through Western Management Consultants to recipients of this paper.

Given that we are talking about a shift in mindset, the impacts can be expected to be diverse, pervasive, deep and as affecting government, business structures, education, healthcare, politics and the economy.

The following chart, adapted from Atkinson's New Economy Index first published by the Progressive Policy Institute in 1999, still provides a relevant summary of the shifts that are even now changing the landscape in which DMO leaders operate.

ISSUES	OLD ECONOMY	NEW ECONOMY
Economy wide characteristics		
Markets	Stable	Dynamic
Scope of competition	National	Global
Organisational form	Hierarchical, bureaucratic	Networked
Structure	Manufacturing core	Services core
Source of value	Raw materials, physical capital	Human and social capital
Business		
Organisation of production	Lower cost through economies of scale	Flexible production
Key drivers of growth	Capital/labour	Innovation/knowledge
Key technology driver	Mechanisation	Digitisation
Source of competitive advantage	Lowering cost through economies of scale	Innovation, quality speed along the whole supply chain
Importance of research/innovation	Low-moderate	High
Relations with other firms	Go it alone	Alliances and collaboration ('winning by sharing')
Consumers		
Tastes	Stable	Changing rapidly (promiscuous)
Skills	Job specific skills	Broad skill & adaptability
Education needs	Craft, skill, degree, one off requirement	Lifelong learning
Workplace relations	Adversarial	Collaborative
Nature of employment	Stable	Risk & opportunity
Government		
Business-government relations	Impose regulations	Encourage growth opportunities
Regulation	Command and control	Market tools, flexibility
Government services	Nanny state	Enabling state

The table above is clearly an over simplification of a much more complex progression of change that has occurred over a 60-year period. A timeline chart available from DestiCorp (www.desticorp.typepad.com/files/my-changing-world-1-6.pdf) provides a more comprehensive indicator of the ways this movement from an old to new economy has manifested itself. Many destinations contain aspects of all stages, operating simultaneously and side by side.

How Might DMOs Change in Response to These Drivers?

While it is pure speculation, we can expect DMOs will have to respond in the following ways and to varying degrees.

1. Change Their Perception/Mindset

The first step is the hardest as it involves a change in the way DMOs see the world and their part in it. As stated earlier, DMOs were formed when the industrial paradigm, which saw destinations as “value chains” or some form of assembly line operating on industrial principles, dominated. Successful adapting DMOs will see reality differently, perceiving their destination as a network of self organizing agents who like to work independently but who need to collaborate and differentiate while offering visitors some level of consistency in their experience. They will recognize that the management levers that worked in the old economy are not suited to a networked economy where facilitating more connections and “creating the conditions for creativity to emerge” will produce more and better results over the longer term than trying to market and sell from a central organization.

Furthermore, simply because DMOs do not work in isolation – they are systems embedded in bigger systems – the pace with which this change in perception can occur will vary from one jurisdiction to another according to which perceptual shift diffuses throughout society at large. Governments, for example, also operate in an old, adversarial, party-political system that relies on hierarchical models of organization, limited power distribution and “command and control” styles of governance. Results have to be achieved within time frames that are fiscally and politically determined.

2. DMOs will Do Less and Enable More

Given this crucial shift in perception, and its response to the realities of an electronic marketplace, DMOs will need to focus on developing an enabling, digital infrastructure (hardware, software and skills) that enables and encourages intelligence gathering and knowledge sharing so all members of the tourism ecosystem have access to real time market and performance information and are able to adjust product offerings, up sell and cross sell with speed and ease.^{vii}

This infrastructure will resemble a “business web”, a concept developed by Don Tapscott that we (DestiCorp) call a “Destination Web” and that can be defined as:

–An electronically inter-connected community of autonomous but interdependent export oriented enterprises that collaborate in order to provide value to visitors, inward investors, local exporters, tourism providers and benefits to the host community.

–This community uses a connecting infrastructure that enables the brand to be experienced consistently across all touch points, enables a mutually beneficial exchange of value and ideas between participants; and provides an ability to assess performance and productivity.

Another way to describe this destination web is as a “neural network” that links the neurons and enables exchange of intelligence within a human body. The objective is to encourage the emergence of a more adaptable, flexible, connected community that grows in collective intelligence through each individual interaction with the customer and in response to external forces.

Having developed an infrastructure, digital platform, that mirrors the workings of the tourism community, the DMO can “lose weight” and become more virtual and less physical in form. Activities that are currently duplicated through the four hierarchical levels (national, provincial, regional and local) can be eliminated.

