Andriotis, K. (2001). Strategies on resort areas and their lifecycle stages. *Tourism Review.* 56 (1/2), pp. 40-43.

STRATEGIES ON RESORT AREAS AND THEIR LIFECYCLE STAGES

DR. KONSTANTINOS ANDRIOTIS

Home address: Ionias Street 14, 713 05 Heraklio Crete, Greece

Telephone: +30 810 288 976, E-mail: andriotis@angelfire.com

STRATEGIES ON RESORT AREAS AND THEIR LIFECYCLE STAGES

ABSTRACT

In the business level there are many empirical studies suggesting various market/product strategic options. There are also four stages of product lifecycle (introduction, growth, maturity and decline). The pattern of the product lifecycle can be utilised as a framework for examining the changing environment of a destination in relation to the expansion of tourism. Stages of destination development include: exploration, involvement, development, maturity and decline or rejuvenation. The specific features of each stage of a destination's lifecycle call for different strategies. Bearing this in mind, it is the aim of this paper to examine the usefulness of strategies risen in the business field for resort areas and their lifecycle stages.

Keywords: Resort lifecycle, strategic options

1. INTRODUCTION

In the tourism literature there are few theories or models pertaining to strategies for destination development. Most thought on strategic options has risen in the business field. In this respect, empirical studies of general strategic practices have presented a wide variety of popular strategic tools and techniques for the fulfilment of development objectives, using various market/product strategic options. As a result, it is reasonable and interesting to search the literature on corporate strategy for lessons on effectiveness and performance measures for destinations.

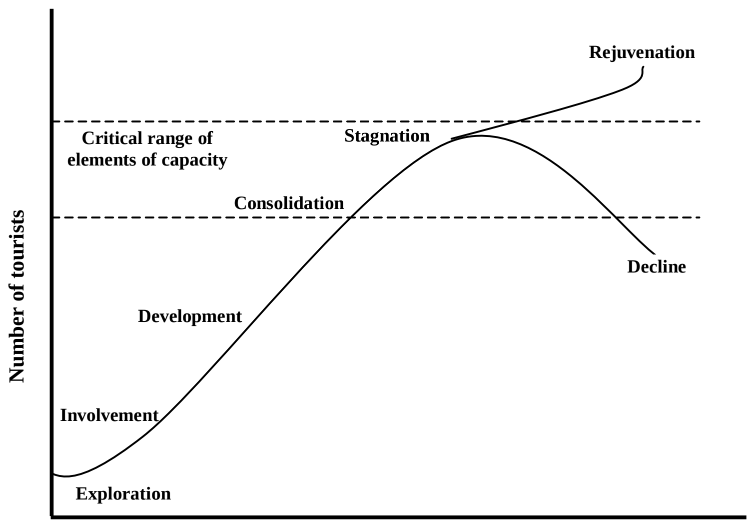
From empirical studies (e.g. Kerin and Peterson 1980; Reid 1989; Cokayne 1991) has been suggested that product sales and profits experience a series of stages ranging from 3 to 5. However, four stages are more frequently presented: introduction, growth, maturity and decline. The pattern of the product lifecycle can be utilised as a framework for examining the changing environment of a destination in relation to the expansion of tourism. As Knowles and Curtis (1999, p. 88) reveal “resort destinations are viewed as products that experience a series of evolutionary stages in consumer demand and product development”. According to Farrell (1992) destinations review and adjust their strategies according to the stage of the lifecycle they are. As a result, it is interesting to consider the impact of corporate decisions and strategies on resort areas and their cycles (Debbage 1990).

It is the aim of this paper to examine the usefulness of strategies risen in the business field for resort areas and their lifecycle stages. In doing so this paper consists of three sections. Section one reviews evolutionary stages of a destination lifecycle. Section two presents strategic options for application to each stage of the tourist area cycle, and section three provides conclusions.

