

Tourism Value Chain Management as a Tool for Effective Tourism Destination Development The Case of Pécs ECoC 2010

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Abstract: Pécs, a European Capital of Culture for 2010, and generating a series of cultural events, had a unique opportunity to place itself on the map of Europe and to re-align its development strategy. To follow the ECoC project year, a specific research exercise is planned by the writer with a Tourism Value Chain Analysis [VCA] of Pécs. This study is a prologue to further research planned and which aims to describe the meaning of ‘value chain’ in the tourism sector and how multi-stakeholder participation can best be coordinated. For this, the author defines the characteristics of the tourism product for the purpose of successful marketing, synthesizing the role of tourism management organizations in general, and their process of establishment in Hungary, on the basis of an earlier own research (2007). The importance of tourism DMOs is highlighted by the special event relating to Pécs in 2010, prior to which a preparatory phase had helped to formulate a local tourism management organization. This local DMO contributed greatly to the success achieved by the ECoC project - which helped to transform the city image from that of an earlier mining-industry town into a cultural tourism destination, although other by-products of the year were less successful.

Keywords: Value Chain Analysis; Tourism Destination Development; Tourism Destination Management; Multi-stakeholder Cooperation; Sustainable Pro-city Tourism

JEL Classification: F10; M20; O18

1 Introduction

1.1 The Rationale of Value Creation

Competitiveness cannot exist without value being created. It is possible that some exotic novelty may attract attention for a while and generate a return, but it is inevitable that, unless value can replace novelty, the ‘while’ will prove not to be very long. This basic principle applies whether we have in mind a manufactured product or a service. Created value is a term relating to price and the two aspects of value creation are the basic cost itself and the value of the product (or, of course, service). Porter (1985) suggests that value creation may be understood by breaking down the operating company and showing it as a series of activities. Value creation

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is then seen as the process of transforming raw materials into final products and delivering them to the consumer.

Emphasizing the process character of value creation, Porter refers to his model as the ‘value chain’. However, this concept is challenged by Stabell and Fjeldstad (1998) who suggest that the ‘value chain’ approach is not suitable if we aim at analyzing service-type value creation, as the basic processes are different in these cases. In their view the more appropriate view would be of the ‘value shop’. This concept, they say, better depicts companies which marry a range of problems with problem-solving resources. According to Thomson (1967, cited in Stabell and Fjeldstad, 1998 p. 420), ‘value shops’ rely on intensive technology to solve a client’s problem. In contrast to value chains, the value shops schedule activities according to the client’s needs and so their activities are not fixed, but, in fact, unique, since they extract the maximum from their problem-solving resources in respect of the nature of the problems. Tourism, of course, would seem to be a fine example of the latter.

Stabell and Fjeldstad identify five primary activities in the value shop (*Chart 1*):

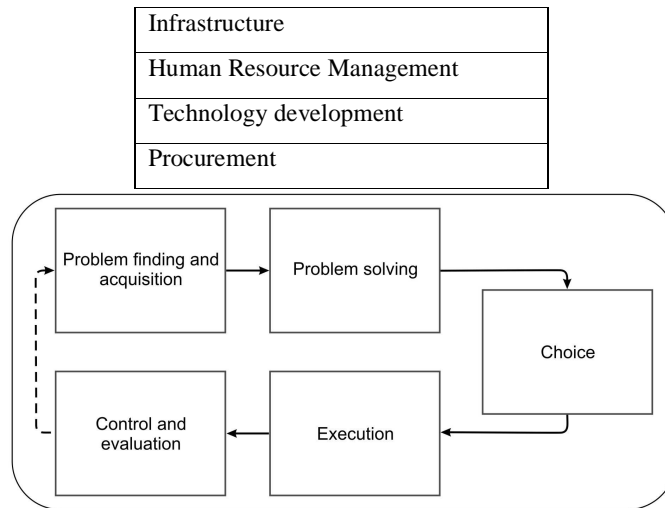


Chart 1. The general Value Shop diagram

Source: Formádi, K. and Mayer P. (2010) p. 302

The concept – the image – of the ‘value shop’ is well-known and used in the context of tourism and so does require mention. However, it is the author’s conviction that any advantages which the concept may offer are overshadowed by the strength and clarity of the basic ‘Value Chain’ metaphor - and so a distraction. In consequence, the term Value Chain will be used in this article and should be read as incorporating any relevant meanings pertaining to the Value Shop concept.

