



European Commission



Enterprise Directorate-General

Early warning system for identifying declining tourist destinations, and preventive best practices

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INTRODUCTION

Decline of tourist destinations can occur in any part of Europe where tourism has been developed in the past, and generally affects destinations with a certain tradition in providing tourism. These destinations can be characterised by one or more negative trends, such as a significant decrease in the elements defining the former quality of the destination, a sharp fall in the competitive success of the destination or serious difficulty in assuring sustainable tourism.

Although, at an advanced stage, the decline of a tourist destination normally results in economic losses or failure; even those destinations which are still profitable might already be declining or be under the acute threat of decline. It would, therefore, be inadequate to define "decline" merely by actual decrease in visitor numbers, turnover or benefits.

The general concept of destination management in terms of the organisation of tourism products that are coherent with the intended market segments forms the basis of tourism development strategies. In fact, this concept reflects the delicate interaction between tourism and environment in all of its aspects. In the last two decades, the tourism system has been confronted by a wide range of changes in demand, increase and decrease of tourist flows, differences in tourists' motivations and expectations, and organisation of supply. For this last point the emerging issues are mainly the problems of compatibility between safeguarding natural and cultural local resources as well as the community identity and their tourist use, and the need to build a consensus among the different stakeholders of supply and co-ordinate their actions. These changes have brought to light the urgent need for private and public stakeholders of tourism supply for tourist flow management and destination organisation from a coherent, integrated and qualitative perspective, to oversee and manage the whole system. A system where the stakeholders involved benefit from tourism and contribute to its costs in different ways, have different and diversified interests and objectives, and thus perceive and value costs and benefits subjectively.



The impetus with which tourists' motivations and needs increase and vary translates itself into a complex segmentation of tourism demand. It consequently requires a greater differentiation of the supply and a personalisation of the tourism product as a whole, as well as of its many components, each participating in forming the tourists' experience. This is mainly true if the tourism product is the destination, which is normally able to offer several possibilities of attraction and sells itself to different types of clients.

Destinations should propose as many products as tourism demand segmentation requires. They must define tourism development strategies in order to create value for the whole system. The chain leading to value creation should include all the stakeholders of the destinations, from local tourist activities to tourism demand to the host community, its identity and its natural and cultural resources, to become the "destination value chain".

Who is this publication for?

This publication is for professionals who deal with tourism in tourist destinations: not only destination managers who are in charge of the overall development of tourist destinations, but also suppliers of tourist products and services in the destination, whether in the private or public sector.

This publication aims primarily to contribute to their understanding of the phenomenon of declining destinations by discussing the underlying aspects of decline. In the second place this publication will show how early warning on declining destinations operates in practice. Finally, it will provide guidelines for using methods and developing a system for early warning.

What does this publication contain?

This publication consists of three parts.

Part one, "The importance of early warning", describes the background of declining destinations along with "definitions and concepts" and "tools and methods".

Part two, "The practice of early warning", describes the best practices and worst case scenarios regarding signals, indicators and strategies to face decline, in terms of tools to visualise threats and early warning as a process.

Finally, part three, "The future of early warning", outlines the conclusions and recommendations that can be derived from parts one and two.

1 DECLINE OF TOURIST DESTINATIONS

Definition of declining destination

It is crucial to define what “declining destination” means.

Declining destinations have been redefined as “destinations with a certain tradition in providing tourism, but characterised by one or more negative trends”. This implies that the negative trend does not necessarily refer to a decrease in demand, as in the original life-cycle model, but can be associated with a variety of factors.

For instance, signals of decline can be represented by:

- a decrease in the elements defining the former quality of the destination
- a decrease in the competitive success of the destination (market share)
- a difficulty in assuring sustainable tourism
- a decrease in the average tourist expenditure

According to this approach, destinations which are still profitable might also be declining or under acute threat of decline. Therefore, the decline of tourist destinations will be considered from a structural viewpoint.

Reasons for decline can vary depending on the different situations. Decline can be caused both by external factors, basically linked to changes in the global tourism market or exogenous variables, and internal factors, peculiar to the specific destination. For example:

External factors:

- causes beyond one’s control (wars, epidemics, earthquakes, climate or political changes, etc.)
- emergence of new competitors for one or more of the tourist products supplied by the destination
- negative publicity

Internal factors:

- product obsolescence with respect to requirements of demand
- physical deterioration of the environment / heritage
- congestion; reaching/exceeding carrying capacity threshold

Effective planning and management of a destination imply the use of any available tool in order to detect early signals of decline and take preventive measures with the purpose of rejuvenating the destination. Of course, policies to be implemented may differ a lot depending on the nature of the factors which underlie the decline. Some of them, especially external factors, are not predictable, therefore not controllable in advance. In such cases, an effective communication process can be very useful in order to refocus the image of the destination among actual and potential visitors.

In other cases, it is actually possible to identify trends likely to lead to a decline. The early warning system presented in this study will have the purpose of allowing the stakeholders involved to measure such trends in a wide range of situations, enabling them to take appropriate action.

General overview of European declining destinations

The recent trends towards globalisation and the development of emerging tourist destinations both in and outside Europe are at the core of the need for traditional European destinations to manage their product in order to maintain a competitive position in the tourist market and prevent decline.

In Europe there are areas of intensive exploitation that experience major sustainability problems and areas where tourism development has not yet reached large numbers.

In the light of such considerations, certain typologies are most likely to be in a situation of maturity or decline rather than others. These typologies are:

- Urban destinations
- Coastal destinations
- Mountain destinations
- Spa destinations

In **urban** destinations, major factors of decline are linked to congestion, visitor and tourist mobility, deterioration of heritage sites and the potential conflict between visitors and residents. Competition plays a less crucial role in cities than in other types of destinations as far as cultural tourism is concerned. This is particularly true for cities endowed with an important cultural and architectural heritage, due to uniqueness . However, it can actually be crucial if we analyse other categories of tourists (i.e. conference and business tourism).

Coastal and **mountain** resorts may be affected by congestion and deterioration of the natural environment, as well as by global competition. This allows these resorts to compete not only with similar resorts but with any kind of resort. The sharp fall in the prices of packages and flights, and the low level of tourist prices in some emerging countries, enable the potential tourist to be selective e.g. the choice between a week in the Austrian mountains and a week on a Thai beach).



A major issue which many coastal and mountain destinations must tackle is represented by the redefinition of supply. In order to make it more appealing to the visitor, destinations must provide a more complex tourist product by combining simple products and/or typologies of tourism (sea & sand + culture, mountain + sport, etc.).

As regards **spa** tourism, traditional resorts are affected by growing competition from emerging countries (especially in Eastern Europe). The old-fashioned image that most of these resorts convey is basically linked to health and mainly addressed to an aged segment. Many spa resorts are presently repositioning in the market with a strategy of product differentiation, which allows them to address a wider range of segments.



2 TOOLS AND METHODS FOR EARLY WARNING

2.1 Introduction

The process of policy design and policy enforcement requires a certain level of insight into the effectiveness of policy measures and of the associated activities that are undertaken to enforce these policies. The two main questions to be answered within policy analysis in this respect are:

- Have policy objectives been attained?
- To what extent is this due to a policy of enforcement?

The main starting point for a monitoring system by which these questions can be addressed is a general monitoring methodology, known as “M=K” (measurement = knowledge). This methodology has acted as a conceptual starting point and has been refined to include the performance indicators related to the effectiveness of enforcement policy. These indicators fall into the following four categories of measurements:

- *Input*: measurement of inputs into the inspection process (e.g. input of people and resources);
- *Output*: measurement of performance of people and resources (e.g. probability of detecting violations);
- *Outcome*: measurement of results, i.e. the degree to which policy objectives are realised (e.g. number of violations);
- *Environment*: measurement of external factors influencing the level of safety (e.g. changes in company’s characteristics).

Most monitoring methods use the same approach and they assume ex post measurements, while the development of an early warning system needs indicators beforehand (ex ante) in order to provide insight into expected necessities.

2.2 Signals of decline

According to the broad definition of decline expressed here (see Chapter 1), possible decline can be identified by a variety of signals, which go beyond the mere decrease in tourist flows. Below are listed a number of signals, classified into four main macro-categories.

A) Decrease in the number of visitor flows to the destination

- Decrease in tourist arrivals
- Decrease in tourist overnight stays
- Decrease in the average stay
- Seasonal concentration of flows

B) Decrease in the elements defining former quality of the destination

- Decrease in the average tourist expenditure
- Variation of the composition of visitor flows
- Decrease in the quality of tourists visiting the destination
- Decrease in the quality of the tourist product

C) Difficulty in assuring sustainable tourism

- Physical (congestion, damage to the environment/heritage, traffic, etc.)
- Social (tension between visitors and residents, lower quality of life, crowding-out of non-tourism activities, etc.)
- Economic (decrease of tourist demand and contraction of economic activities catering to it)
- Lack of adequate infrastructure and supply
- Need for investment in human resources

D) Exogenous factors

- Political factors (Gulf Crisis, terrorism, etc.)
- Economic factors (Oil cost, travel cost, etc.)
- Environmental factors
- External tourism sector stakeholders
- Competitors threats



2.3 Stages of decline

The situation of a specific destination regarding decline can be identified from available data and information on the trend of tourism in the area, as well as from strategies and measures already planned or undertaken. Specifically, three major classes can be identified:

Consolidation phase

A destination in a phase of consolidation should have its priorities on management of change, in order to prevent deterioration or decline.

Decline phase

When a destination is going through a decline phase, negative trends on tourism will appear. If decline is reached, decisions must be made on whether it is desirable to try to rejuvenate the tourist product, and on what means might be used.

Rejuvenation phase

Destinations in the rejuvenation phase should be alert to signals of consolidation or threats of decline.

2.4 Indicators

An early warning system needs a systematic selection of indicators. This means that in order to monitor the life cycle of a specific destination, it is necessary to collect a series of data on a regular basis.

The number of indicators that can be collected to monitor the dynamics of a destination is potentially very large. To select a framework of manageable size, it is useful to assess potential indicators against several evaluation criteria.

Criteria for the selection of the indicators should be that:

- The data to build the indicator are obtainable. In case the data are available but difficult to retrieve, the usefulness of the indicator must be assessed with reference to the resources (in terms of both time and money) needed to build it.
- They are credible and easy to understand. Their goal must be to provide credible information to tourism managers who have varying perspectives, priorities and knowledge. It is therefore preferable to ensure that the chosen indicators are easy to understand for a lay audience.
- Their significance is assessable in order to express the decline process of a mature tourist destination together with the conditions that allow the decline.
- Awareness of decline risks and, therefore, the possibility of defining an early warning system are effectively achieved.
- Destination trends over time - the temporality – can be detected.
- The indicators can be compared in order to disseminate experience throughout the largest number of destinations.
- A summary can be made of different indicators with a few integrated, easy to understand, composite indicators, and results can be communicated using graphical tools.

The following categories of indicators are proposed:

A) First set of indicators: the state of the art

These indicators should identify possible causes of decline and describe the “state of the art” with regard to the destination under study.

A1) Destination functions

A first profile of the destination is defined by means of tourist functions showing the main dimensions of the destination and allowing an easy comparison between different destinations (e.g. Destination size, Same-day visitor share, Economic Role of tourism, etc.)

A2) Tourism vocation of the destination from the demand side and its evolution

The destination is evaluated in depth from the demand side by means of indicators related to life cycle, visitor flows, typologies of visitors, motivations, consumption behaviour and their evolution. This is a fundamental step in order to identify declining trends and possible factors of decline (e.g. destination life cycle, tourism demand market share, etc.).

A3) Tourism vocation of the destination from the supply side and its evolution

The destination is analysed from the supply side. The related indicators describe the local conditions of the tourist market and local responses to tourist demand (e.g. tourist attractions, tourist accommodation, restaurants, etc.).

A4) Tourism vocation of the destination and its evolution according to indicators of the whole tourism system

Tourism and its evolution are analysed with reference to the destination’s whole economic environment (e.g. role of tourism in local economy, degree of co-operation, etc.)



A5) Quality of life

Quality of life in the destination in question is a joint product of citizen and visitor contribution together with the management systems employed by public and private institutions (e.g. population growth rate, per capita revenue, consumer prices)

A6) Tourists’ quality of experience

Tourists’ quality of experience, even if depending on the selected tourist segment, is based on the destination’s system as a whole (tourist resources and supply, urban, economic and cultural environment), and is related to general quality of life indicators (such as tourist satisfaction)

B) Second set of indicators: towards a dynamic analysis

These indicators describe the interactions between the destination's environmental, social and economic structure and incoming tourism. They also show the positive actions and rules adopted by the local community to face decline.