Many of the labour intensive tasks currently undertaken (e.g., brochure and website production and management) can be semi-automated or rendered as obsolete (the user will assemble their own information “on the fly” from a multiplicity of sources that have been quality assured by the DMO).

A network of quality assured knowledge specialists (located whether in the destination or around the world) can be made available to visitors to help them plan the perfect trip. The need for centralised and highly expensive call centres will diminish. These specialists will be drawn from the destination community (residents, suppliers, visitor enthusiasts, foreign students, interested employees of businesses in travel and other sectors).

Emergence of such a neural network will occur only when certain conditions are met – all suppliers need to be digitally connected, have the capacity to use the online tools effectively, and be committed to sharing information across the network for their own personal benefit and to increase the intelligence and resilience of the whole. Thus, there is need for a technological plan plus a shift in culture. Both can occur spontaneously and are occurring sporadically in many destinations. The role of the DMO of a winning destination is to articulate the vision, smooth the path to its adoption and accelerate this process.

3. DMOs will do less Push Marketing. They will Promote Less and Attract More.

Traditional marketing methods have involved developing a message, pushing it to consumers and interrupting their activities and concentration. The DMO of the future will have learned this is counter productive. The task is to engage all members of the host community, including visitors, in positive conversations about the community and to enable its host members to be able to invite and support visitors throughout all stages of their “experience journey” (i.e., before, during and after their trip).

Engagement of the host community means a lot more than providing branding guidelines and acting as brand czar or policing an artificial message.

DMOs will continue to contribute to the formation of the brand’s messaging and to articulate its features, but they will do so in a different way. Instead of farming brand development to an agency, they will involve all aspects of the destination community in identifying their values and aspirations and expressing the essence of the place, its people, its past and its present. This process will mean identifying the type of tourism the community wants, what it will and will not tolerate, and how fast it can grow without compromising the quality of the experience for all stakeholders.

For example, if it wants to attract a high tech customer (i.e., the future employees of growth companies like Google and Facebook), it will ensure their needs are met in high-tech facilities (ubiquitous broadband, wifi, telepresencing, etc.). Similarly, if it wants to attract people associated with green technologies and businesses it will commit itself to a robust program of ensuring the tourism businesses are achieving the highest standards of environmental responsibilities. Telling potential customers you are green will be unnecessary because the facts and buzz will speak for you.

Attracting means being and modelling the attributes of the brand, not describing and promoting them. It means living the brand. It means more emphasis on product development and encouraging innovative ways of expressing the brand's values. It implies a much higher level of engagement with both suppliers and customers than most DMOs are used to. Fortunately, today's Web, the new collaborative platform, is enabling that engagement to occur more speedily, at greater depth and for less cost.

4. **Integration and Alignment**

Because communities/places will continue to figure more prominently in the global competition for talent, investment and capital, DMOs (especially those funded by the public sector) will work more collaboratively with or be absorbed by agencies responsible for inward investment and economic development.

Duplication of brands and marketing effort will not be tolerated while the need for strong, cohesive, unique brands will continue to rise. In a very crowded marketplace of "places", resource pooling, integration and alignment of community effort will be essential.

5. **DMOs will Engage and Support both Suppliers and Visitors More During and After Their Experience.**

The shift in power and influence to the customer has occurred such that DMOs can use both visitors and other community partners to do their work for them. The so-called urban myth of "six degrees of separation" has now been confirmed as one of the laws of network behaviour. A small number of individuals (major hubs) can now influence large markets and use today's cheap and powerful content publishing and distribution tools to reach masses of consumers. Anyone and everyone in a destination community can act as an intermediary linking buyers and sellers. In this context, the role of the DMO is to ensure that: a. visitors are incentivised to speak positively about the place in question; b. they have easy access to a rich storehouse of content from which to tell their stories; and c. their stories depict the destination accurately.

To do this, DMOs must become platform builders instead of promoters.

Two additional areas of technology development are now entering their prime: mobility and video. A third, complex and semantic search is evolving quickly. DMOs do not have sufficiently deep pockets to keep pace with these developments in terms of investment and innovation but they can act as diffusers/distributors and accelerate the process whereby they are adopted by the suppliers in their community.

DMOs have traditionally concentrated on the task of attracting visitors and less on supporting visitors during and after their trip. If the quality of a visitor's experience is what determines their propensity to recommend and the propensity to recommend is the factor that determines future visitation, then we can expect DMOs to place greater emphasis on customer support at the destination. In a mobile, networked age, this is not likely to mean more fixed information centres. Rather, it will mean more information delivered to systems in the vehicle, handheld PDA devices, cell phones and similar new mobile devices that are yet to be developed.