1.2 Designing a Tourism Product

Developing sustainable tourism demands a clear understanding of the complex nature of tourism and of its position and relationships within the broader economy and society. Individual elements of the whole tourism process are visible at different points (locations), in a form very much akin to the links in a chain, and all need to be strong. For example, the customer's home country will often influence his choice of destination by provoking a desire for something totally different, although most mass-market customers wish to know precisely what they are buying and often demand more than they are accustomed to or should reasonably expect. Planning needs to be wide-ranging and thorough - both when elaborating the basic concept and when attending to the fine detail.

Tourism, perhaps, can be regarded as a market extreme, and so sensitivity on the part of the developer or investor is of paramount importance. Tourism may well be good for you, but it is, basically, a luxury and so subject to the vagaries of the luxury market. As people have increasing personal disposable income (PDI), more will aspire to go on holiday, to take more or longer holidays, to travel greater distances to more exotic places and so on. In some cases, of course, these new arrivals on the scene will replace others who move on to other sectors. In other words, the market may change internally as new waves or new strata from different social groups of different nationalities travel to older, established destinations - which, otherwise, might have felt the effects of market saturation or ageing. Likewise, deteriorating economic conditions and declining PDI have other effects - usually in clear contrast to these.

Mass-tourism in general is concentrated in relatively few areas and in most of these is well-established, having grown over many years. New such destinations do not appear overnight. This sector relies heavily on a wide range of services and activities, but in the traditional areas these, and their provision, have become a part of the local way of life, whether tourism in a particular location is year-round or seasonal. Existing facilities are geared to the market and employment is focused on the visitor in many different ways.

However, when tourism, on almost any scale, is first being introduced to a new locality - for example, when a spa is being developed in an environment totally unaccustomed to the tourist, a new approach is needed. It is especially important in such destinations to forge partnerships and encourage participation from all concerned, whether public, private or the local population. This new dimension to the community must be encouraged to grow naturally and organically - new businesses wholly or partly serving the tourist traffic but growing within a community with reason to welcome the arrival in town of an attractive new entity.

The question is one of balance. The scale of the project should be rational, with prices set to create a certain level of demand, and with the overall ability on the

part of management to guarantee customer satisfaction. The acknowledgement of value is of paramount importance. This will secure a sensible return on the initial investment. The natural and cultural heritage basis of the project should be safeguarded and the local population should be able to enjoy the benefits brought by tourism through an improved environment and better living standards deriving from an enhanced local employment situation.

Tourism development must therefore be founded on the three pillars of sustainability (economic, environmental and social) and all related action should be calculated in ways which encourage an equitable distribution of the benefits.¹

In such a lengthy and complex process, management is of paramount importance and the critical issue is of how to set up and operate the optimal form of management in a field which is so clearly an area of common interest for the public and private sectors.

2 The Operation of Destination Management and the Value Chain

The destination according to Carter, R. – Fabricius, M. 2007 involves many actors, such as the local authority, the attractions, the service providers, local touristic consortia or partnerships civil organizations, institutions, supporting businesses, tourism development institutions and organizations etc The cooperation of these actors is similar to the links in a chain: if they are not linked together then the chain is broken. Should the participants constituting the key and supplementary functions of the destination are not connected, or, even if they are connected, but some provide a lower quality of service than others, this might well influence the evaluation of the whole destination in a negative way. The quality of the key factors, as well as the supporting infrastructure of the destination (or its lack) can essentially formulate the experience of the tourist at different levels: the tourist in this way can judge the quality of the destination and perceive the value of the journey.

¹ Using natural and cultural heritage for the development of sustainable tourism in non-traditional tourism destinations. Key success factors: Designing a tourism offer, 2002, www.europa.eu/enterprise