2. EVOLUTIONARY STAGES OF RESORTS

Many authors (Gilbert 1939; Defert 1954; Cooper 1990; Choy 1992; Ioannides 1992; Douglas 1997; Tooman 1997; Russell and Faulkner 1998; Johnston 2001) have attempted to illustrate the various stages of resort evolution through the concept of the lifecycle. However, Butler (1980), based on the product lifecycle concept and previous work on resort evolution, developed one of the most widely accepted models of the hypothetical evolution of a tourist area. According to him, resort areas undergo an evolutionary cycle of six stages (Figure 1):

Figure 1: Hypothetical evolution of a tourist area



Source: Butler (1980).

Exploration: is characterised by small numbers of visitors discovering a destination, making individual, non-institutionalised travel arrangements. At this stage, the provided facilities are used and owned by locals and the numbers of tourists are restricted by lack of access and facilities.

Involvement: is characterised by greater and perhaps regular visitations. At this stage community begins to adapt to the tourist trade, advertising to attract tourists can be anticipated, pressures may be placed on the public sector to provide infrastructure, and seasonal patterns emerge.

Development: is marked by the development of additional tourism infrastructure and the appearance of well-defined and regular market areas, stimulated by extensive advertising to attract tourists. The numbers of tourists at peak periods far outweigh the size of the local population and local involvement and control of development declines rapidly.

Consolidation. The rate of increase in the number of visitors declines, although total numbers are still on the rise and exceed permanent residents. "A well delineated business district has taken place, some of the older deteriorating facilities are perceived as second rate", and local efforts are made to extend the visitor season and market area (Agarwal 1992, p.196). A major part of the local economy is tied to tourism, and native residents may find some negative effects.

Stagnation. This stage witnesses peak numbers of tourists as capacity levels are reached or exceeded, with attendant environmental, social and economic problems. Although the resort now has a well-established image, it is no longer in fashion and property turnover is high. Few new establishments open, facilities depreciate in value and local ownership of tourist facilities increases. The end of the cycle is marked by the *post-stagnation* phase which comprises two main options that a resort may follow.

Decline may ensue if the tourist market continues to wane and the resort is not able to compete with newer attractions. Alternatively, the resort may enter varying degrees of *rejuvenation*, through the development of an artificial attraction, by exploiting previously untapped resources, or through renovation.

3. STRATEGIC OPTIONS FOR DIFFERENT LIFECYCLE STAGES

Certain strategies can be taken by developers and planners wishing to maintain or gain the desired position and improve their competitive advantage in each stage of the lifecycle.

3.1 Early Tourism Stage (Exploration & Involvement)

In the early stages of resort expansion the adoption of correct strategies are absolutely necessary in order to forestall future problems. These strategies, directed mainly to growth, include:

- Selling new products/services[1] to new markets (Ansoff 1965). This diversification is the highest risk that the destination can face, since it involves new unknown markets or market segments to be targeted in an attempt to develop new unknown products.
- Building market share. This strategy is appropriate for new products in order to increase their relative market share and become wellknown (Heath and Wall 1992).

3.2 Development

The goal at this stage is to maintain existing demand, reach new customers from competitors and create new products. At this stage, of the resort cycle (as also in the other stages), Porter's (1980; 1985) generic strategies are seen as the most appropriate because of the clarity with which they may explain the process of strategy formulation for resort areas.

- *Overall Cost Leadership Strategy*: A sustainable cost advantage can be developed by destinations, over their competitors, through cost leadership, which does not imply that the destination will market just to the lowest market product or service in the industry. On the contrary, it aims to secure a cost advantage over its competitor destinations, price the product competitively and relative to how it is perceived by customers (Thompson 1997). If this applies, destinations will earn strong profits while attracting consumers at lower prices. As a result, the perceived value of the product becomes the competitive advantage.
- *Differentiation Strategy*: This is considered opposite to the cost leadership strategy for the reason that differentiation adds costs to the product in order to create extra value for which the buyer is willing to pay premium prices. The logic of this strategy is that a destination will be an above average performer if achieves to satisfy visitors unique needs and if the price premium exceeds the extra costs of providing differentiation (Tribe 1997). A differentiation strategy should typically be directed at the creation of a unique product in relation to other competitive products, based on heavy investment in product features, such as technology infrastructure, buildings, landscaping or on intangibles, such as research, customer service, marketing, or the design and image of the product.