Most suppliers at the destination develop and sell products (rooms, meals, airline seats, etc.) which form a small part of the individual's total experience. The only entity that can and should focus on that total experience on behalf of the customer is the DMO. In the future, we expect DMOs to become more focused on working with their suppliers and the community to design and stage experiences that match the visitor's aspirations. In countries like Finland, for example, the National Centre of Excellence focuses exclusively on experience design.

DMOs can continue to play a key role as distributors but in a different way. For example, instead of each supplier trying to master Search Engine Optimization and source supplemental content, the regional DMO could undertake this task on behalf of their members.

6. **DMOs primary task will be to grow the intelligence of the destination and enhance its creativity, resilience and vitality.**

If Tim O-Reilly is right (see quote on page 6), and Web 2.0 is all about collective intelligence, and if destinations are networked systems, then it pays to make the system more intelligent (able to anticipate change, become more resilient to shocks, and better able to create value).

Most DMOs rely on analogue systems of intelligence gathering (paper based surveys; desk research, sampling) that suffer from time delays and various degrees of bias.

Real-time intelligence gathering from front-line employees who interact with customers on a daily basis is now possible but few DMOs have instituted systematic and sophisticated systems for taking the pulse of the market in real time. Pervasive adoption of the smart phone, for example, will dramatically affect the way customer intelligence is captured at the point of experience.

We know visitors are now more willing and able to share information, especially with each other. They want to be engaged as “prosumers” feeding back suggestions as well as receiving them.

Suppliers need to be convinced of the benefits of greater data sharing. This represents a major cultural shift as individual suppliers have seen their peers as competitors in the past. But a shift in culture could have enormous beneficial impact on the overall effectiveness of a destination community competing in a global marketplace.

7. **Rationalization**

Deployment of Web 2.0 technologies will enable the rationalization and streamlining of functions between community, regional, provincial and national DMOs.

National and provincial DMOs will continue to market their national brands but will be able to make use of content generated from the community and regional DMOs. The CTC’s **Locals Know** program is a great and current example of this. The CTC is, in effect, providing a platform on which a variety of parties (provincial, regional/city DMOs, local residents can supply content. It is in an early stage of development and much of the content still has the “official” tone to it, but there is no reason why any DMO could not use it to significantly enrich content about a wider range of experiences and places.

National and provincial DMOs should assume responsibility for infrastructure design and development and enabling the regional and community DMOs and their members to have access to the tools needed to manage and market their destinations and build supplier capacity. **National and provincial DMOs should build the technology engines that regional and community DMOs can use to assist and support their operators, assisting them in the creation of exceptional experiences for their guests.**

8. **The M in DMO will increasingly stand for Management**

Since tourists consume limited resources associated with their trip occurring in a specific place and time, there are built in limits to visitors’ quality of experience if growth continues uninterrupted.

Congestion alienates residents which makes a destination less attractive and impairs enjoyment by the visitor who would prefer a sense of exclusivity.

Furthermore, there are growing costs associated with the delivery of the experience due to a growing recognition that tourism consumption produces waste (emissions, effluent, polluted water) and consumes non-renewable resources. As all sectors of the human economy face up to these biophysical realities, pressure on tourism to show it is reducing its ecological footprint and contributing to the need to reduce wealth disparity will increase.

Products, places and people are increasingly being evaluated on their environmental credentials at a time when the web is demanding and supporting the highest levels of transparency.

Simon Anholt^{viii} observes that three aspects of reputation have become critical:

- Perceived **environmental credentials**;
 - Perceived **competence and productivity in technology**; and
 - Attractiveness as a place of learning and economic and cultural self improvement** (in other words, the destination as a setting for personal advancement).
- If this is so, then can and should the DMO act as a change agent to ensure such attributes are achieved in a community?

IMPLICATIONS AND POTENTIAL ACTION RECOMMENDED FOR SASKATCHEWAN

Many of the change drivers discussed above can create enormous opportunities for Saskatchewan as they essentially flatten what has been a highly uneven competitive landscape.

Compared to some provinces, Saskatchewan does not enjoy the same intensity and diversity of product development, many, diverse and large established urban centres, nor has access to large marketing budgets. It does, however, have an established network of agencies responsible for tourism development and marketing such that with greater focus, rationalisation and collaboration, combined with more effective use of technology, Saskatchewan could experience huge productivity increases.

Whereas most strategic initiatives have traditionally been designed and developed “at the top” through policy and programs and then filtered down through regional DMOs to industry participants (members), we can expect to see more grassroots initiatives, greater community self-determination and the emergence of more collaborative, fluid structures and processes enabled by today’s democratized technologies and connectivity.