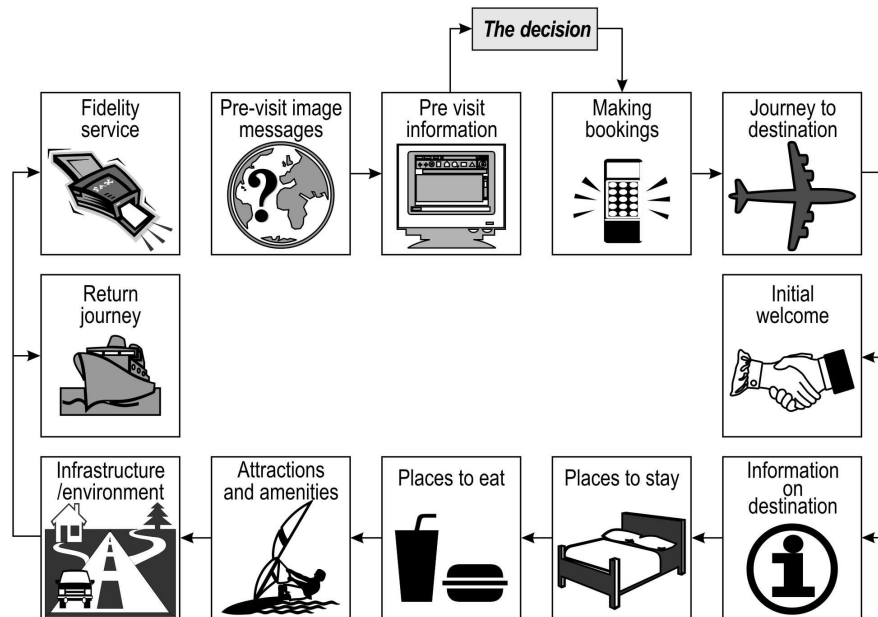


Chart 2. The Tourism Chain

Source: Using natural and cultural heritage for the development of sustainable tourism in non-traditional tourism destinations (2002). Key success factors: Designing a tourism offer, 28.p. www.europa.eu/enterprise

The following factors are the elements of the value chain system (Carter & Fabricius, 2006):

- Image and its creation: creating the design and prices etc.;
- Preparation for the journey; simplifying booking, providing information etc.;
- Travel to the destination: transport facilities, easy access to information etc.;
- Arrival: transport, transfer, easy access to information etc.;
- Experiences related to the destination: totality of the tourism background services such as attractions, the complex tourism product, accommodation and catering opportunities etc.;
- Return journey: transport and access to information.

To operate the destination as a touristic value chain, there is a vital need for an organization which establishes the link between the tourist and the receiving area in general - one which has independent and appropriate competences and tools, and which is capable of coordinating the actors and synthesizing activities (Tózsér, A.

2006). These multi-stakeholder activities can best be directed by Destination Management Organizations.

2.1 The Role of Destination Management Organizations

Destination Management Organizations (DMOs) are – as destinations themselves – varied in both character and size. Destinations are generally complex entities and depend upon the provision of a wide range of facilities by an equally wide range of entrepreneurs. These interests are generally so diverse or fragmented that any hope of appropriate maintenance and development being provided or emerging is unrealistic. ‘Appropriate’ in this context must include the interests of all stakeholders – not simply those of the investors who (legitimately) seek profit, but also of the community, the residents of the destination. It is self-evident that such sustainable interests – overriding in their importance – can only be provided by a delicately shaped and sensitively run cooperation between the democratically elected representatives of the population and private business. To flourish, a local authority needs revenue, which can only come from productive economic activity within its boundaries. Local taxes on residential and business property values, to say nothing of a Tourist Tax, are sought for on the one hand. Restraints on development are likely to come from residents who may object to their settlement becoming a noisy, violent centre for alcohol and drug abuse, gambling and other activities which are illegal, potentially so or socially unacceptable. A local authority in most jurisdictions has restrictive powers in the fields of planning permission, business licensing and taxation. Cooperation in the common interest is clearly vitally important.

DMOs are organizations responsible for the performance and development of the industry over the widest possible range of territories in terms of size – that is, from village to country. Changing and increasing with the potential for the industry to thrive amid huge competition. They should, in reality, be the engine of the tourism industry, irrespective of the size of territory under their control.

The issue of who – which stakeholder - should control or dominate a DMO, however, should rarely be a problem, since it is only some form of PPP (Public-Private-Partnership) which can lock the interested parties into the operation which can have a serious potential to succeed – a factor which has especial relevance to the country examined – Hungary.

It must be accepted that, as asserted by Beritelli et al (2007), in centrally managed destinations (usually owned by one company) reactions to a changing market situation can be expected to be more decisive, more innovative, more rapidly and effectively implemented. However, it is difficult to conceive that such an unbalanced structure could serve the public interest, especially in the longer-term. It must also be accepted that a DMO which is purely a branch of public

administration is equally unlikely to fulfill its task at all adequately. A total lack of experience in a competitive market situation could only be disastrous, and it is not merely in a country such as Hungary that this would be true. Since the constraints deriving from the involvement of some form of central authority (central, regional or local government-derived) must be present to balance the interests of the various stakeholders, the solution most likely to succeed must be a fully cooperative partnership. Such a body has all the necessary potential to introduce rational policies and principles of governance with the security of understanding and support from all interested parties.

From different earlier theories (Coase, 1960; Jensen and Meckling, 1976; Williamson, 1979; Powell, 1990; Richter, 1994; Gulatti, 1998;) we can conclude that, for tourist destinations, destination management operated by the community is heavily dependent on networks which bring together a wide spectrum of relationships – essentially those which arise through practical or business considerations (transactional is an appropriate term now used) and others of a more personal nature. On the other hand, where we have a company-dominated situation, hierarchical relationships emerge more or less naturally, underlining, as Beritelli et al. put it, ‘the dyadic perspective’. In destinations where the community (in one form or another) is the driving force, serious progress in the effective strengthening of the network depends upon relatively informal links, together with relevant knowledge and a degree of mutual respect and trust.