- *Focus Strategy.* While both overall cost leadership and differentiation strategies attempt to appeal to the broad market, destinations may also choose to confine their products/services to particular market segments, thus pursuing a strategy of focus or niche, where the tourism product is related to a particular theme or interest group. The destination “gets to know the needs of these segments and pursues either cost leadership or a form of differentiation within the target segment” (Kotler 1994, p.84). Consequently the focus strategy serves this market segment better than competitor destinations.

3.3 Maturity (Consolidation & Stagnation)

According to Martin and Uysal (1990, p.331) “policy at this stage should incorporate measures to retain the status quo. Tourism development is no longer growing and policy formulation should be concerned with preventing decline. This is the ideal stage to be in, and a comprehensive tourism policy should be able to prolong it”. Specifically, strategic options at this stage include:

- Selling new products/services to existing markets, although it is not certain that existing markets will be attracted by the new products offered (Ansoff 1965).
- Maintain market share. Since the destination has a high share of the tourism market, the best strategy for these products would be to maintain or even improve their differential advantage relative to that of competing offerings, e.g. through investments (Henderson 1979).

- Selling existing products/services to existing markets[2] (Ansoff 1965). For a destination the risk of this strategy will be that the number of tourists will be declining each year.

3.4 Post-stagnation

Strategies in this stage are mainly associated with the decision as to whether or not it is desirable to restore or rejuvenate the area so as to make it more attractive to tourism (Martin and Uysal 1990, p. 332). Specifically, as mentioned above, there are two sub-stages:

Decline

In this stage, destinations' inability to differentiate their tourism products has led into 'a product position of commodity' (Gilbert 1984; 1990). In a commodity area, the destination is heavily substitutable, the consumer is unaware of the 'unique benefits or attributes' of the destination and tourist demand is totally dependent on price. In this stage destinations may follow the following options:

- *Harvesting of the product*. This strategy is recommended for products that do not have any potential to capture a large share of the tourism market. Therefore their aim is to drain the highest amount of cash before the final withdrawal of the product (Henderson 1979).
- *Withdrawal of the product*. In case the product is poorly performing without any future potential, the best strategy will be the withdrawal of the product from the marketplace so as to reduce or prevent looses (Henderson 1979). However, this

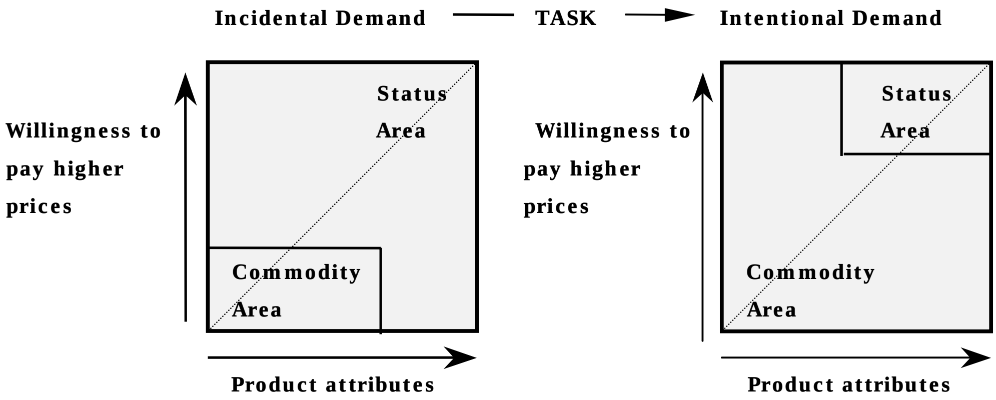
option is difficult to follow for the reason that destinations invest high amounts in facilities and therefore they may prefer to change use of existing facilities.

