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**Jacek Borzyszkowski**

Koszalin University of Technology, Poland

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### **The significance of promotion in Destination Management Organizations' activities**

The present articles covers basically two issues. The first one concerns the understanding of the DMO and a discussion (based on scholarly literature) as to whether in the case of this organization, the word "M" stands for "marketing" or "management". The views of various scholars concerning the definition of DMOs and the nomenclature are presented. The further part of the study constitutes an attempt to provide an answer to the question as to what the significance is of promotional activities (based on an analysis of the DMOs' expenses). This was done based on the results of research carried out in relation to a sample of 168 European DMOs from 23 countries. It was found that promotional operations still constitute an essential (and frequently leading) sphere in the functioning of these organizations.

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Jacek Borzyszkowski  
Department of Tourism  
Faculty of Economics  
Koszalin University of Technology  
Poland  
Phone: +48 606 320 940  
E-mail: [jacbo@wp.pl](mailto:jacbo@wp.pl)

**Mr Jacek Borzyszkowski, PhD**, is a lecturer at the Koszalin University of Technology. His main research areas include tourism, in particular: tourism policy, organization of tourism, tourism management, marketing in tourism. He is interested in Destination Management Organizations' activity, e.g. national tourism organizations (NTO), regional tourism organizations (RTO), local tourism organizations (LTO) and convention bureaus (CB).

## **Introduction**

DMOs are rightly referred to as leaders and primary tourism entities which are responsible for the development of tourism at a given destination. This mainly results from the role which is attributed to them (Gartrell, 1994; Middleton, Clark 2002; Pawlicz 2008). Increasing numbers of studies related to the operations of these organizations are appearing in scholarly literature. However, as suggested by Pike (2004), not much research had been carried out in connection with DMOs until recently. At the same time, he emphasizes that in many cases, DMOs play an essential part in the development of tourism in the world. The interest that has been increasing over the past years in the functioning of DMOs allows one to find that on one hand, the significance of these organizations is more and more recognized and, on the other hand, the expanding literature resources facilitate a better understanding of the essence of DMOs' operations.

One may observe that individual authors differ in the interpretation of the DMO name: concerning "M", some talk about "marketing" (destination marketing organizations), while others refer to it as "management" (destination management organizations). The primary goal of this study is an attempt to find an answer (at least in part) to the question: which formulation is more adequate? The supporters of the formulation of destination management organizations claim for example that over the past years, DMOs have undergone a number of transformations, and from typically marketing organizations, they have been transformed into entities with a comprehensive approach in the sphere of tourism management (Presenza 2005).

For this purpose, the author has carried out research which allowed him to define what the significance is of promotional activities in the hierarchy of DMOs (based on an analysis of the expenses on the part of DMOs in question). Thereby, it was assumed that the leading role of promotion could not prove the legitimacy of the use "management" in the DMO abbreviation. Obviously enough, this assumption is very general and cannot provide an

explicit answer as to whether a DMO is a marketing organization or an organization in the area of management.

### **Idea of DMO: Destination *marketing* organizations and destination *management* organizations**

A review of various scientific and other studies demonstrates a significant diversity in the understanding of DMOs (regardless of the fact whether this concerns the formulation of “marketing” or “management”). DMOs are defined by the World Tourism Organization (UN-WTO) as “(...) those organizations which are responsible for management and/or marketing of individual tourist destinations” (World Tourism Organization, 2004, p. 3.). According to Gretzel, Fesenmaier, Formica and O’Leary (2006), DMOs are non-profit entities which aim at the generation of the visits of tourists in a given area. Padurean (2010) speaks about an organization which is responsible for the management and coordination of all the activities in a destination including planning and promotion. According to Majewski (2007, p. 178) these are “(...) organizations which are responsible for the coordination and supporting of the activities of all the entities involved in the marketing of destinations”. According to van Harssel (2005), DMO mean organizations that lead a community’s hospitality and tourism industry and are often a driving force behind local economic development plans. Pike (2008) states that the DMO is the organization responsible for the marketing of a destination. This therefore excludes separate government departments that are responsible for planning and policy, and private sector umbrella organizations.

A partial answer to the question as to whether in the case of DMOs one can talk about “marketing” or “management” can be obtained by studying the scope of the activities of these organizations as presented by various scientists.

A review of definitions that specify the DMO frequently indicates the most important tasks of the organization. The World Tourism Organization (2004) speaks about management

or marketing, Padurean (2010) indicates comprehensive management while at the same time emphasizing the element of planning and promotion. Morrison (1998) also speaks about promotion, yet Beritelli and Reinhold (2010, p. 137) state that DMOs are “(...) a mirror of all the organizational aspects of a destination”.