As we attempt to construct a ‘best practice’ model for a DMO (purely for domestic use, we should stress), it might be appropriate to evaluate the characteristics – the advantages and disadvantages – of the alternative, and for this exercise we would again acknowledge the thoughtful construction of Beritelli et al. 2007 and the terms used by them.

In terms of *transaction costs* it is only to be expected that the corporate model proves more economical than the community model. However, the former is likely to come about due to the dominance of one or two entities which will bear the bulk together with their business partners whose interest coincides with theirs. There are likely to be more players in a community example and less focused operations. In the area of *power asymmetries* much the same can be expected – more diffuse on the part of the community model and more likely to be directed by a dominant firm or firms in the corporate sector. *Interdependence*, possibly diffuse in a community model, is likely to be strong in a corporate example where the two main participants – community and company – recognize their need for each other and operate accordingly. In respect of the dual *trust and control* field the corporate model is likely to appear stronger since it is more likely that various corporate interests will be underpinned by clear agreements, formal or informal. With the community, public affirmation will be both necessary and decisive.

Differences between the two in terms of knowledge are likely to be quite strong, with the community model displaying a wide spectrum, often historical, which may or may not be relevant to the aims and needs of tourism. On the other hand, in the corporate model, knowledge is almost certain to be hard and detailed, although relatively narrow in being restricted to specific commercial interests of the parties concerned. *Informal or personal connections* are also likely to appear very different in that the community model will show a wide range of network-style connections with varying degrees of relevance or usefulness, whereas the corporate example would show few, although these would be much more likely to be highly relevant.

The essential feature, however, continues to be that the main function of the DMO should not be that of a relatively passive supervisor; the accumulated experience and the direct interests of the members qualify them perfectly to be the *guardians of the value chain* and so the best guarantors of sustainability for their destination

2.2 National Survey Summary Regarding Hungarian DMOs

The writer prepared a short, narrowly focused survey on Destination Management Organizations in Hungary. This related to ROP-related assistance promised for late-Spring 2008 to help tourism in Hungary foster such organizations – which are to be devoted exclusively to the coherent and organized development of the industry. The questionnaire was based upon a World Tourism Organization survey (2004) in which Hungary did not take part. The results were intended to assist our understanding of the current situation regarding tourism DMOs in Hungary, to map their current structure and help to find ways for future improvement. The nomination of Pécs as an ECoC for 2010 also increased the interest since little seemed to be understood at that time within Pécs circles of the potential benefits of a serious DMO – even one devoted exclusively to the 2010 project. Of the 35 DMOs approached, 34% responded, mostly through an on-line survey; providing a sample of organizations at Regional, County or City/Settlement level. This report, therefore, examined in outline the profile of these three types of organization. (For unknown reasons, National Tourism Authority or National Tourism Organization representatives did not respond)

The structure and governance of tourism management organizations in Hungary *did not show a high level of consistency* – there were a profit-driven commercial company, an agency accountable to a regional government organization, a national government department and one ‘other’ - each representing 8% of the sample; 15% respectively apply to a department of regional, provincial, state or local government organization or to a non-profit association of tourism businesses. There was a much higher level of private sector involvement (38%) through some form of public-private partnership, particularly at city/settlement level.

All the organizations surveyed were small in size (up to 10 full -time equivalent staff) and in spending power. 50 % of the total sample had operational budgets of more than HUF 25 million, and 63% had marketing budgets above HUF 10 million. The survey showed that higher (regional) level organizations had a substantially higher overall budget than those at lower (county and city/settlement) level. More than 70% of this came from national/regional or local government sources as opposed to 30% of tourism-related or advertising income from businesses in the sector. This included surprisingly low revenue from tourist tax (1.64%) and membership fees from tourism businesses (2%). The map below (*Figure 1*) shows the tourism bed capacity of those regional-, county- and settlement-level organizations which responded. This shows that, proportionately, regions have higher numbers than micro-regions or settlements.

The map also shows that those tourism DMOs which responded to the questionnaire were either already innovative, having completed a ‘flagship’ project in Hungary – the Balaton Tourism Project Office, the host association of a pilot project and the first “pattern” settlement Gyenesdiás – or were willing to become innovative and make reforms to introduce tourism DMOs in the near future (the North Hungary Region, the Tisza Region and the Southern Great Plain Region – the last having already completed a training project in this connection). Unfortunately, the traditional tourism regions of Budapest, also incorporating the highest level national tourism organizations, and West Transdanubia, which has the benefit of physical proximity to the biggest ‘tourist sending’ countries) did not respond.