B1) Quality of socio-economic development

This section presents the characteristics of the destination, such as the structure and evolution of the local economy, consumer price dynamics, and planning process (e.g. consumer prices dynamics and employment).

B2) Quality of tourism supply development

These indicators describe the destination supply with a resource-based approach (e.g. quality and size of commercial accommodation, degree of specialisation).

B3) Tourism impact

Much of the tourism impact is related to the first set of indicators (tourism vocation of the destination from the demand side and its evolution, quality of life, etc.)



Compared to qualitative indicators, quantitative ones are more objective and allow a better comparison of cases. However, the choice between quantitative and qualitative indicators is sometimes determined by lack of data or by the need for on-site surveys. Therefore, qualitative estimates are sometimes the only available solution.

In practice, indicators actually monitored by destination managers are much fewer than the ones proposed in this ideal list. Chapter 5 provides an overview of indicators currently monitored in destinations and their coherence with signals of decline.

2.5 Strategies to face decline

A range of strategies is available to destination managers to face potential decline. In theory, various models exist which provide possible strategic options in different environments and situations. Most of these models originate from general marketing theories and are adapted to destinations, thus treating a tourist destination as a product (as happens with the life cycle theory).

The practice of destination management does not always fit into such theoretical models. More often than not, strategies implemented in practice do not originate from a thorough analysis of the destination's situation, as should be the case. This is due to many factors, such as the lack of a vision and/or mission for a specific destination, the lack of regular data collection, and so on.

Below is a list of the main strategic options actually implemented by most destinations. They have been classified in four main macro-categories: Demand, Supply, Destination, Innovation and Organisation.

A) DEMAND

- Regular surveys on tourism
- Demand segmentation (new segments, market niches, etc.)

B) SUPPLY

- Development of new or renewed attractions
- Increased tourist supply (accommodation establishments, restaurants, etc.)
- Creation of special events
- Quality certification and standardisation processes



C) DESTINATION RESOURCES

- Destination layout (Master plans, etc.)
- Environmental protection
- Security
- Residents' awareness of the role of tourists
- Investments in public transport

D) INNOVATION AND ORGANISATION

- Human resources training
- Co-operation between different stakeholders (public/public, private/public)
- Partnerships with other destinations
- Destination promotion (information campaigns, communication policies, etc.)
- Clustering of functions
- Investment in new technologies

2.6 Tools for visualising threats of decline

In order to describe the trend of a destination, some practical tools can be identified. They ensure a proper balance between the amount of information they provide, the availability of indicators needed to build them and their conceptual difficulty.

Spider plot

The spider plot is a sort of overall image of the destination, obtained by means of a synthesis of its main characteristics.

The main tourist and transport functions together with the economic role of each destination at international and national level have been taken into account.

The complete list of the eight selected variables is composed as follows:

1. Tourists/Residents: tourist arrivals divided by number of inhabitants;
2. Same-day visitor share: same-day visitors percentage within total visitors;
3. Economic role of tourism: weight of tourism within the destinations economic system;

4. Role of tourist mobility in total mobility;
5. Destination Size: index defined by the number of inhabitants;
6. Service Sector: weighted mean of the scores of the functions 'Role of the destination as catalyst at national level' and 'Role of the destination as catalyst at international level';
7. Innovation: weighted mean of the scores of the functions 'Role as catalyst in the management of innovation at national level' and 'Role as catalyst in the management of innovation at international level';
8. Role of the destination within the transport network at national and international level: weighted mean of the scores of the functions 'Role within the international network' and 'Role within the national network'.

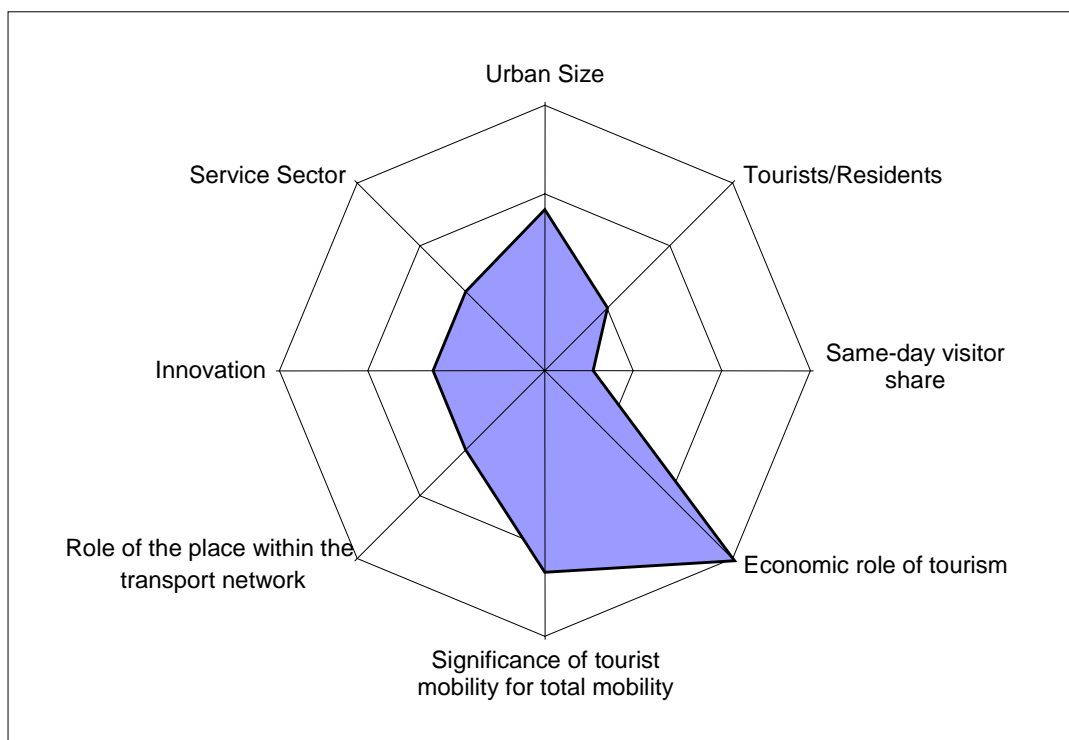
The joint presentation of these variables is obtained by means of a unique image, the so-called 'spider plot'. Standardised values are represented on eight axes: linking the eight points by means of a line, the city profile emerges from the resulting polygon.

The right side corresponds to the tourist characteristics of the city (1,2,3,4), the left side to the transport, service and urban characteristics (5,6,7,8).

Destinations can be grouped, therefore, on the basis of common patterns derived from the considered variables, providing a very easy comparison tool.

A single spider plot gives a 'static image' (like a photo) of the destination, while a chronological sequence of spider plots could realise a very effective 'dynamic description' (like a film) of the evolution of the destination.

Figure 1: Spider plot relating to a hypothetical destination



This spider plot shows the different variables that are useful for tourist destinations. The blue-shaded area in the middle of the plot indicates the relative score of the destination on the variables.

Life cycle: the destination curve

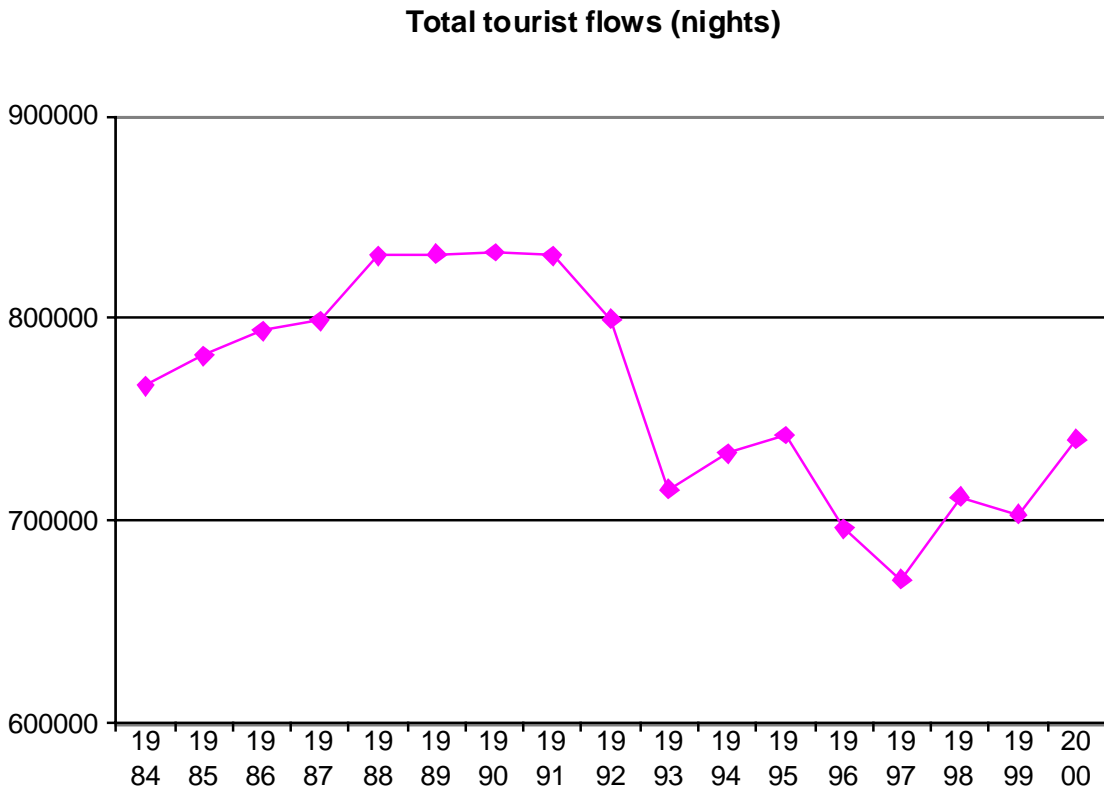
The life cycle curve is an easily intelligible graphical representation of the evolution of the destination. It basically represents the trend of tourism to a destination over time, since its discovery to its decline. The stages, which a destination is supposed to go through, are those of exploration, involvement, development, consolidation, stagnation and decline. When the decline phase is reached, a number of alternatives are possible, among which the most desirable are rejuvenation or conversion of the destination.

Of course, each stage is characterised and recognisable according to different variables, both from the demand and the supply side (e.g. number and type of facilities, grade of contact with host population, level of control from the authorities, tourist type).

Though not comprehensive, the life cycle model expresses a huge potential with reference to the theory and practice of tourism planning in that it constitutes a conceptual framework within which medium to –long-term changes can be forecast and on the basis of which various policies may be developed. The crucial question, therefore, regards the actual predictability of the life cycle model, and the ability of planners and policymakers to use it.

Below is an example of life cycle curve which plots the number of tourist nights registered in a destination over a period of time spanning 1984 to 2000.

Figure 2: Example of Life Cycle curve



Destination demand distribution: main segments and their balance

There are two segmentations at least which must not be overlooked when a tourist market is analysed:

1. **Domestic vs. Foreign** demand describes the level of dependence of the destination on same nationality or foreign tourists
2. **Tourists vs. Same-day visitors** shows the importance of same-day visitors in determining total flows

The first segmentation will progressively change its significance with the increasing strengthening of European common institutions and rules and integration of European cultures.

As for the second segmentation, it basically represents an index of the physical pressure which affects the destination. A high percentage of same-day visitors is almost never desirable, since it generally implies a high physical pressure with low economic impact.

A graphical representation of these two indicators is not useful in itself, but can provide information when different destinations are compared. In the next section, an example will be provided with regard to the destinations investigated for the present study.

Seasonality of tourist flows : Lorenz curves and Gini indexes

Seasonality is indeed a strategic variable to be monitored: excessive peaks mean a concentration of flows which have adverse social and environmental impact. On the other hand, extended periods characterised by low or irrelevant tourist flows mean that a strong and articulated tourism industry, which alone guarantees sustainable economic development to the destination, cannot exist.

The tool proposed in this section is built upon monthly tourist shares: values are sorted in ascending order and then cumulated. The resulting curve – the Lorenz curve - is compared to the straight line characterising uniform distribution: the larger the distance between the curves, the lower the homogeneity of the flows.



The Gini seasonality index is a number that measures the degree of imbalance of tourist flows during a specified time period (in this case a year). Its value is obtained by dividing the area delineated by the Lorenz curve and the linear curve by the area of the triangle with side length 1: the greater the index, the higher the concentration of flows and, therefore, the risk of decline for the destination.

The first author who introduced this application of the Gini index (usually known as a measure of income distribution inequality) was Wanhill¹.

Visitors' consumption behaviour: Measure of the quality in visitors' consumption

The purpose of this tool is to measure the consumption behaviour of visitors (tourists as opposed to day visitors) in order to understand whether they really contribute to the sustainable development of the destination or if the adverse impact is stronger than the economic benefits.