In order to harness the change drivers to the advantage of tourism in Saskatchewan, every level of organization will need to focus and collaborate and both “top down” and “bottom up” action.

Provincial Government

1. **Vision and Strategy:** The Government of Saskatchewan needs to articulate the role it expects tourism to play in the long-term development of the province’s economy and the quality of life afforded its citizens. This will mean taking a more integrated approach to tourism as a contributor to economic development and encourage its integration with community development, inward investment, and the attraction of talent and capital. From a sectoral perspective it will mean enabling more cross over linkages between tourism and agriculture and food (farming, culinary crafts, farmers’ markets, slow food, crafts, festivals, music, art), all forms of culture and creativity (in the broadest sense), personal growth, health and wellness, land management, etc.
2. **Enabling Infostructure:** The provincial government can play a major role in facilitating the development of a digital “infostructure” (connectivity, hardware, software and skills) needed to enable Saskatchewan’s tourism industry to compete internationally and become smarter and more resilient. This is not an activity that traditional marketing agencies are best equipped to undertake and it requires the involvement of technology and connectivity

companies and is as important as ensuring the province has adequate roads, rail terminals and airports. This initiative requires a systemic approach that looks at the entire destination community, the role content plays in attracting and supporting visitors, the potential for streamlining intelligence gathering and creating an online, virtual community that mirrors and supports the offline community of tourism providers.

3. **Human Capacity:** The development of human capacity to exploit the opportunities of “the flow economy” and exploit emerging opportunities of operating in a connected world is also needed. Two of Saskatchewan’s strengths are its people and lifestyle – mastery of skills that lead to efficiency can support and enrich the capacity for welcoming friendliness and a relaxed, laid back lifestyle. It is understood that the majority of tourism enterprises are small, and lifestyle operations and marketing expenditures are very low. Today’s technology is now available at very low cost but the provider does need to invest a little time to become aware of the tools available and learn how to use them in a digital economy. Saskatchewan has the opportunity to leap frog over other destinations that had to invest heavily in proprietary systems and expensive channels.
4. **Product/Experience/Community Development.** The long-term viability and sustainability of any destination rests on its ability to develop an attractive and distinctive sense of place that naturally and authentically supports a range of experiences that, in turn, produce happy customers who evangelize and return. Thus, virtually all successful tourism occurs in communities where there is a clear sense of who they are and whom they wish to attract and serve. This community-driven development process often needs support, encouragement and guidance that a provincial body can only facilitate through education, skills development and supportive funding, but not engineer.
5. **Destination Management.** Whether to combat climate change, to reduce dependence on fossil fuels, or to minimize ecological footprints, all economic sectors will be under increasing pressure to act in an environmentally responsible manner. We can expect the tourism community to be asked to measure and reduce its carbon emissions. Governments will also require that the costs as well as benefits associated with tourism be tracked and reduced. While we will continue to see individual businesses respond to these pressures by taking actions to improve their sustainability, there is still a need for vision and leadership from the Province and the provision of both incentives and disincentives to accelerate adoption of sound sustainable practice.

Individual Operators

At the frontline – where the visitor has an experience – it is the operator’s responsibility to deliver highest perceived value and ensure guests recommend their experience to others and possibly return to the province again.

To do this, operators need to be aware of the changing expectations of consumers, be in a position to upgrade and improve the experience through investment in physical plant and people, and need to attract those visitor whose profile and preferences best match what the operator has to offer. The latter is a marketing activity. Saskatchewan tourism enterprises are small, operate on thin margins, and are unable to spend much on marketing. But unless they are actively present on the Internet, and know how to be found and are bookable, their future chances of success weaken every year as travel and tourism demand is catered to almost exclusively online. Fortunately, today’s technologies (hardware, connectivity and software) are relatively cheap and continue to decline in cost and increase in power. Software is increasingly available on the Net as a service for limited or no up front charges – payment only occurs when the desired goal (a click thru or a booking) is realized. Such tools are now designed on a “plug and play” basis and require very low levels of technical competence to use. ^{ix}

The marketing tools needed by these small operators are relatively straightforward and readily available. In order to market their individual business, such operators essentially need:

1. *Content management tools* – the ability to digitize, compile, and aggregate relevant content about their offering and supportive information about the destination (text, data, still images, videos, tags) that can be presented via a number of channels (own website, a catalogue of listings and other online agencies such as the regional and provincial DMO, online travel agencies, tour operators, etc.
2. *Inventory management and sales tools* – to manage the products and services (rooms, tours, tickets, lessons, rentals, etc.) and the rates at which these units are to be sold and to make it possible and easy for customers to pre-book.
3. *Customer Relationship Tools* – the ability to maintain records about prospects and past customers and communicate with them through various media and channels.