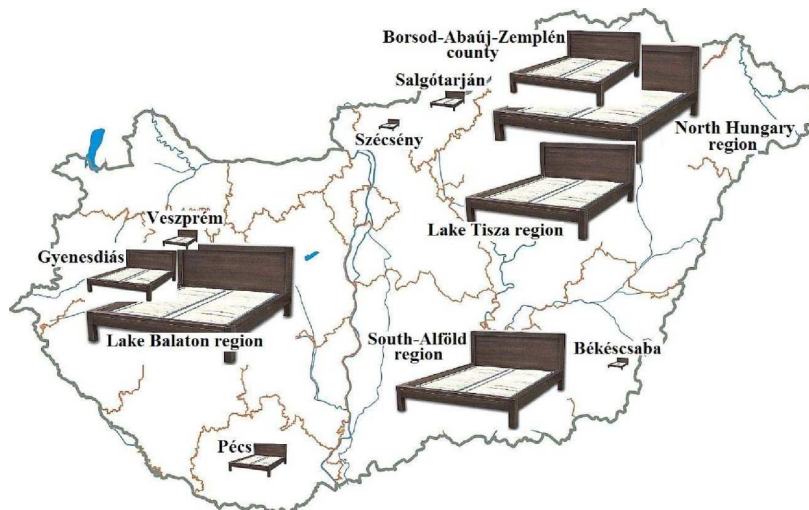


Figure 1. Availability of tourism beds in the Hungarian regions/micro-regions/ settlements participating in the survey

Source: The author's own survey. Designed by Molnár, Cs. (2007)

Core marketing and product development activities, information collection and reservations roles were undertaken by each type of DMO. DMOs engaged in a wide range of marketing activities, and that range of activities did not necessarily decrease where budgets were lower. It was clear that, in the majority of smaller DMOs, resources were thinly spread, in attempts to meet the needs of different groups of stakeholders.

For all types of Hungarian DMOs surveyed, the use of 'new media' activities will represent an increasingly important aspect of their marketing. These anticipated growth areas for the following 3 years include:

- CRM (Customer relationship management) - a 25% increase planned,
- E-marketing - a 33% increase forecast;
- The use of IT systems facilitating the input of information and content to be handled on a distributed basis – i.e. not having to be channelled through a central department – a 17% increase forecast;
- Real-time Web reservations services – a 16% increase in planning is expected.

The study asked DMOs for their opinions on both the way tourism structures worked in their own country and the role of the public sector in promoting tourism. The sample showed that 50% of the respondents thought that the tourism structure in Hungary sometimes did not work well and 17% thought that it worked badly.

59% of all surveyed organizations supported a continuing important role for the public sector in destination management and marketing, but all (100%) agreed that "A *public private partnership* is the best way to promote and organize destinations". There was also a very high level of agreement (92%) that tourism development, management, marketing and promotion should be managed within an *integrated structure*.

A key lesson of this survey was that, in order to promote a high response rate, the questionnaire should be whenever possible in the native tongue. The writer's first attempt was to provide the questions in English, but a significantly higher response was provided to the Hungarian version, even though one could expect greater familiarity with English in the tourism industry.

This research was not intended to constitute an isolated 'one-off' survey in Hungary, but to establish a source of knowledge about Hungarian DMOs. Now, as the North Balaton Agency demonstrated, the writer would like to stress the importance of joining the WTO initiative, which is Web-based and continuously updated. This would facilitate tracking trends in the country and in the whole tourism market.

The Hungarian pilot project (the creation of the Balaton Partnership, to whom great

credit should be paid for a thoughtful initiative) suggested the setting-up of tourism organizations at settlement-level (*Chart 3*) incorporating all stakeholders (civil or legal entities) interested in tourism, together with the local authority. Each member of the organization should have voting rights.

The most important tasks of these organisations are to create information and service-providing facilities for tourists - including relaying tourism services information and accommodation reservations. They have the responsibility to transmit bookings and information but they do not have the authority to organize services for incoming tourists. They support and complement programmes and other initiatives, which might have a positive influence on tourism traffic. Their tasks are to initiate marketing projects and to preserve and increase the value of the natural, artistic and historical heritage of the settlement. They should assist in the operation of those establishments and services which directly serve the tourism industry, maintaining continuous connections with the service-providers. They are also expected to handle customer complaints and to help guests with information. One of the most important tasks is to assist a settlement with its physical development and an appearance appropriate for a holiday resort. All in all, the creation and co-ordination of a complex but unified tourism supply for the settlement is crucial.

Finance for the organizations is provided by membership fees, a subsidy from the local authority or authorities, standard, regular contributions from the county (assuming that the county's strategy allows this), from sponsorship, from business activities and from community-owned assets.