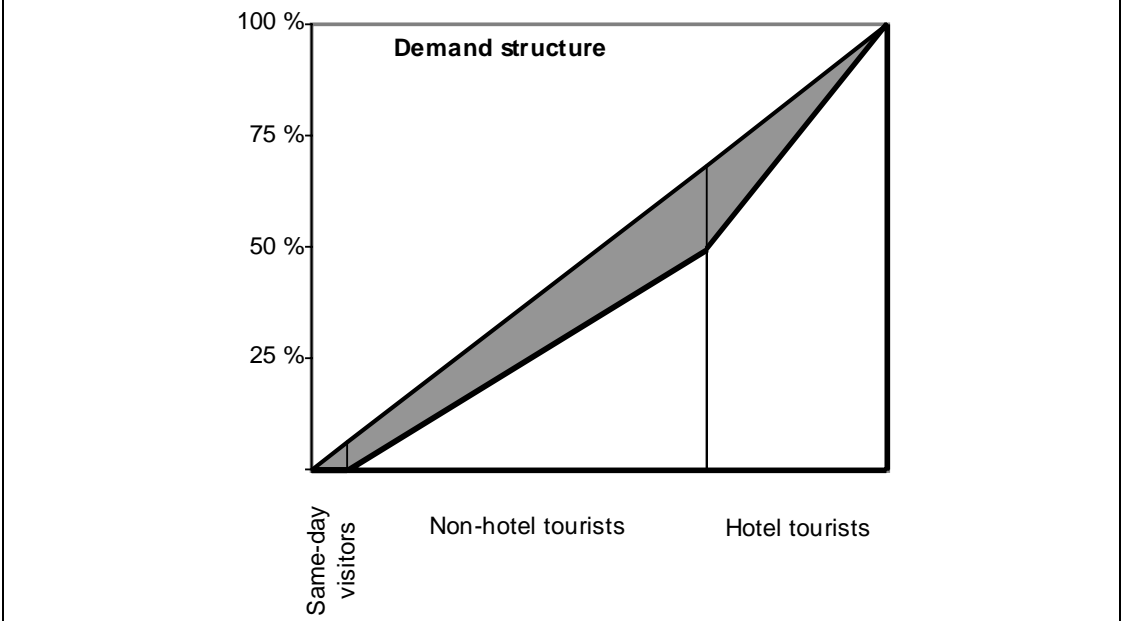
Accommodation was chosen as a proxy of consumption behaviour of the different typologies of tourists.

The first step in implementing the indicator is to divide the demand into three segments: day visitors, which are generally characterised by low expenditure and high negative impacts; non-hotel tourists, whose contribution is higher since they pay for accommodation and other services and interact with the destination for more than one day; hotel tourists, which are characterised by the highest consumption habits.

As the graph shows, the x-axis represents the market shares of the three segments (day visitors, non-hotel tourists, hotel tourists) on total visitors; the y-axis represents the average accommodation expenditure of such segments (which ranges from 0 for same-day visitors to 100 for hotel tourists).

The lower curve shows average expenditure values for accommodation by segment: figures are sorted and then cumulated; the upper line represents a theoretical uniform distribution.

The higher the gap between the curves (represented by the dark area), the higher the risk of falling towards unsustainable economy: The measurement of the quality of visitor consumption gives an estimation of this risk by means of an indirect measurement.



¹ Wanhill, S.R.C., Tackling seasonality: a technical note. *International Journal of Tourism Management*, December (1980), 243-5.

3 EARLY WARNING FOR DECLINE

‘One of the hallmarks of leading-edge organisations— be they public or private — has been the successful application of performance measurement to gain insight into, and make judgements about, the organisation and the effectiveness and efficiency of its programmes, processes, and people. However, leading organisations do not stop at the gathering and analysis of performance data; rather, these organisations use performance measurement to drive improvements and successfully translate strategy into action. In other words, they use performance measurement for managing their organisations.’ (PEA, 1999) This assumption also holds for the management of tourist destinations:

Only the measurement of single indicators will not be enough. Indicators of tourism development must show the relationship with each other and be linked to what a destination wants to be. You can only measure how well you are doing when you know what you want to be and when you have defined what results are acceptable (given the circumstances).

There is a difference between performance measurement of ‘single indicators’ and performance management. Performance Management consists of the whole of:²

1. *performance objectives*: these are the critical success factors in achieving the destination’s mission, vision, and strategy, which if not achieved would likely result in a significant decrease in performance (e.g. customer satisfaction, employee satisfaction or retention, or effective financial management).
2. *Performance goals*: a target level of activity expressed as a tangible measurement, against which actual achievement can be compared.
3. *Performance measures*: a quantitative or qualitative characterisation of performance.
4. *Performance measurement*: a process of assessing progress toward achieving predetermined goals, including information on the efficiency with which resources of a tourist destination are used, and services (outputs), the quality of those outputs (how well they are delivered to clients and the extent to which clients are satisfied) and outcomes (the results of a programme activity compared to its intended purpose), and the effectiveness of government operations in terms of their specific contributions to programme objectives.
5. *Performance management*. The use of performance measurement information to effect positive change in organisational culture, systems and processes, by helping to set pre-agreed performance goals, allocating and prioritising resources, informing managers to either confirm or change current policy or programme guidelines to meet those goals, and sharing results of performance in pursuing those goals.
6. *Output measurement*: A calculation or recording of activity or effort that can be expressed in a quantitative or qualitative manner.
7. *Outcome measurement*: An assessment of the results of a programme compared to its intended purpose.

² Based on Procurement Executives’ Association ‘Guide to a Balanced Scorecard Performance Management Methodology

There is a need for a structured methodology for using performance measurement information as an early warning system for declining tourist destinations. This chapter shows the Balanced Score Card to be a very promising the methodology for the management of tourist destinations.³

The concept of the Balanced Score Card, developed by Kaplan and Norton in 1993, focused on both the need for leading information and the linking of short-term action with long-term vision.

The BSC is an approach developed in the business community and used as an early warning system for business development. It links the four major steering functions of a company to each other: translation of the vision/strategy, communication in performance networks (departments), business planning and feedback and learning. Although the concept of the BSC is relatively new, it has already proved very successful in the business community (The Gartner Group's estimate for 2000 was that some 40% of the Fortune 1000 businesses used the BSC that year).

Experience of implementing the BCS in the public sector and at destination management level is, however, relatively small. Recently some studies were done on implementing the BSC concept in destination management but this is certainly not common. The studies concluded that the concept is, however, very applicable, certainly when there is a need to develop an early warning system. The leading question is then: how do we, as a region, know, at any moment in time if our performance is satisfactory?

The concept of the Balanced Score Card in general

The argument of the Balanced Score Card is what *should* be measured to determine the effectiveness of a business strategy at any moment in time. The approach is not one-sided aimed at financial indicators such as profit (which is not the dominant indicator in either the public sector or on a regional level), but consists of more elements of performance.

The BSC is a conceptual framework for translating an organisation's vision into a set of performance indicators distributed among four perspectives: Financial, Customer, Internal Business Processes, and Learning and Growth. Some indicators are maintained to measure an organisation's progress towards achieving its vision; other indicators are maintained to measure the long-term drivers of success. Through the balanced scorecard, an organisation monitors both its current performance (finance, customer satisfaction, and business process results) and its efforts to improve processes, motivate and educate employees, and enhance information systems - its ability to learn and improve.

Initially the BSC is considered as a new form of performance measurement in businesses, an alternative to the one-sided financial performance measurement (which is always *ex post*). Soon the BSC will be used as a communication tool by implementing a strategic vision in an organisation for translation into concrete indicators, in a way that the workforce can handle it. By developing the strategy or vision as links in a chain of causal relationships, the different decisions and activities

³ The concept of the Balanced Score Card was developed by Kaplan en Norton. An elaborated description can be found in Kaplan and Norton (1996) *The Balanced Scorecard: translating strategy into action* and Kaplan and Norton (2000) *The Strategy-focused Organisation: How Balanced Scorecard businesses thrive in the new business environment*

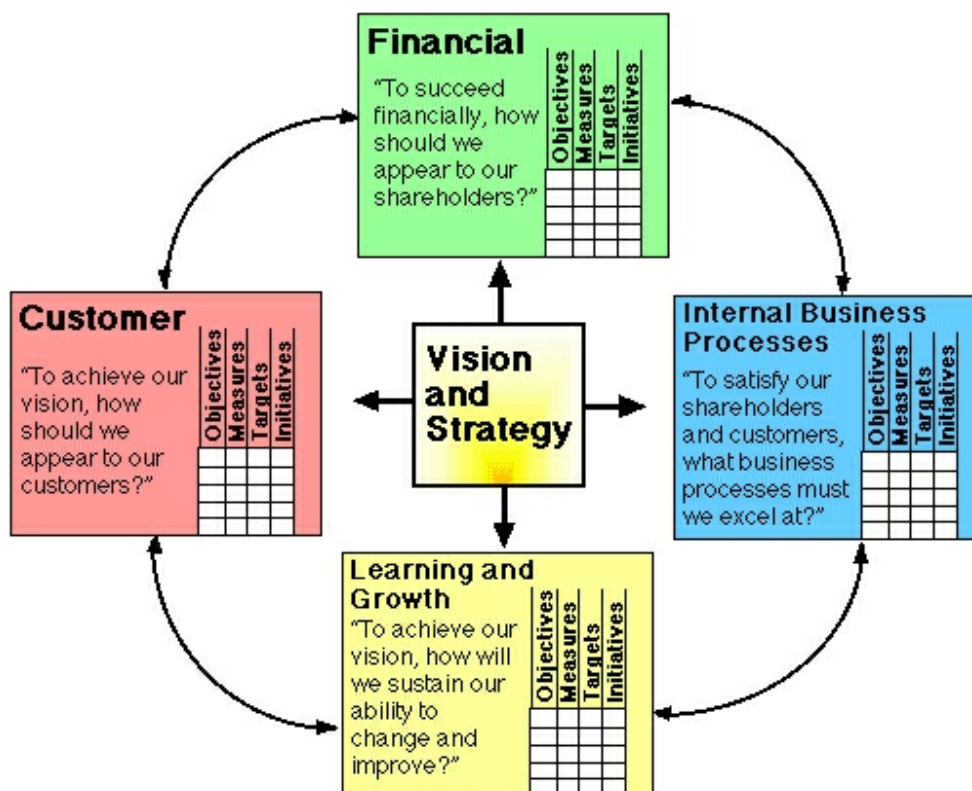
can be related to each other. By doing that, the different contributions of the different sections of the organisation to the final performance become visible, measurable, and can be discussed and distributed in different budgets.

Figure 3: BSC perspectives

The BSC is based on four perspectives of management: finance, customers, internal processes, and learning and growing. All of the four perspectives are made operational by defining goals, measurements, target numbers and initiatives. Between these perspectives there should be a certain equilibrium. The equilibrium is realised by the *argumentation* between the elements in the perspectives. The perspectives are related to the vision, mission and strategy.

Every perspective is dominated by a specific question:

- The *financial* perspective addresses the question: 'How attractive should we (company, organisation) be for the shareholders, or what are the most important success factors in terms of financial performance?'
- The *customer* (target group, buyers) perspective addresses the question: 'How attractive should we be for our buyers to realise our vision (targets), what expectations do these target groups have and what quality are they asking for, or on what critical factors are we criticised by our buyers?'
- The perspective of the *internal business processes* (management) addresses the question: 'What is it that we should be good at to satisfy our target groups and stakeholders, or what is essential in processes?'
- The perspective of *learning and growth* addresses the question: 'How do we maintain permanent changes and improvement to realise our vision?'



(Source: Kaplan en Norton, 1993)

The BSC acts as a translation framework for a strategy or vision and can, due to the integral use of all building blocks of the four perspectives, also contribute to the adjustment or design of a vision and strategy. The BSC approach gives feedback about how the strategy is carried out and gives the management tools to continue to do research into the theoretical foundations of the strategy in relation to the reality.

One fundamental condition is the good development of feedback lines. Businesses should not only follow their financial short-term results, but at the same time monitor their progress in relation to the indicators in the other categories (perspectives). The new element in the BSC method is the feedback and learning process that concern all stakeholders. The management is given feedback to judge policy hypotheses, 'implementers' of the policy learn from the practical realisation of the initiatives and teach the management how the strategy should be translated to the workforce.

An important difference of the Balanced Score Card approach in relation to other performance indicators is the pro-activity that compares actual scores with potential scores, public norms and intentions to improve, specific to different stakeholders. To function well the BSC should be more than just linked indicators. Between the indicators there should be an argumentation and causal relationships that provide the balance in the four perspectives.