Rejuvenation

If the decision is rejuvenation of the destination, then effective strategies to delay any decline in its attractiveness to tourists include:

- Extending existing products/services for sale to new markets (Ansoff 1965). For example, a destination that attempts to attract ecotourists may add a new activity to its existing product (e.g. bird watching). Since the market is unknown there is a risk that the extension of the product will be inappropriate.
- Sales, revenue growth and high market share must be earned or bought which requires investment. Sales of a product will only increase, if there is appropriate expenditure on advertising, distribution and development; and the rate of market growth determines the required investment (Henderson 1979).
- Moving from a position of ‘commodity area’ to a position of ‘status area’, by differentiating their products from their competitors, as Gilbert (1990) proposed at his model (Figure 2).

Figure 2: Gilbert's differentiation strategy



Source: Gilbert (1990).

Summarising the above discussion, Figure 2 draws a parallel between the stages of the product lifecycle and the destination lifecycle. It also proposes three types of strategies for each stage of the destinations lifecycle focusing on: 1) product options; 2) market share options; and 3) overall strategies.

4. CONCLUSION

The contributions of this study are twofold. First, it empirically examined the nature of the application of strategic options within the tourist destination development setting. Second, it provided tourism decision makers and planners with some additional insight about successful strategy implementation for each stage of the lifecycle. As Martin and Uysal (1990, p.332) suggest identifying the stage in which an area is positioned is important because different stages require different strategies. However, there is no rule or universal practice to success. Each strategy has its strengths and weaknesses, depending on a destination's circumstances.

The essence of strategy formulation is an assessment of whether the destination is doing the right thing and how it can act more effectively. In other words, objectives and strategies should be consciously developed so that the destination knows where it wants to go in each stage of the lifecycle and take advantage of the rapidly changing market, product, technological and social environments relative to their competitors (Shortell et al. 1985). “Regardless of a destination area’s position in the lifecycle, it is never too late for those in positions of authority to formulate policy and implement management techniques that will ensure them of receiving the maximum benefits from their tourism industry” (Martin and Uysal 1990, p. 332).

Figure 3: Life cycle and strategic options

Product Life Cycle	**Destination Life Cycle**	**Product Options**	**Market Share Options**	**Overall Strategies**
Introduction	Early Tourism (Exploration & Involvement)	Selling New Products	New markets, Building Market Share	Growth, Diversification
Growth	Development	Selling New & Existing Products	Maintain Market Share, Attract New markets	Cost Leadership, Differentiation, Focus
Maturity	Maturity (Consolidation & Stagnation)	Selling New & Existing Products	Maintain Market Share	Conservation, ‘Status quo’
Decline	Decline	Harvest/Withdraw Product	Decline, Nullify	Change Use
	Rejuvenation	Extending Existing Products, Investments in product attributes, Improve quality	New Markets, Make Demand Intentional	Renovation, Move to a position of ‘status area’, Differentiation

REFERENCES

Agarwal, S. (1992). The resort cycle revisited: implications for resorts. In: Cooper, C.P. and Lockwood, A. (eds). Progress in Tourism, Recreation and Hospitality Management. Vol. 5. Chichester: Wiley, pp.194-208.

Ansoff, H. (1965). Corporate Strategy. Harmondsworth: Penguin.

Butler, R.W. (1980). The concept of tourism area cycle of evolution: implications for management of resources. Canadian Geographer. 24 (1), pp.5-12.

Choy, D.J.L. (1992). Lifecycle models for Pacific island destinations. Journal of Travel Research. 30(3), pp.26-31.

Cokayne, F. (1991). Successful Marketing Strategies. Cambridge: Fitzwilliam Publishing

Cooper, C. (1990). The lifecycle concept and tourism. Conference Paper Presented at Tourism Research into 1990s. Durham: University of Durham.