The local authorities give the organisations that proportion of their resources which they then allocated to tourism-related marketing activity, but they retained that proportion scheduled for tourism development. In this way, settlement marketing was outsourced to settlement tourism organisations. For the successful operation of the organisation it is vital to employ at least one tourism specialist who is trained in destination management. In larger settlements and cities it is advisable to establish a tourism marketing office operated not by the local authority but by the settlement's own tourism organisation (or an association created with the co-operation of several settlements).

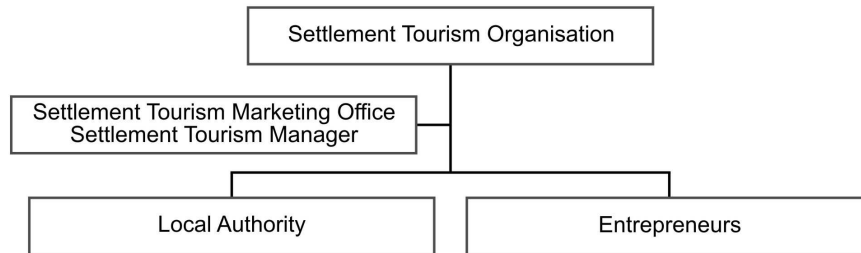


Chart 3. The establishment of settlement level organisations

Source: Based on Balaton Partnership Programme. (www.balatonregion.hu)

In relation to Pécs, in 2007 the writer was unable to obtain a clear picture of what was then being formulated as a DMO system, but, from the only interview granted (by the county organization manager) it was claimed that the planning process had started with the participation of all local stakeholders in tourism and economic development. (Bakucz, 2008) ¹

3 A Development Strategy for Pécs

Briefly, Pécs is a medium-sized town or city with a historic centre and a cultural and intellectual atmosphere, although with little remaining of a normal industrial background. It is a centre providing services for its region (education, technology, R&D), a minor tourist destination, an administrative centre, a regional hub with national and international connections and a religious centre. It is located less than 30 km from the southern border of Hungary (with Croatia) and also in the southern part of its region – South Transdanubia. It should also be mentioned that the city has lived for many years beset by a huge financial crisis

In the new millennium Hungary, a heavily mono-centric country introduced a National Development Policy Pole Programme, which, together with the European Capital of Culture (hereafter ECoC) 2010 programme, generated high expectations. In Hungary there are few serious provincial centers and the Pole Programme intended these to be the driving forces of development in their region. Others focused on industrial development, but Pécs does not have the capacity to compete in this and so chose an alternative direction, dubbing itself the ‘Quality of Life Pole’. The city targeted the relevant industries and services, such as the Health and Environmental industries and the Culture industry. ‘Health’ includes medical treatment, the production of food and sports facilities, together with medicinal and wellness tourism. The ‘Environmental’ cluster involves the creation of an eco-city

¹ Based on research results, 2007.

highlighting energy, waste- management, landscape protection etc. 'Culture' had, as its prime component, the 'European Capital of Culture - Pécs 2010' programme.

For this last, Pécs strategy talked of complementary sub-programmes, but each depended on National Strategic Reference Funds (2007-2013). Other demands on these funds offered little hope of success. The "own resources" needed would swallow all the available funds of a hugely debt-burdened local authority, leaving the private sphere as the only source.

The ECoC project is certainly important – extremely so as the potential creator of an image for the city as a world-class centre of culture, education and intellectual resources. However, expectations had to be lowered and the event re-evaluated as no more than one single tool (among many) if Pécs is to become a dynamic regional centre.

3.1 European Capital of Culture – the Pécs 2010 Programme

Due to its cultural traditions and artistic life, to its functions as a festival and education centre, the city, together with Essen and Istanbul, was a European Capital of Culture in 2010.

The programme for the year was to be serious but would leave a legacy for future generations of first-class, purpose-built facilities and a good basis for future cultural offerings.

The main elements of the Pécs programme were to be five in number - of widely varying types. The history of the planning process has, however, been very poor, and the enforced changes and numerous delays can largely be attributed to the human factor in the sense of management being in the hands of people lacking experience, foresight, business acumen and the ability to cooperate. Ad hoc appointments involving no thought of coordination or future use and viability were the norm. The five were:

1. *A Music and Conference Centre*: the building of a modern, international-class concert hall, which could be used for other high quality events. This was completed many months late but is now operating – and a government declaration of this Kodály Centre as being of national value suggests that some at least of the funding needed to maintain the Centre will be provided by central government.