The Balanced Score Card as a warning system for tourist destinations

The BSC concept is a tool that is helpful in answering the question 'how do we know, at any moment in time if our performance is satisfactory?' The Balanced Scorecard provides a way to summarise the most critical performance measurements in a single management report. The concept developed in the business community has proven very useful at public and regional development level.⁴ Therefore the Balanced Score Card is an outstanding example of an early warning system that can be used in tourism development in destinations. To use the BSC as an early warning system for tourist destinations some adjustments have to be made. The concept of the BSC will be kept alive but as a tourism development tool adjustments have to be made in relation to the vision and strategy and the four different perspectives.

Vision and strategy

An important difference of a tourist destination compared to the business community is the vision and strategy. Unlike the strategy of private-sector businesses that can change in any way they like, government agencies and destinations are constrained to work within their authorised mission. Governmental agencies exist not for profit but to fulfil their charter or mission, which is an "inherently governmental function". Government agencies have authority to conduct their mission that is delegated by the national government (and in the Constitution). For a more public role the key measure of performance, therefore, is not financial in nature, but rather mission effectiveness.⁵

But mission effectiveness for a tourist destination is not a definite and static thing. Usually, a region has a rather broad general mission, which incorporates many specific sub-missions or *departmental missions* within it. At any given time, some departmental missions may be more important than others for the needs of the region. Selection of departmental mission priorities is an ongoing strategic planning responsibility. The vision and strategy on tourism should therefore be linked to that of other departments.

⁴ Recently the BSC was examined in terms of its use in the management of regional and urban development (TNO Inro, 2000). After doing several case studies, the conclusion is that important principles of the balanced score card can be used at destination management level.

⁵ Procurement Executives' Association 'Guide to a Balanced Scorecard Performance Management Methodology'.



Besides the departmental organisation the vision and strategy of the different important stakeholders in the destination is also important. In regional development investment by public and private stakeholders is fundamental. So on the one hand the regional strategy on tourism is incorporated in the broad general mission in regional development and linked to other departments. On the other hand cooperation with stakeholders in tourism (enterprises) is needed. In contrast to private enterprises, an actor analysis of the most important tourist stakeholders has to be incorporated in the strategy.

The financial perspective

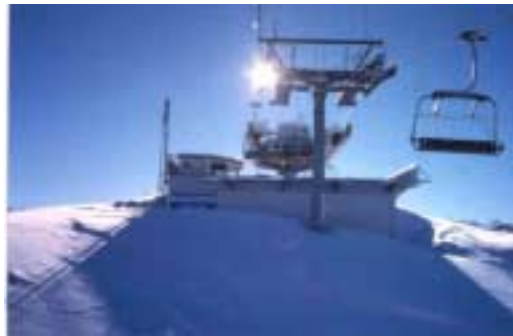
In the tourism development area the 'financial' perspective differs from that of the traditional private sector. Private sector financial objectives generally represent clear long-range targets for profit-seeking organisations, operating in a purely commercial environment. Financial considerations from a regional development perspective have an enabling or a constraining role, but will rarely be the primary objective for business systems, emphasising the ability of a tourist destination to deliver maximum value to the customer. This value can be defined as **resources**:

- **Physical:** values of the nature of a destination in terms of its strengths (for example, for beach resorts the quality of the beach and dunes and for ski resorts the quality of the mountains and flora);
- **Economic:** the value of the economic situation, such as development in employment, performance of the different enterprises on a meso-economic level;
- **Social:** the value of the social climate in, for example, the 'negative' impact the inhabitants of the destination can have.

Regional performance is therefore more than just financial. The early warning instrument should measure the progress per pillar - social, economic and natural/physical - and should indicate the coherence and the relationships between these pillars. Because progress on every pillar of regional development is needed, the instrument should also indicate how the defined result should be reached on every single pillar and in relation to each other (economic development could be contrary to natural values).

The customer perspective

The customers' perspective also differs from the traditional customers in a business approach. Here the customers are more than buyers of a product of a single firm, but they are the visitors to the whole of the tourist product: all the attractions of the destination (the complex of reasons why a visitor wants to go to a tourist destination). In regional management the customers' perspective is related not only to a company's target groups, but all different target groups that are important for the region (in relation to the strategy and vision of a region). Because a tourist destination can also play an important role for inhabitants of the region, the customer perspective should be extended to incorporate a '**demand**' perspective.



This perspective refers to the ability of the tourist destination to provide quality goods and services, the effectiveness of their delivery, and the overall customer service and satisfaction. Questions are 'Who are the different target groups and what is important for them?' and 'Are the different target groups satisfied with the development?'. Here the measurement of visitor satisfaction is important and that needs a different set of questions, a sort of 'tourist satisfaction audit'.

The indicators of the demand perspective can be divided into:

1. Tourist volume: the volume of the demand measured as the number of tourists;
2. Consumer satisfaction: the 'happiness' of the customers;
3. Target groups: the way tourist volume and satisfaction can be measured for the different target groups.

The internal business processes

The internal business processes perspective also differs from a traditional business approach. In a tourist destination the business processes are considered as the **supply side** of the tourist product, the whole of accommodation and attractions.

This can be both:

- public (museum)
- private (such as tourists enterprises, hotels, private organisation of events)

An important factor is that the supply side also contains the links with other council departments such as that of public transport. For example road signs must be adapted to attractions and the planning of events.

The indicators in the supply side perspective can be divided into:

1. Volume of the supply: the amount of accommodation, attractions and events
2. Quality of the supply: the quality of accommodation, attractions and events
3. Combinations between supply: for example, the offering of a visiting card for five museums or the combination of visiting multiple events.

The learning and growth perspective

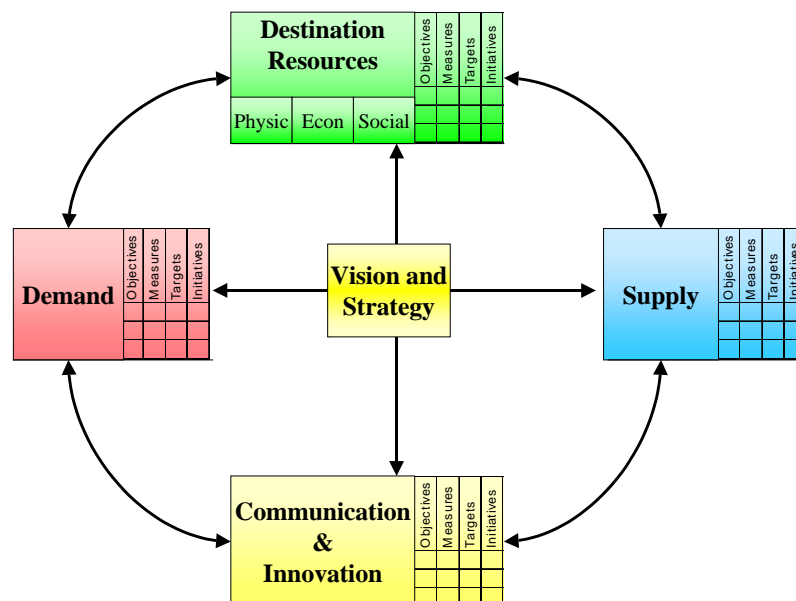
This perspective has to do with the ability of employees, the quality of information systems and the effects of organisational alignment in supporting the accomplishment of organisational goals. Processes will only succeed if adequately skilled and motivated employees, supplied with accurate and timely information, are driving them. This may require skills, capabilities or technologies that were not available before. Regarding the organisation of 'learning', the level of an enterprise's learning and growth on a regional level now largely focuses on the issue of 'learning destinations'. The question is what learning abilities (skills and technologies) and how those abilities can be anchored in the region. These might include the skills of policymakers, inhabitants and workers in the tourism sector. The skills for a tourist destination with all different stakeholders have to be complemented by communication. This perspective is called '**communication and innovation perspective**'.

The indicators of the communication and innovation perspective can be divided into:

- Process: communication and networking between the important stakeholders
- Innovation: investment in existing and new tourist supplies
- Skills: the skills of policymakers, inhabitants and workers in the tourism sector

All adaptations result in the following BSC for tourist destinations.

Figure 4:



The important questions within the four perspectives of a tourist destination are:

Demand perspective	'Is the tourist destination delivering the services the visitors and citizens want?'
Destination resources perspective	'Is the service delivered sustainable in a physical, economic and social way?'
Supply perspective	'Can the tourist destination adapt accommodation and attractions to the way the service is delivered and improve it?'
Communication and innovation perspective	'Is the tourist destination maintaining communication, technology and employee skills for continuous improvement?'

The questions in the different perspectives are all linked to the vision and strategy of the destination translated into the resources (physical, economical and social), demand, communication, and innovation and supply. Relevant indicators should be defined for every perspective.

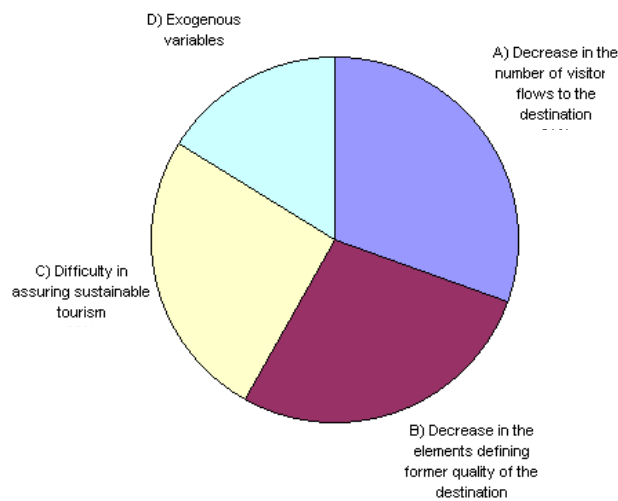
4 EARLY WARNING: IN PRACTICE

4.1 Signals of decline: a first inventory

A survey of practitioners in tourist destinations gives some indications about variables recognised by local managers as decline indicators. These decline signals can be summarised and interpreted as follows:

- Most destination managers are aware of the risk of decline: they perceive the threat but they have difficulties in effectively measuring it;
- They base their analysis mainly on visitor flow trends Category A, i.e. the most direct decline indicators;
- They also stress primarily the strategic role of endogenous factors (categories B plus C), but they fail to achieve a truly integrated use of the indicators;
- Exogenous factors are viewed as less of a direct risk indicator since they are beyond of the control of the managers and are sometimes unpredictable (MFD, terrorism); however, market analysis of competitors (which means destination positioning and market policies) is considered important.

Signals of decline by macrocategory

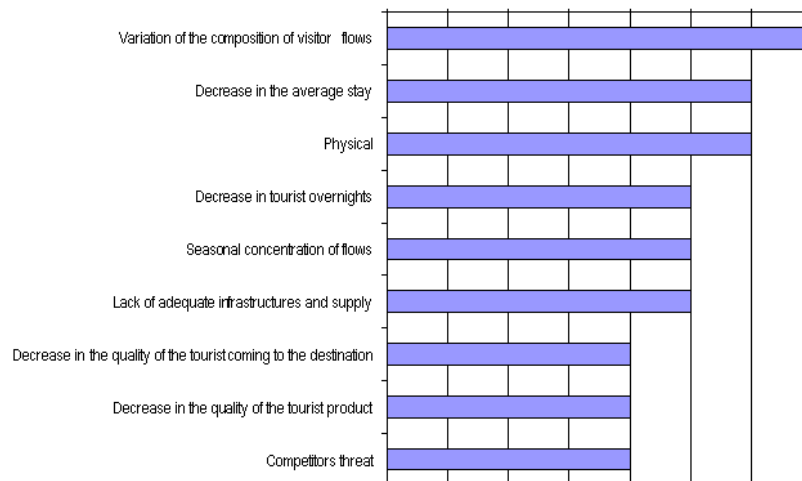


Among the individual signals of decline, the decrease in the number of visitor flows to the destination is the most common category and a very direct signal.

However, this could be the consequence of a decrease in the elements defining the former quality of the destination or of difficulty in assuring sustainable tourism - mainly expressed by physical factors such as congestion, damage to the environment / heritage, traffic, etc, and by a lack of adequate infrastructures and supply. The need to invest in human resources is also considered an important signal.

Exogenous factors are represented by the threat from competitors, the only variable, in fact, on which a destination can operate by means of targeted marketing actions.

TOP 9 Signals of decline



4.2 Indicators currently monitored: what variables are used by destination managers

There seems to be a coherence between major signals of decline and indicators used by Destination Managers. In fact, the most frequently mentioned indicators correspond to category A of Signals of Decline (Tourist arrivals, Nights, Length of stay, Seasonality); some of them are related to category B (Expenditure, Type of accommodation, Visitor characteristics, Visitor satisfaction), some others to category C (Investments in tourist attractions).