Debbage, K.G. (1990). Oligopoly and the resort cycle in the Bahamas. Annals of Tourism Research. 17(5), pp.513-527.

Defert, P. (1954). Essai de localisation touristique. Tourist Review. 9(1), pp.110-119.

Douglas, N. (1997). Applying the lifecycle model to Melanesia. Annals of Tourism Research. 24(1), pp.1-22.

Farrell, B. (1992) Tourism as an element in sustainable development: Hana, Maui. In V.L. Smith and W.R. Eadington (eds) Tourism alternatives (pp. 115-32). Philadelphia: University of Pensilvania Press.

Gilbert, D. (1984). The need for countries to differentiate their tourist product, and how to do so. Seminar Papers for Ministers of Tourism and Director of National

Tourism Organisations: Tourism Managing for Results, November. Guildford: University of Surrey.

Gilbert, D. (1990). Strategic marketing planning for national tourism. Tourist Review. 1, pp.18-27.

Gilbert, E.W. (1939). The growth of inland and seaside health resorts in England. Scottish Geographical Magazine. 55, pp.16-35.

Haywood, K.M. (1988). Responsible and responsive tourism planning in the community. Tourism Management. 9(2), pp.105-116.

Heath, E. and Wall, G. (1992). Marketing Tourism Destinations: A Strategic Planning Approach. New York: Wiley.

Henderson, B.D. (1979). Henderson on Corporate Strategy. Cambridge: Abt Books.

Ioannides, D. (1992). Tourism development agents: the Cypriot resort cycle. Annals of Tourism Research. 19(4), pp.711-731.

Johnston, C.S. (2001). Shoring the foundations of the destination lifecycle model, part 1: Ontological and epistemological cosiderations. Tourism Geographies. 3(1), pp. 2-28.

Kerin, R.A. and Peterson, R.A. (1980). Perspectives on Strategic Marketing Management. Boston: Alyn and Bacon.

Knowles, T. and Curtis, S. (1999). The market viability of European mass tourist destinations. A post-stagnation life-cycle analysis. Tourism Research. 1(2), pp.87-96.

Kotler, P. (1994). Marketing Management: Analysis, Planning, Implementation and Control. 8th ed. New Jersey: Prentice Hall.

Martin, B.S. and Uysal, M. (1990). An examination of the relationship between carrying capacity and the tourism lifecycle: management and policy implications. Journal of Environmental Management. 31, pp.327-333.

Porter, M.E. (1980). Competitive Strategies: Techniques for Analysing Industries and Competitors. New York: Free Press.

Porter, M.E. (1985). Competitive Advantage: Creating and Sustaining Superior Performance. New York: Free Press.

Reid, R.D. (1989). Hospitality Marketing Management. 3rd ed. New York: Van Nostrand Reinhold.

Russell, R. and Faulkner, B. (1998). Reliving the destination lifecycle in Coolangatta: an historical perspective on the rise, decline and rejuvenation of an Australian seaside resort. In: Laws, E., Faulkner, B. and Moscardo, G. (eds). Embracing and Managing Change in Tourism: International Case Studies. London: Routledge, pp.95-115.

Shortell, S.M., Morrison, E.M. and Robins, S. (1985). Strategy making in health care organisations: A framework and agenda for research. Medical Care Review. 42(2), pp. 219-266.

Thompson, J.L. (1997). Strategic Management: Awareness and Change. 3rd ed. London: Thomson.

Tooman, L.A. (1997). Applications of the life-cycle model in tourism. Annals of Tourism Research. 24(1), pp.214-234.

Tribe, J. (1997). Corporate Strategy for Tourism. London: Thomson.

ENDNOTES

[1] The term new products/services can have two meanings: something new to the destination, even if it is already used in other destinations, or something that is completely new and innovative.

[2] This option is also applied to most of the lifecycle stages, since when a destination has attracted a market, it is desirable to maintain this market.