2. *The Zsolnay Cultural Quarter*: the restoration of the site of the Zsolnay porcelain factory with its historic symbolic values, relocation of production, renovation of the park and memorial buildings, dedicated to cultural functions. Again there have been serious delays to add to many reconsiderations of the future use of the various elements of the quarter. There are currently (early 2011) a private (Zsolnay) collection on exhibition (although with limited access) and a Puppet Theatre; other

occupants including, most significantly perhaps, the Faculty of Music and Visual Arts, are expected to occupy the complex late in 2011. The University, therefore, will be responsible to some extent for the maintenance of this project.

3. *A Grand Exhibition Centre*: the establishment of an exhibition area as an extension of the rich and varied range of museums and galleries, able to accommodate major exhibitions. This is a slowly appearing centre, much reduced from early concepts, which is being accommodated in what were previously County Council buildings; Art exhibitions will be featured, although there are other established centres in the locality.

4. *A Regional Library and Information Centre*: providing modern multifunctional information services to student, residents of the city and region. The concept, location and design are not (to express the matter politely) universally admired. This is a joint project with the university, who will have to bear a great deal of future financial responsibility.

5. *The Renovation of Public Areas*: Preparations for the Programme were accompanied by wide-ranging social and professional debate. Even today there is still much dispute surrounding the choice of premises and locations for the key projects. The revitalisation and consequent increase in value of the slum areas lying close to the inner city are important factors, but, at the same time, a busy highway (which means good transport connections) and a railway line passing through the area stand in the way of the smooth realization of these aims. Currently, most of the cultural functions (libraries, museums, galleries etc.) are located in the historic inner city area. If some of these functions or institutions – as with trade – were to move away, a risk emerges of further devaluation of the historic centre. It would be especially so if they were followed by restaurants and cafes, which bring a specific atmosphere into the streets of the inner city. At best, the Eastern periphery of the inner city, in a bad state of repair and with its bad social structure, might benefit, with the inner city extending further in this direction.

In theory, the government has guaranteed to provide more than €12 million, but in current conditions these programmes have to compete, as any other programmes, within the framework of the Application Rules for the EU's Operative Programmes. It is a problem that the EU does not support individual cultural projects from Structural Funds, and, unfortunately, the ECoC project has not been given any priority status. An issue which needs to be addressed is that, should the demand for these functions not be maintained at an adequately high level after the ECoC year, then who will maintain these new institutions - and how? Can their market-based maintenance be underwritten?

3.2 The Tourism Organizational System and Pécs

Tourism has always been a key factor in both South Transdanubia and Pécs, and the role played by tourism in Pécs and its micro-region constantly exceeded the national average. This made it possible in 1997 to establish a medium-term development plan for the sector, to which a city-marketing programme was later added. These two development-action plans functioned as guide-lines for tourism specialists, but, as the attraction supply in Pécs expanded, the plans were heavily affected and this concept had to be considerably revised. The expansion referred to was due to the early Christian burial chambers in the heart of the city - for which, following their excavation and renovation, Pécs was awarded the UNESCO World Heritage title in 2000. This might be considered as the foundation of “quality tourism organization management” in the city. At the same time the Pécs/Sopiana Heritage Non-profit Limited Company started to operate, an organization which is, in some respects, similar to the current operating TÉDÉEM Pécs Tourism Non-profit Limited Company. The former had the special task of formulating the image of the World Heritage Sites - essentially *to preserve values*. For this a well-managed visitor centre was created which complied with EU norms and requirements. There is an obvious need for the company to cooperate with the EU as this is the only way to put the site on the European cultural and world heritage market. The company is also tasked with creating a *touristic value chain* linked to the Site, and promoting these attractions is its most important activity.¹ The basic approach to service-providing management issues and the operation of this company can be regarded as a ‘best practice’ example of the newly established tourism DMO in Pécs, concentrating as it does not only on potential tourists but also on local residents. An established entity, still young in terms of operating experience, it is not the only tourism company of significance but it is considered to be most important together with the Regional Marketing Directorate of Hungarian Tourism Ltd. (The latter had, and still has, the task of marketing promotion for Pécs and its region and has led city promoting visits to Croatia, Slovenia, Austria and Germany, the main tourist sender countries). The relatively high increase (62%) in inbound (Austrian) tourism is due to their efforts. Also important is the fact that, in 2010, they published a representative tourism booklet on the city in 150,000 copies and in four foreign languages, and it is unarguable that the organization contributed to the higher number of visitor nights in Pécs by their different tourism product package offers.