Analysis of competitors, corresponding to signal category D, is in eleventh position

TOP 10 Indicators currently monitored

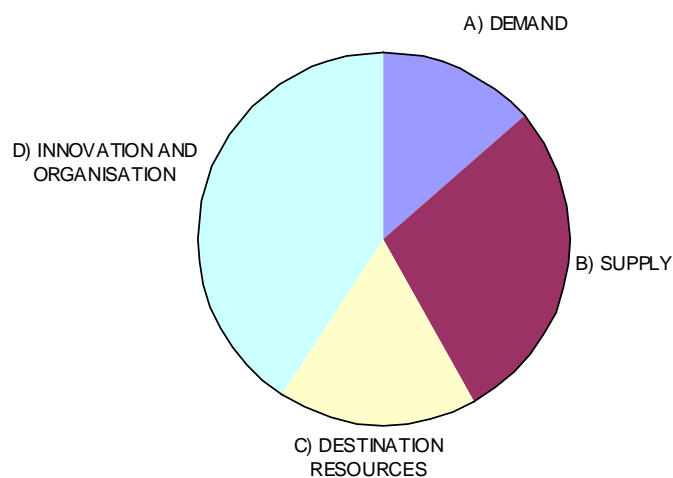


4.3 Strategies implemented: answers to the need to face the risk of decline

When grouping the strategies into four macro-categories and taking into account the results of the previous sections, it can be concluded:

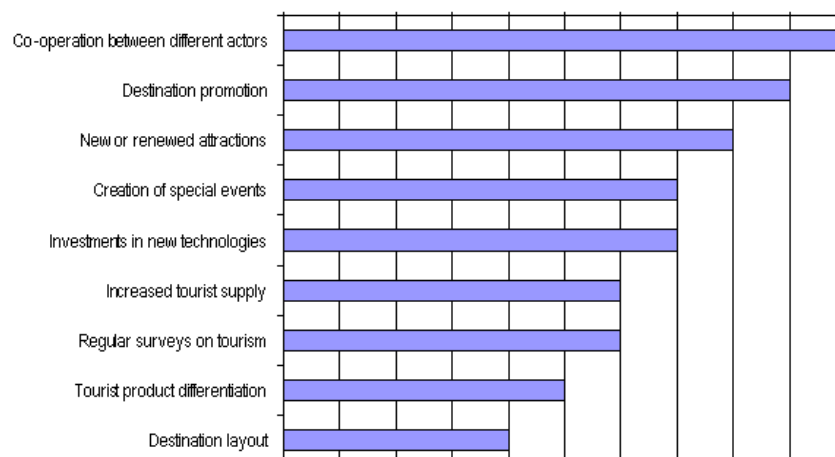
- Innovation and Organisation strategies dominate the strategies mentioned by local stakeholders;
- Some factors are considered strategic but are not sufficiently monitored (e.g. Environment)
- Other factors are considered important but their importance is still underestimated (e.g. human resources);
- Many of the approaches are detailed in some aspects but lacking in some strategic variables;
- A holistic vision and an integrated reading of data are often missing, since one-dimensional approaches are preferred.

Strategies to face decline by macro-categories



Major efforts seem to be developed in new soft measures such as destination promotion, creation of special events, regular surveys on tourism, and tourist product differentiation; then in reorganising the tourist system by means of co-operation between different stakeholders and investments in new technologies; finally come actions regarding the destination's physical structure such as new or renewed attractions, increased tourist supply, and destination layout.

TOP 9 Strategies to face decline



5 USEFUL TOOLS FOR VISUALISING THREATS OF DECLINE

This chapter gives a practical application of the synthesis tools, and more specifically, some examples of how such tools can be applied in practice and be used for the comparison of different destinations.

Each section ends with an overview, which summarises the tool's major strengths and weaknesses, consideration of further developments and an overall assessment of the tool itself.

5.1 Spider plots

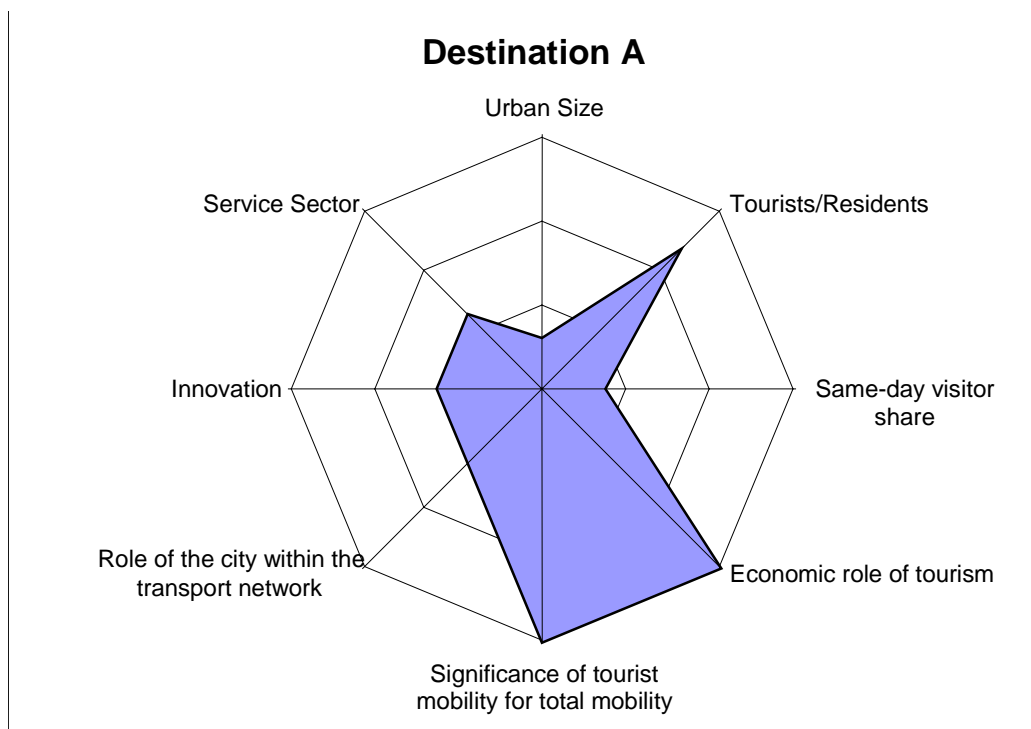
As mentioned in Part I, a spider plot can either give a 'static image' (like a photo) of the destination, or provide a 'dynamic description', when a chronological sequence of spider plots is available (in the survey, input data for spider plots referred to the most recent year available, since time series were not available for all variables and all destinations).

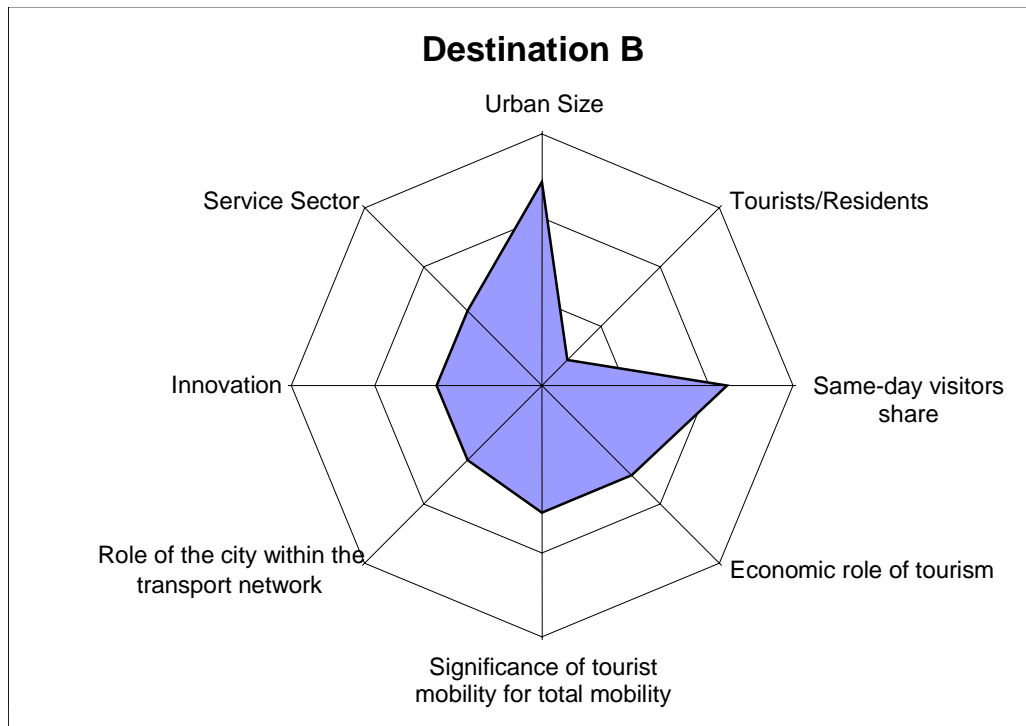
The role of tourism for the destination can be understood at a glance by looking at the right side of the plot, where tourist related indicators are located.

The balance/imbalance of the destination system is also easy to recognise from the image shape: the more it is confined in a particular area of the octagon, the more unbalanced the system is.

The development degree of a specific characteristic can be recognised from concavities (not well developed) and convexities (well developed) of the spot.

The following two spider plots refer to two destinations of different type.





The two plots show a very different pattern. Destination A refers to a seaside resort that is characterised by a high tourist/resident ratio, a very important impact of tourism on local mobility and on the local economy. Destination B, on the other hand, is characterised by a high urban size, a low tourist/resident ratio, and a relatively high same-day visitor share.

The plots can provide useful indications with regard to the proper strategies and measures to be implemented in the two destinations.

In the first case, it might be desirable to diversify the economic base of the destination, which is currently very dependent on tourism. In the second case, it would be appropriate to reduce same-day visitor share by stimulating tourist demand.

Overview of Spider Plots

Strengths

The resulting image is very easy to read and allows immediate comparisons between different destinations. It also provides, using data referring to different years for a fixed destination, an effective description of its evolution.

Weaknesses

Some indicators are proxies implemented by local stakeholders since data does not allow measurement of the related phenomena for all destinations.

Further developments

Systematic monitoring of the indicators is recommended in order to describe the destination over a number of years by means of a complete time series.

Conclusions

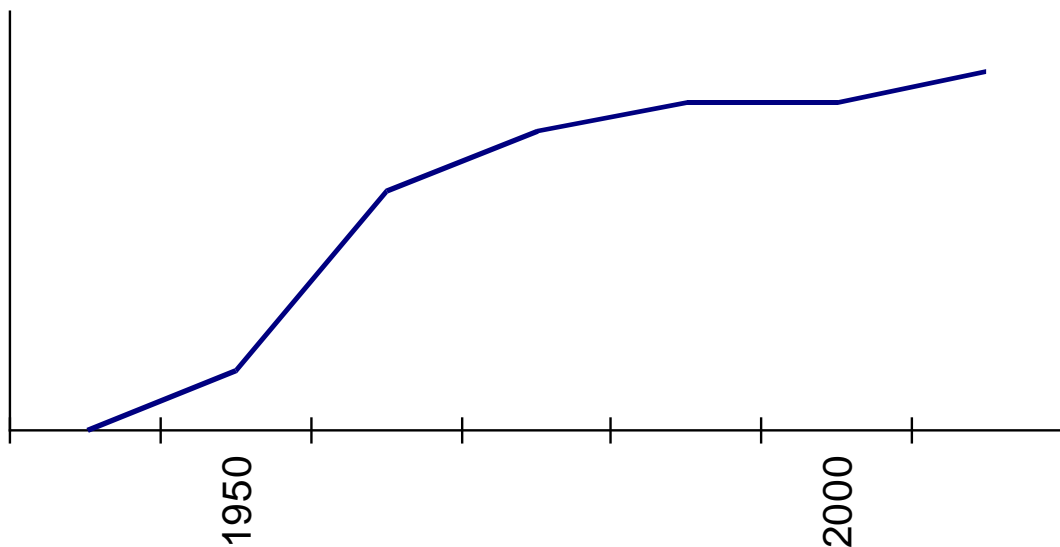
This tool allows the grouping of destinations which present a similar structure and, therefore, to compare their situation and share the solutions adopted.

5.2 Destination life cycle

The life cycle curves of the analysed case studies can be grouped into three categories.