Presenza (2005) points to a strong evolution of DMOs over the recent years. According to him, the current orientation of these organizations as typically marketing ones has transformed over the past several years into entities with a comprehensive approach in the sphere of tourism management. Thereby, DMOs can be referred to as “the developer of destinations” that serves the purpose of an “expansion” and development of tourism. Presenza, Sheehan and Brent Ritchie (2005) take a similar formulation into consideration. According to them, DMOs were historically treated as organizations responsible for marketing, yet due to a number of transformations in the scope of their activities, there was an evident expansion of their competences including those in the scope of management. Crouch (2007) points that in the case of DMOs, “M” stands for comprehensive “management” rather than merely “marketing”. The range of the activities of DMOs is considerable. It involves not only strictly marketing activities but to a significant extent it concerns any undertakings in the area of destination management (Borzyszkowski 2011). Hence, it can be accepted that in many cases, the majority of tasks which are the result of activities in the scope of the development of a competitive destination, are attributed to organizations of the DMO type.

The problem of finding out whether regarding the DMO name one should talk about marketing or management was presented by Batarow, Bode and Jacobsen (2008). They believe that the presentation of marketing issues was formed historically. However, at present one can talk about other tasks that are realized and fulfilled by DMOs. These include above all the following:

- product management: including consultancy, booking services, personnel development, product development,
- management of the region: building of partnership in the destination, sustainable development, attracting new investors etc.

An analysis of those formulations which are provided by individual scholars is equally interesting. Such an assessment can be carried out by studying the titles of scholarly studies concerning DMOs. The formulation of “marketing” is used among others by: Gretzel, Fesenmaier, Formica (2006); Kaplanidou, Vogt (2004), Mendling, Rausch, Sommer (2005); Pike (2004); Kamann (2008); Ford, Peeper (2008); Pike, Murdy, Lings (2011); Xiang, Pan, Law, Fesenmaier (2010); Zach (2012). The form of “management” is used among others by: Batarow, Bode, Jacobsen (2008); Brodback, Mesterheide, Säger, Wiethoff, Yeboah (2008); Presenza, Sheehan, Brent Ritchie (2005); Bakucz (2008); Manente, Minghetti (2006); van Harssel (2005); Elbe, Hallén, Axelsson (2009); Woodside, Sakai (2009). To sum up, in scholarly literature, there is no complete consensus as to the formulation which should be used when referring to DMOs. Some, when referring to this issue, talk about marketing and indicate promotion (or more broadly: marketing) as the basic sphere of activities. Others say that the present-day DMOs are those organizations that deal with the broad management of a destination.

### **Research methods: Data collection and data analysis**

The variety of ways to understand DMOs leads one to a broader analysis of this issue. It is worth a while to pose this question: does the DMO acronym refer to marketing or management? It is hard to find an explicit answer. As indicated above, individual scholars accept different approaches to this issue. The primary argument they present is the scope of responsibilities and tasks realized by DMOs. The author made a decision to find an answer to this question. He accepted that if promotional activities still remain the leading objective of

DMOs, one needs to talk about destination *marketing* organizations. The author is aware of the substantial limitations of this assumption. Firstly, it refers merely to the sphere of promotion. Other activities related to destination marketing are to be excluded. Secondly, the author is not analysing the area of non-marketing activities that are related to destination management. Nevertheless, by showing the importance of promotion in DMO activities, the role of marketing can be presented. The research was carried out for this purpose.

In the period from January 2013 to March 2014, the author carried out research with the use of a questionnaire. The research was conducted via e-mail (by sending questionnaire forms to appropriate organizations). The research was carried out in January (2013) and repeated three times (September 2013, January 2014 and March 2014). In total, 168 replies were obtained from DMOs that represented 23 European countries (Austria, Belgium, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Great Britain, Hungary, Latvia, Lithuania, Luxembourg, Monaco, Montenegro, Poland, Serbia, Slovakia, Spain, Sweden, Switzerland). Out of these, 13 were national organizations, 69 regional organizations and 86 local organizations.

For the purpose of an analysis to cover the needs of this study, the organizations under examination were asked to respond to a question regarding information on expenses related to promotion in the whole budget structure (in %). An answer to this question allows one to determine the importance of promotion in the overall expenses on the part of DMOs. One may accept a priori that in those organizations where promotion is the dominant element of expenses, DMOs are of a strictly marketing nature (and so one may talk about destination *marketing* organizations).