In 2010 Pécs become a city in a very special situation since the ECoC title had already produced basic changes. Within the framework of this paper I do not aim to give a detailed description of the tourism organization system of the city and I intend to mention only those specific tasks which were taken over by the Pécs2010 Management Centre from the Pécs DMO – simply to give a better understanding of

¹ www.rop-pecs.hu/ A Pécs/Sopiane Örökség Nonprofit Kht.

city-tourism. Firstly, with the title, the city was given the opportunity to build a totally new image from that of the old mining industry town to that of a culture and knowledge-based economic centre. This new base provides an opportunity for business to attract further investment. Secondly, with this development direction, the local identity of the residents is also becoming stronger. Without the 'local patriotism' of the residents, it would be impossible for tourists to make them understand how important it is for them to live in a continuously improving environment.

As a total entity, the tourism organization structure in Pécs started to change in 2008 when, in November the Pécs Tourism Non-profit Organization was established with the cooperation of tourism professionals. This could provide a totally new organizational framework to the, so far uncoordinated, tourism management system in the city. The organization clearly followed the national (domestic) experiences surveyed and summarized earlier in this paper - such as being built on an earlier existing institutional system and integrating the individually operating units. The role playing by the local authority was vital in the professional life of the organization as this administrative body very much helped in giving birth to the organization. The local authority played an active role in providing the conditions which finally resulted in success in winning national project funds to support the local DMO formation. Finally, with the formation of the local DMO, all tourism-related tasks could be concentrated in one pair of hands. To provide the basis for this, a leader with high professional competence was chosen by the local authority and the organization itself. The management comprised expert professionals (the leader of the Tour-inform office, the tourism project manager, tourism organizers) and coordinated the operation of the office. Therefore the earlier county- and city-level local authority tasks were taken over by the newly formed local DMO.

The transformation of the successor company has been done in parallel with the formation of the Pécs Tourism Association. This parallel process provided the opportunity for TÉDÉEM PÉCS Non-profit Ltd. to become the main cooperating professional partner. This meant that the local DMO could comply with the concept laid down in the *basic DMO model*. The latter does, in fact, say that Tourism DMOs require the establishment of two organizations at the same time. On this ground the Pécs Tourism Association was founded, which is capable of fulfilling the requirements of partnership in a democratic way. Within the framework of such an organization, the members are given a forum in which to express their opinion, and in this way the basic aim of a bottom-up type DMO construction can be fulfilled: the interest protection of all stakeholders (representatives of service-providing management and attraction management) concerned in local tourism. One of the most important tasks of the limited company is to improve the conditions for tourist reception in the city. Therefore it manages

some special tasks related to tourism attractions providing specific products and services, which have already proved to be popular with visitors to the city.

4. Conclusion

The operation of the local DMO seriously contributed to the fact that tourism in Pécs and its region was set on a totally new development route. The concept of possible city development was proved in 2010: according to a national survey¹ Pécs became the most visited city after the capital, Budapest. New hotels (Corso, Árkádia) with forecast high occupancy rates were built to receive the obviously higher number of visitors. On the basis of the preliminary data for the first half of 2010, issued by the Hungarian Central Statistical Office, this forecast high occupancy rate was reached. Not only did the *number of visitors* surge (a more than 56 % increase in the number of foreign visitors, 1.7 % in domestic, giving a total increase of 11.5% compared to the same period of the previous year), but also the *number of visitor-nights* increased considerably (foreign: 51%; domestic: 1.8%; total 12.6%) which is a very significant indicator of tourism in respect of any settlement. The indicated tourism-related results also provide great encouragement for the local authority as it is well-known that tourism-related investments provide the most rapid return, generating extra profit for the settlement involved. In the author's view the local hotel developments represented the first steps towards tourism development in Pécs as, without high quality accommodation facilities, the number of visitors simply would not have grown. On the other hand, without *maintaining the number of incoming visitors* to the city, it will be very difficult to provide the necessary resources for the further developments continuously and sustainably, and in this respect the Pécs TÉDÉEM organization has a great role to play as the main coordinating body of local service-providing management and attraction management. There are a number of hurdles to be overcome if effective Tourism Destination Management is to be encouraged – management, that is, which is responsible for the tourism value chain organization including service-providing management and attraction management. These include relative inexperience in the sector on the part of those employed (a problem which will resolve itself with professional education and the passage of time), a general lack of experience in cooperation (a cultural issue), a lack of resources and the view that only marketing is a worthwhile activity for partnership. Nevertheless, the author hopes to have shown that, with tourism, an effective DMO system is not only able to support the development of sustainable pro-city tourism (provided that the system is widely and rationally organized at the various relevant levels), but that it is absolutely essential. With the rapid development of communication methods and of professional, international networks, Hungary's relatively late appearance on the

¹ www.programturizmus.hu

stage need not have a permanent negative effect. ROP-related funding targeting the development of tourism DMOs was offered by the National Development Agency, demonstrating government acceptance of the economic importance of the issue.

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