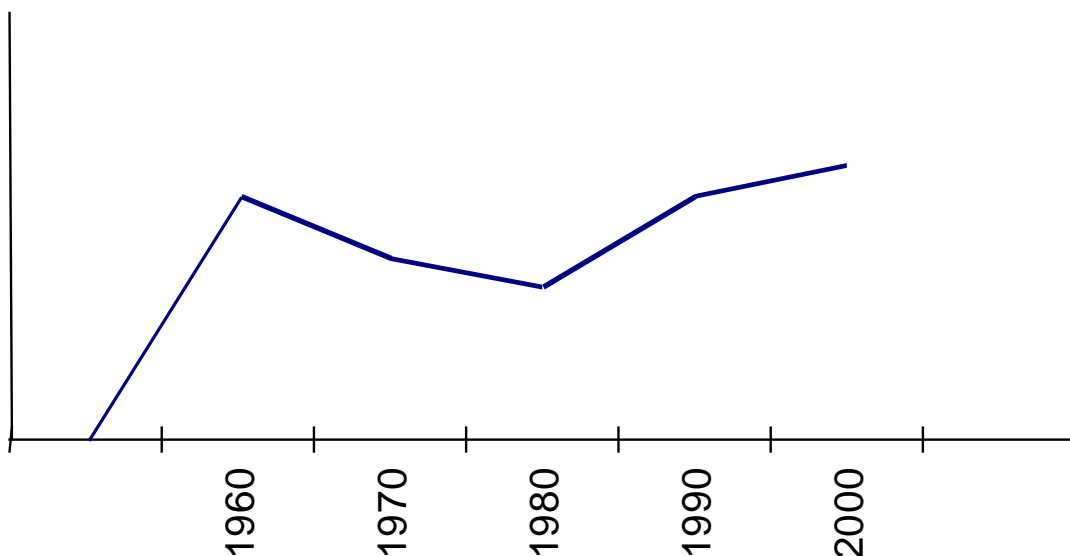
The first (as in Destination A) contains destinations characterised by a steady increase that reveals a slight slowdown in the previous period: they are in a maturity phase and need revitalisation in order to face possible decline.

Reaching the maturity phase

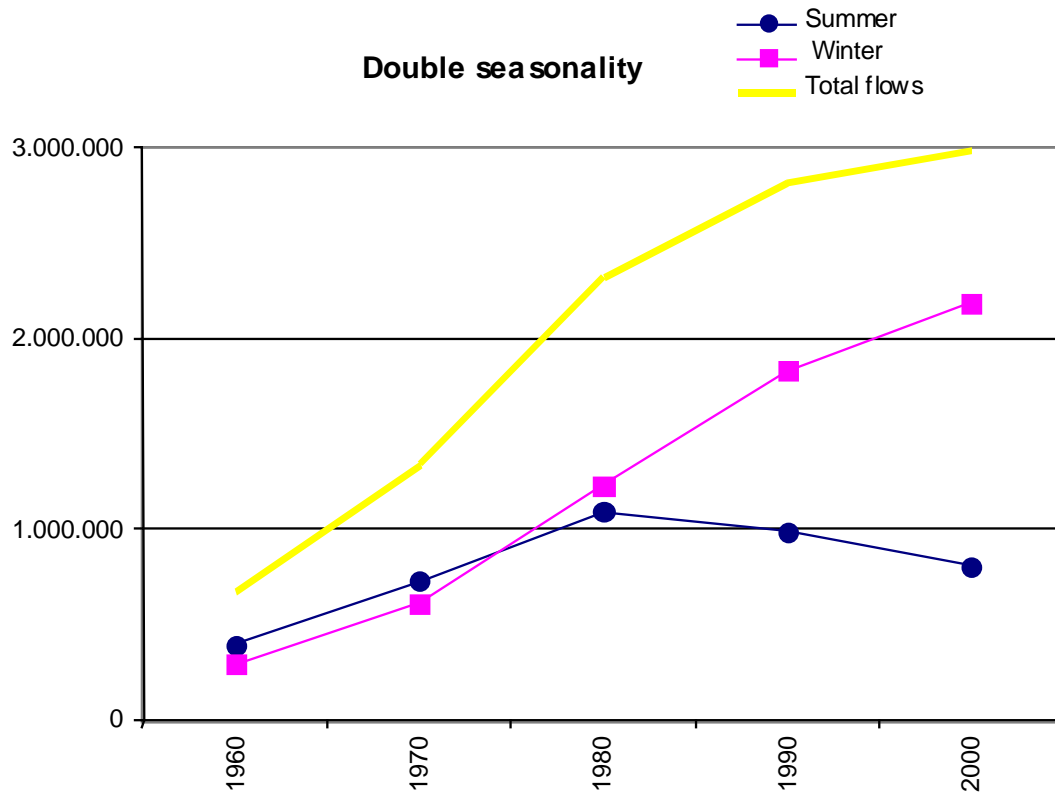


The second group contains destinations which experienced a period of decline in the past and show signs of renewed growth in the previous period reaching maturity figures for the second time or achieving more comfortable heights.

Rejuvenation



The third group is represented by destinations characterised by a double seasonality (typically, mountain destinations). Each of them is, in fact, a double destination since winter and summer season produce very different images (which can be respectively summarised by white and green colours) and tourist resources (snow and sunny alpine landscapes). They are characterised by very different demand segments and distinct supply systems. Decline phenomena are, therefore, not so easily recognisable when taking into account only the average yearly figures.



Overview of Life Cycle

Strengths

Life Cycle summarises in a single graph a destination's evolution. It gives the possibility to compare very different destinations looking at them as market products.

Weaknesses

Life Cycle technique applied to tourist destinations is at the moment not well supported by systematically monitored time series. Moreover, it gives a very simplified vision of the destination and, if not accompanied by more detailed and articulated information provided by other indicators, problems can be hidden. Some destinations, such as mountain destinations, are not well described by a single life cycle since they represent two different products, each with its own life cycle

Further developments

Systematic monitoring of variables is needed in order to obtain time series from which it is possible to build specific (based on a single indicator) or cumulative (based on an average of more indicators) life cycles.

Conclusions

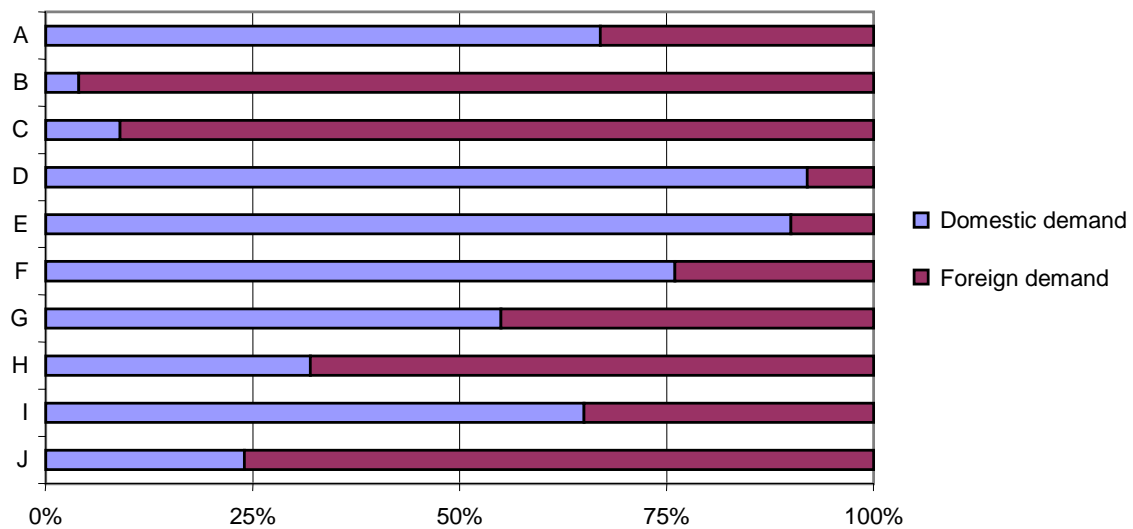
Destinations of the same 'life cycle age' can be more effectively compared in order to exchange experiences, strategies and solutions.

5.3 Destination demand distribution

Different destinations can show a range of weighting, for foreign/domestic segmentation as well as for tourist/same-day visitor segmentation, as shown in the graphs below.

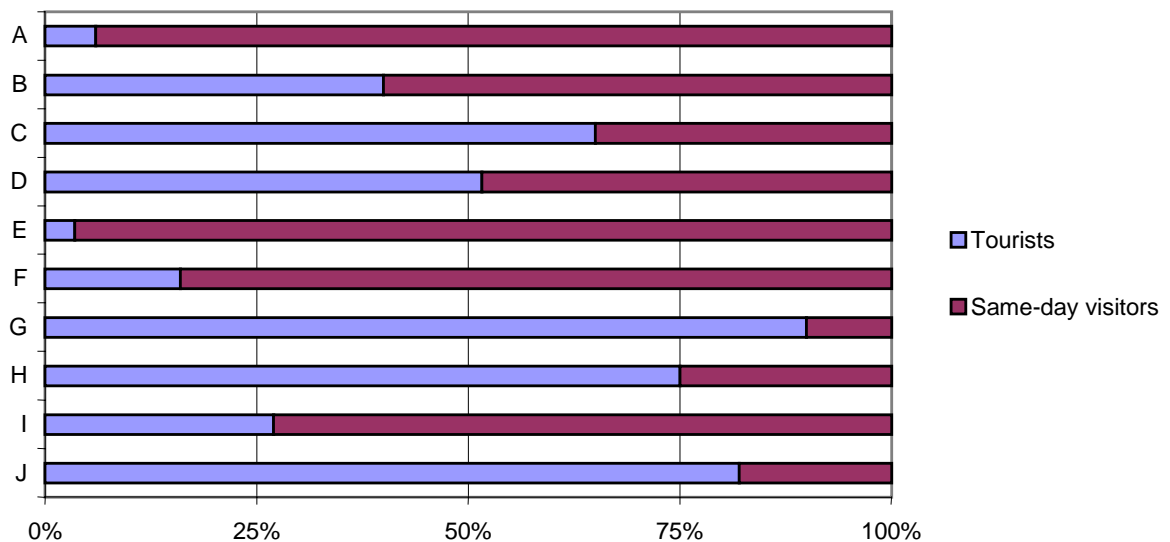
For the first kind of segmentation, it is desirable to count on a proper balance between the different segments of demand, in order to single out the risk linked to a specific segment.

Tourist distribution: domestic - foreign



For the second segmentation, a high same-day visitor share is always a symptom of serious problems and is almost never desirable, since it generally implies high physical pressure as opposed to a low economic contribution to the local economy. There are a few exceptions to this assumption, as in the case of cruise passengers (who represent a “rich” same-day visitor segment).

Visitor distribution: tourists - same-day visitors



Overview of Destination demand distribution

Strengths

Excessive imbalance between the main market components is a risk factor which can be easily measured and recognised.

Weaknesses

Often distribution flows depend on non-modifiable factors such as geographical location of the destination. Same-day visitor flows are often roughly estimated, rather than on the basis of systematic surveys.

Further developments

Adequate monitoring of same-day visitor flows is needed since this is the most risky and blurred component. Time series, trends and a more detailed segmentation by origin is needed in order to increase destination managers' knowledge of the market, of the stakeholders that control it (e.g. Tour Operators) and of same market competitors.

Conclusions

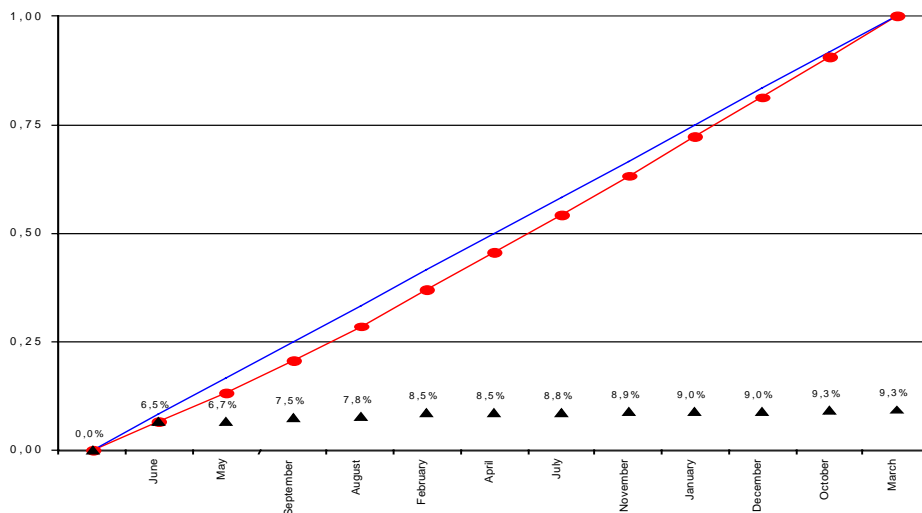
Destination demand distribution is a decision-making tool essential for destination managers.