## Results

As mentioned above, the primary objective of the research was to determine what portion of the budgets of the DMOs in question is constituted by expenses for promotion (Table 1).

Table 1. Expenditures on promotion in the budget of DMOs (in %)

No.	Range	Number of organizations
1.	0-10%	14
2.	11-30%	32
3.	31-50%	52
4.	51-70%	49
5.	71-90%	21
6.	91-100%	0
7.	Average value	52%

Source: Author's research.

On average, the organizations examined assigned 52% of their expenditures on promotional activities. It is worth noting that the greatest part of them (52; 31%) allotted from 31% to 50% to promotional activities. It is also important that as many as 58% (98) of the organizations spent a maximum of half of their budgets on promotion. The data presented above demonstrates that promotional activities constitute in many cases a very important sphere of the operations of DMOs, even though it is difficult to explicitly indicate that it is a dominating sphere.

As 42% of the organizations spent over half of their budgets for promotion, it is in these cases that one can speak of DMOs as organizations with a dominant promotion (marketing) agenda. For this reason, in these cases one may talk about typical destination

*marketing* organizations. Of course, this is a significant generalization, although it shows that promotion is not of the greatest importance to all the organizations (considering the structure of expenses).

While referring to the results above, it is worth indicating that those results that concern expenditures related to promotion are of a strictly objective nature (they follow from the real state of affairs).

### **Discussion and limitations**

Can one conclude that DMOs are organizations primarily oriented towards marketing? The analysis carried out above provides a partial answer to the problem presented in the introduction. It was demonstrated that expenditures incurred in relation to promotion constitute a very important part of all the expenses that are incurred by the organizations. It is difficult to determine whether this is a dominating item, yet the fact that on average 52% of all the expenditures are allocated to promotion is a very high result. It needs to be remembered that the organizations examined were asked to indicate expenditures on *promotion* and not on *marketing*. Thereby, the remaining strictly marketing elements, such as e.g. activities in the product sphere, were not taken into consideration here. Thereby, it can be estimated that in this case, these values were on many occasions (considerably) higher. The data presented serves to confirm in part the research results obtained by Kamann (2008) in relation to a group of 61 European DMOs – the average DMO in Europe has an annual budget of <5,000,000 EUR and allocates most of it towards the functions of promotion and destination branding, both being considered as the core functions of a DMO. Generally speaking, many studies point to marketing as the most important sphere of expenses on the part of DMOs. For example, the research conducted by the author in relation to a group of 12 European national tourism organizations (NTO), which covered their expenses in the period

of 1996-2002, proved that in 10 organizations, expenses for marketing exceeded 50% of the budget, and the mean value was 63% (Borzyszkowski 2005).

The results presented above are burdened with certain limitations (e.g. the selectivity of the data). In the case of expenditures related to promotion, data covering one specific year was used (in the majority of cases, the organizations supplied data for the year 2013). Were it possible to analyze the above data in a certain time perspective, it could then be found (or not) whether these expenditures were increasing. This would certainly give a better picture of the real situation. It is also worth mentioning the fact that individual organizations may adhere to different ways and methods to determine the structures of individual costs, including those related to promotion. For one organization, the cost of an employee who deals with promotion is included in the total costs of promotion, and for another organization, this is not the case. This means that the results obtained can in some cases take into consideration various elements of promotion costs.

To conclude, the analysis carried out cannot explicitly confirm that in the case of DMOs, the growing role of activities in the scope of destination management is not evident. However, the research demonstrated that promotional (marketing) activities are still an essential area (and for some, the leading area) of the functioning of DMOs. The author wishes to clearly emphasize that these results do not absolutely support the postulate that in the case of DMOs one can speak about “management” or “marketing”. He only desires to emphasize that the role of promotion is still strong and this situation should remain like this in the coming years. However, this does not exclude the possibility of other activities being “strengthened” (e.g. within the scope of management).

The research results, although they do not determine the role of destination promotion or management in DMO activities, may be of significant importance both to scholars and to the tourism industry. The discussions included in the present study serve to supplement the current research concerning the functioning of DMOs in various states. The results present

above all the role of promotion in many organizations from 23 European nations. The research results may be treated as a partial answer to the question as to whether DMOs are marketing (promotion) oriented or destination management oriented organizations. For the tourism industry, the research results indicate the current promotional efforts on the part of many DMOs. They may therefore constitute some indications for DMOs as to the planning of the organization's expenses, including those related to promotion. The author hopes that they will become a contribution to further studies in various aspects in this area.

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