But since individual operators only supply a small piece of the customer's total experience in a destination like Saskatchewan, some method of being able to up sell and cross sell would be desirable. Hence the need for a "destination web." For example, it should be possible for a small hotel located near a National Park, where there are numerous outdoor activity operators, to be able to include information and even booking services for such attractions or activities on their own accommodation website.

Use of such tools is considered essential if tourism operators wish to participate in the network economy. They do not replace, but enhance the roadside sign or brochure which dominated marketing in an analogue world.

Regional Destination Marketing Organizations (regional and city-based DMOs)

These are the organizational entities closest to the tourism supplier and the customer. They should become the primary channel through which services (e.g., education/capacity building or research dissemination) is undertaken. Their task is to:

1. differentiate the region or city within the overall Saskatchewan brand and market their region – primarily to close in and domestic markets;
2. link buyers (visitors) with sellers (suppliers) by providing access to relevant content and the tools to search such content in a way perceived as useful and meaningful to the customer;
3. ensure the information supplied is accurate;
4. assist suppliers to upgrade their marketing and service skills by delivery programs, information and programs developed provincially;
5. reach out to other constituencies such as residents, visitors, local businesses and ensure they have the tools and content needed to extend an invitation to visit the region;
6. ensure the whole needs of the visitor are met before, during and after their actual trip;
7. identify areas with greatest potential for generating customer satisfaction and future growth and work with Tourism Saskatchewan and the Ministry to further plan the marketing and development of tourism in the province;
8. disseminate useful market intelligence and act as a channel for delivery of services to suppliers; and
9. identify gaps in supply.

In a digital, networked economy, the regional DMO is primarily responsible for ensuring it has a supply of rich, relevant, accurate and attractive content about a full spectrum of tourism experiences in the destination and the means to ensure content is widely accessible to any party that could either consume or re-distribute that content. The key to success is developing as many partnerships and alliances with a diverse range of partners that could include local businesses, resident communities, visitors, students.

While each tourism operator should be responsible for the quality and completeness of the content that describes their offering and be required to adhere to provincially established standards, the regional DMOs are in the best position to undertake Quality Assurance programs and to deliver the digital content about the region to Tourism Saskatchewan in a format that enables widespread, onward distribution.

Tourism Saskatchewan

The provincial marketing agency will continue to be responsible for positioning Saskatchewan as an attractive province within Canada and actively pursue international and international markets. In international markets its activities and branding will be tied to the Canadian brand as developed by the CTC; in Canada it will develop and communicate a strong identity through working with the regions and communities.

In response to the change drivers outlined in this paper, Tourism Saskatchewan would be advised to develop and strengthen the collaborative capacity of the tourism network; i.e., enable and support the exchange of information and skills between leading tourism communities, associations and regions. The “destination web” or “infostructure” would enable more free flowing data and idea flows. In other words, brand and marketing strategy development would be developed more from the bottom up than imposed from the top down.

The Regional Marketing Organizations will be key partners as they offer access to tourism providers, their content and their market intelligence. The role of Tourism Saskatchewan will be to aggregate, synthesise and re-distribute such intelligence to the benefit of the whole.

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ENDNOTES

- ⁱ *The Future of Media* report, July 2008, Future Exploration Network
- ⁱⁱ Alan Moore, <http://smlxtralarge.com/workshops/no-straight-lines-marketing-communication-for-the-21st-century/>
- ⁱⁱⁱ *The Flow Economy*, Chapter 7, *Living Networks*, Ross Dawson,
- ^{iv} *Marketing in the New Economy: When Push Comes to Pull*, Anna Pollock, DestiCorp, 2002 – available: <http://desticorp.typepad.com/files/push-pull-1.pdf>
- ^v Jason Potts, Stuart Cunningham, John Hartley & Paul Ormerod (2008) “Social network Markets: a new definition of the creative industries” *Journal of Cultural Economics* (submitted) Available: www.paulormerod.com/pdf/Potts%20et%20all%20SNM%20as%20published.pdf
- ^{vi} LOHAS <http://www.lohas.com/about.html>
- ^{vii} *Shifting Sands: The Tourism Ecosystem in Transformation*, Anna Pollock & Leon Benjamin, DestiCorp, April 2001:
- ^{viii} Simon Anholt’s Introduction in *The Handbook on Tourism Destination Branding*, World Tourism Organization and the European Travel Commission, 2009
- ^{ix} Two companies that offer software as a service to small tourism enterprises are Guest Centric (accommodation) and RezGO (attractions, activities and tours).