5.4 Tourist flow seasonality: Lorenz curves and Gini indexes

The Lorenz curve and Gini index are tools for measuring seasonality. This is an important strategic variable since excessive tourist peaks in a destination can have adverse social and environmental impacts. On the other hand, extended periods characterised by low or irrelevant tourist flows mean that a strong and articulated tourism industry, which alone guarantees sustainable economic development to the destination, cannot exist.

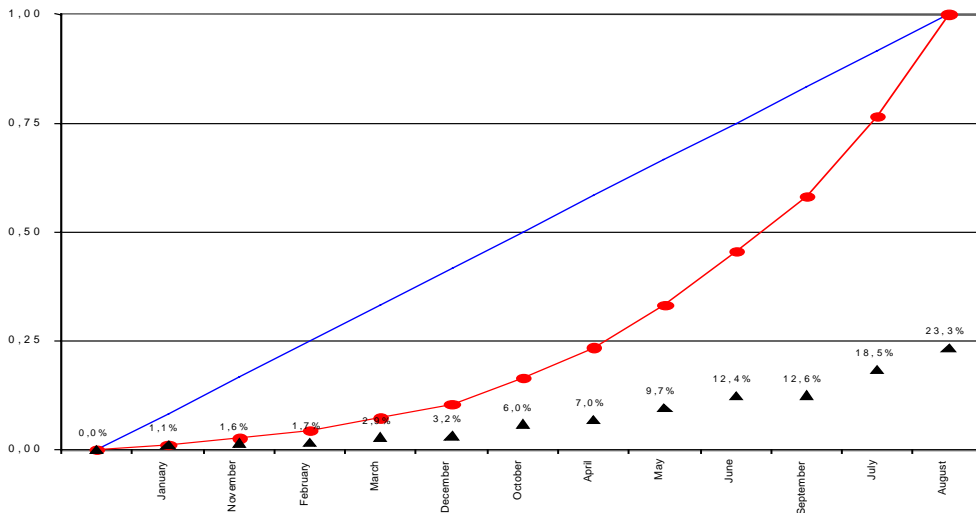
The graph of destination A shows a fairly even distribution: the monthly percentages of total yearly flows differ little from each other (they range from 6.5 in June to 9.3 in March and October). This can be a typical pattern of a city where art is the main attraction and where tourist flows are basically homogeneous throughout the year. As the graph shows, the area delimited by the Lorenz curve is very narrow, and can be expressed by a low value of the Gini index, i.e. 0.055.

Seasonality Lorenz curve : Destination A - Gini Seasonality Index = 0.05



Destination B, on the other hand, is characterised by a stronger seasonality (more typical of coastal destinations). In fact, tourist flows are mostly concentrated in the summer: the months from June to September account for more than 50% of total yearly flows. This pattern is clearly shown by the Lorenz curve and is described by a fairly high Gini index, equal to 0.45.

Seasonality Lorenz curve: Destination B - Gini Seasonality Index = 0.45



Overview of Gini seasonality index and Lorenz curve

Strengths

The possibility of comparing very different destinations, independent of the specific season, is guaranteed by the construction method of the indicator. Moreover, a single number is able to express a really complex flow structure.

Weaknesses

This version is based on tourist flows alone because same-day visitor flows are not systematically monitored (for excessive costs).

Further developments

In a destination characterised by significant flows, the index can be applied also to weekly figures. It can also be applied to each major segment (e.g. domestic demand, foreign demand, hotel guests, etc). Systematic monitoring of demand is recommended in order to measure the destination performances over more years by means of a complete time series.

Conclusions

The comparison of the case studies characterised respectively by the lowest and the highest value shows immediately how, when the flows distribution is less homogeneous, tourism leads to concentrated economic benefits but also to negative impact. Moreover, the larger the gap between peaks and low season, the less sustainable and integrated the tourism industry can be with the rest of the local economic environment.

5.5 Visitor consumption behaviour: Lorenz curves and Gini indexes

The purpose of this tool is to measure the consumption attitude of visitors (tourists vs same-day visitors) in order to understand whether they really contribute to the sustainable development of the destination or whether negative impacts are stronger than economic benefits.

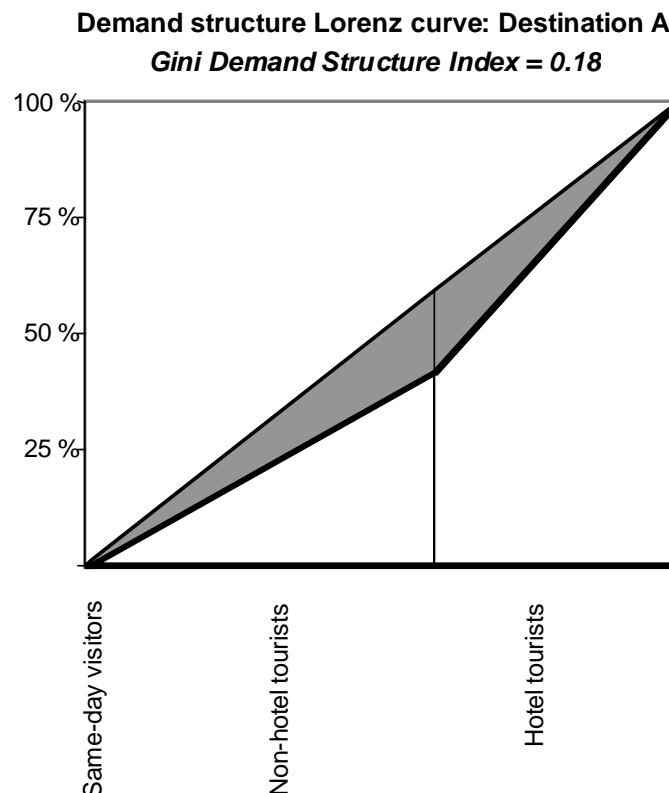
Destinations can be grouped as follows:

- high Gini index values (corresponding to a large dark spot), mainly due to high same-day visitor flows
- low Gini index values, where visitor distribution is more homogeneous

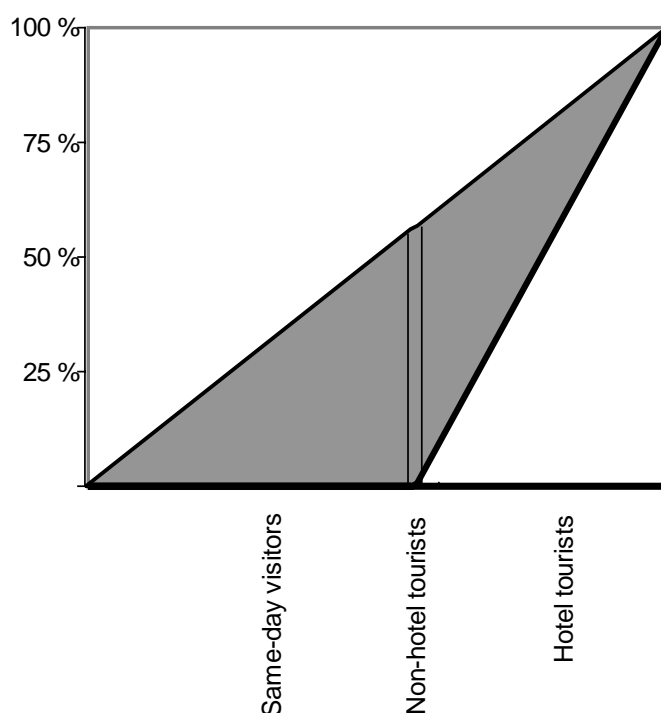
In the graph, the higher the gap between the curves (represented by the dark area), the higher the risk of falling towards an unsustainable economy: The Gini demand structure index estimates this risk by means of an indirect measure.

In the following example, it is evident that Destination A is characterised by a same-day visitor share close to zero, and an almost even share of non-hotel and hotel guests. This can be identified as a common pattern for island seaside destinations, where same-day visitor access is limited and a large non-hotel supply is available, especially for longer stays.

In contrast, Destination B presents a bigger imbalance between the physical and economic impact of tourism. In this destination, same-day visitor share is very high, exceeding 50% of total demand, while the share of non-hotel guests is very low. This is a pattern typical of many cities dominated by art, where most tourist nights are concentrated in hotels (often due to a lack of suitable non-hotel accommodation) and the excursion phenomenon is strong.



Demand structure Lorenz curve: Destination B
Gini Demand Structure Index = 0.57



Overview of Gini demand structure index and Lorenz curve

Strengths

Accommodation expenditure is a very significant indicator of tourist consumption behaviour. Average or estimated data on the three macro-segments is easy to find. The dark 'risk area' associated with the Lorenz curve is an effective and easily comprehensible graphic tool.

Weaknesses

This first simplified version is based only on three macro-segments and on accommodation data. The major limitation of this tool is that it does not take into account the real dimension of tourist flows, since it describes only their inner composition, not the destination supply structure (accommodation establishment number, size, quality, prices), which can determine the different weighting of non-hotel and hotel segments. Finally, even if generally same-day visitor flows mean low economic benefit and high negative impact to the destination, there are some limited cases where the wealth the same-day visitors add to the destination outweighs the stress they cause to its environmental and social systems (e.g. cruise passengers, shoppers).

Further developments

The index can be refined by means of a more detailed breakdown of visitor segments and a more precise expenditure estimation process. Instant systematic surveys are recommended in order to obtain that information and continuously monitor the destination's performance with a complete time series. The optimal target to be achieved is average expenditure by segment, including purchase of any item and service.

Conclusions

The comparison of the case studies characterised respectively by the lowest (Gran Canaria) and the highest (Naples) value immediately shows how in the second case, where same-day visitors are in the majority, tourism is not a sufficiently developed and locally integrated industry and costs cannot be well distributed between residents and visitors.

6 THE BALANCED SCORE CARD : EARLY WARNING AS A PROCESS

The use of early warning systems in practice

None of the destinations that was studied used the Balanced Score Card as an early warning system for facing or preventing decline. In fact none of the destinations had a system for early warning at all. All of the destinations undertake some kind of measurement of tourist data (by measuring, for instance, the number of visitors or expenditure per tourist) on a more or less regular basis. Most destinations have a monitoring programme on a certain aspect of tourism (for instance, visitor satisfaction) which make a sequential measurement possible. Although there are some examples of the use of the Balanced Score Card as a tool for regional development, it is not used as a tool for early warning to identify declining destinations. However, different elements of the Balanced Score Card are being used by destinations to cope with threats of decline.

Early warning for decline needs a clear vision and mission

An early warning system on the decline of a destination can only be developed where a vision exists that states what kind of tourist destination the destination would like to be. Without this, it is impossible to define performance. Not having a vision might be considered as the strongest warning signal of a threat of decline.

Almost all destinations that were investigated do indeed have a vision. This does not mean that these visions are specific enough to give direction to future development. Most visions contain general concepts such as “*economic growth*”, “*leading destination*” or “*sustainable development*” without specifying what is meant by these terms.

In addition, visions and missions of tourist destinations are in many cases not specific; the development of visions and missions is not seen as important by many stakeholders. They see the development of a vision or a mission as something “bureaucratic”. In general, the development of a vision and mission is seen as a job for government professionals (mostly on a regional scale). Most local private tourism entrepreneurs feel that they are too busy with their daily business. This underestimates the value of the development of a clear vision in a process with all different stakeholders in relation to preventing decline.

The vision and mission should give direction to different strategies

The vision and mission of a destination should be “translated” into the different perspectives (see part one of this publication) by means of strategies that link the vision and mission to the different perspectives. The studied destinations reveal that not having a clear vision for the destination as a whole does not mean that there cannot be strategies for the future development of certain perspectives of the destination. But it is clear that strategies which are not embedded in a clear vision and mission might lose coherence between each other and therefore might not be as successful as they should be. This might result in inefficient investments and might in due course lead to a decline of the destination, or certain parts of it.

All of these destinations do have at least one strategy for future development, and almost all have strategies which can be seen as strategies for the development of

tourist supply, most of them being quite clear. Most of the destinations develop strategies, which can be seen as strategies for the demand perspective. However, these strategies are less clearly identifiable than the strategies for the supply perspective. A nice example of a “supply strategy” can be found in Brighton where different markets are identified and can be divided in different segments. Different policies are developed for each market segment.

Almost all the destinations develop strategies for destination resources, most of which mention “sustainable development” and aim at raising the economic benefits of tourism.

Good monitoring needs clear objectives, indicators, targets and initiatives on elements of each perspective

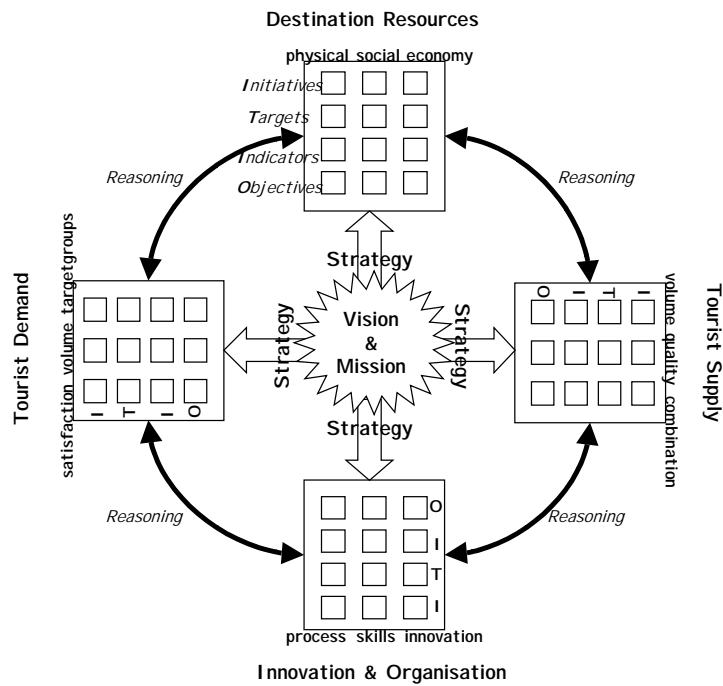
When we look at the way the different perspectives are monitored, it is clear that for the supply perspective and the demand perspective, most destinations do have objectives and do gather data on different indicators. These indicators are mostly related to “volume of tourist demand”, “volume of tourist supply”, “quality of tourist supply”, “target groups” and “satisfaction of the demand side”.

For the destination resources perspective most destinations use indicators for economic aspects of tourism. The use of clear indicators for the measurement of performance on social and physical aspects is far less common, although objectives for these aspects are frequently mentioned. The innovation and organisation perspective is the least monitored aspect of most destinations. Although objectives for the innovation aspect (usually related to the use of information and communication technology) and the process aspect (usually related to efforts which make co-operation between different stakeholders possible) exist, the use of indicators to measure them is rare. The most significant conclusion of the analysis of the use of BSC elements by tourist destinations is the lack of targets for almost all aspects of all perspectives. Only for economic aspects do some destinations set targets (jobs and money generated by tourism) but for the others targets are rarely set. It will be very hard, if not impossible, to implement performance management when it is not clear what has to be achieved.

The Balanced Score Card as a process but also as a simple assessment tool

The Balanced Score Card can be very valuable as an early warning system when it is used as a “process”. In part three this publication will show how this could be realised in a step by step approach. During the case studies it became clear that the Balanced Score Card could also be used as a simple assessment tool for a destination to determine progress in developing its vision and mission, for translating these to strategies for the different perspectives and, finally, for formulating objectives, indicators, targets and initiatives based on these strategies. The destination can do such an assessment by itself using the following schematic representation of the Balanced Score Card in which all the elements of the Balanced Score Card are drawn.

The next graph shows at its centre the “***Vision & Mission***” (represented by a star) which reveals the aims in “***Strategies***” (represented by arrows). Each strategy concerns the different perspectives (represented by the larger squares) of the BSC and the different elements of each perspective (represented by the columns of smaller boxes):



- **Destination Resources:**

- ⇒ Physical
- ⇒ Social
- ⇒ Economic

- **Tourist Demand:**

- ⇒ Volume
- ⇒ Target groups
- ⇒ Satisfaction

- **Tourist Supply:**

- ⇒ Volume
- ⇒ Quality
- ⇒ Combination

- **Innovation and Organisation:**

- ⇒ Process
- ⇒ Innovation
- ⇒ Skills

Each aspect of each perspective is divided into objectives, indicators, targets and initiatives (*in the graph represented as the smaller boxes*).

Using this diagram as a starting point, the scores can be given by colouring the different aspects of the Balanced Score Card while answering the question “*Does the destination have a (clear)*”. When the answer is “yes”, this aspect of the Balanced Score Card can be coloured green. When the answer is “no”, it can be coloured “red”. If the answer is something like “there is, but not so clear”, this aspect can be coloured “yellow”. The result of this exercise is a coloured Balance Score Card making clear at a glance on which elements the destination is scoring well, which elements are scoring badly, and which elements need improvement.

It is clear that the scores can only be given in a qualitative way, based on expert judgement. But this is more an advantage of the tool than a disadvantage. By assessing itself in this way on a regular basis, the destination will gain a better understanding of its development.

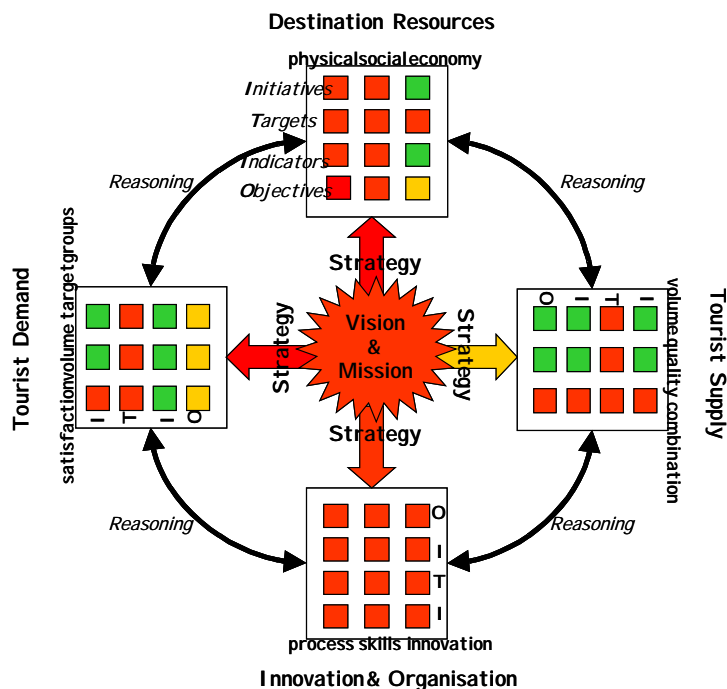
The Balanced Score Card diagram could be used as an assessment tool by using the following steps of an interactive assessment session:

1. Compose an expert panel of important stakeholders in the destination
2. Each stakeholder/expert fills in (“colours”) the Balanced Score Card diagram by assessing the way the destination is using the different elements of the BSC (in his own opinion)
3. The BSCs that have been coloured by the different stakeholders will be compared and the scores discussed. (Note that the discussions and the acknowledgement of different scores are the first step towards improvement!)
4. On the basis of the discussion the different scores can be amalgamated as one overall BSC for the destination.
5. The stakeholders discuss what improvements can be made, in what sequence and what time path, and with which stakeholders (this is the starting point of the process “Stepwise to a BSC”).

As part of the study ten destinations have been assessed using the Balanced Score Card diagram ⁶. As a result of these exercise (apart from the conclusions mentioned in the previous paragraphs) three examples of Balanced Score Cards emerge.

Example of a BSC: Many aspects of the Balanced Score Card are missing indicating a threat of decline

The following example refers to a destination that uses few of the elements of the Balanced Score Card.

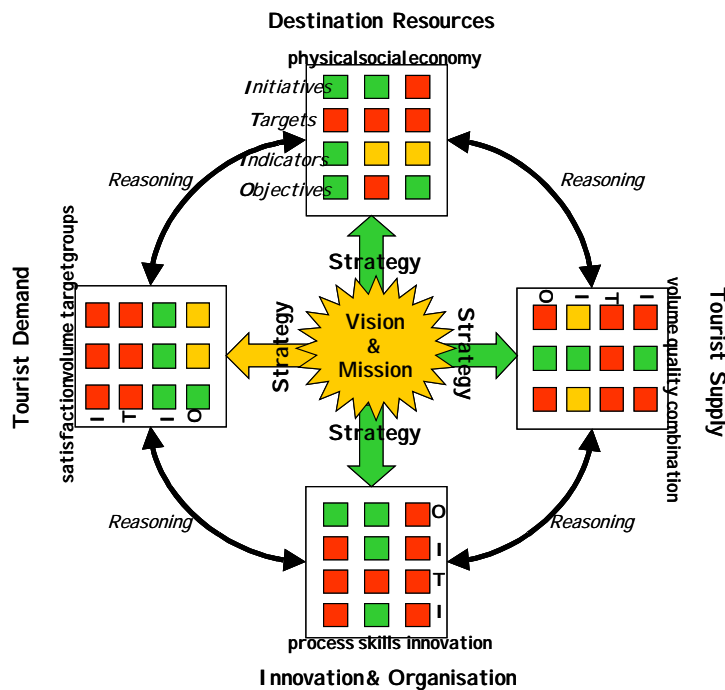


⁶ For reasons of confidentiality these destinations are not named in this publication. The assessment was carried out by TNO experts and not as proposed in the textbox on the previous page by stakeholders of the destinations. However, information provided by the destination stakeholders has been used in order to complete the assessment.

This destination is an example of a destination that is suffering decline because of a decrease of elements that define its former quality and a decrease in competitive success. Knowing that, it is even more important to have a vision, mission and strategies in order to reposition the destination in the field. However, despite efforts in the early nineties, there is no vision at all. No clear strategies can be found. Investments, mainly in “tourist hardware”, seem to be made on an ad hoc basis. This destination can be seen to be in serious danger of decline. This signal is also given by other visualising tools such as the life cycle or the spider graph (showing a relatively high proportion of same-day visitors).

Example of a BSC: Some aspects of the Balance Score Card are missing

The Balanced Score Card below is average for the BSCs of the studied cases, in that some of the elements of the BSC are clearly used in the destination and some are missing.

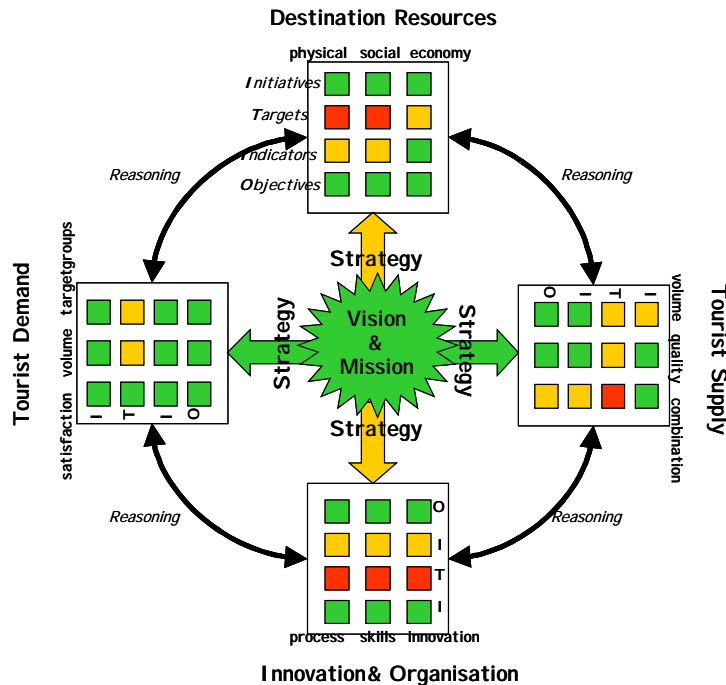


In this example there is no clear vision and mission for the destination. However, there are strategies developed to improve the supply, resources and the innovation perspectives. For some aspects, monitoring exists and for some it does not.

This destination can be judged to be a destination possibly threatened by future decline, a signal also given by other indicators and visualising tools.

Example of a BSC: Fewer aspects of the Balanced Score Card are missing

This graph is the example of a destination that does use most of the elements of the BSC.



The destination has a vision (subdivided into its different market segments) and a rather generic mission statement, which give clear direction to strategies for the demand and supply perspective and less so to those for destination resources and the innovation & organisation perspective. Most of the “monitoring elements” (i.e. objectives, indicators, and strategies) are used for most aspects, but as is the case in all destinations clear targets are sometimes missing.

This destination is not in real danger of decline. Other visualising tools and indicators confirm this conclusion.

7 CONCLUSIONS

In detail, some important considerations emerge from the survey:

- Decline is still a “fuzzy” concept that some destination managers and stakeholders do not completely understand. It seems to be perceived more as a theoretical concept than a real threat.
- There is generally poor awareness of decline and, even where perceived, no real warning system was encountered.
- Decline is basically perceived through “manifested” and/or easy to measure phenomena. The decrease in tourist flows (arrivals, nights, average length of stay, etc.) is the most evident signal – 4 out of the top 10 signals focus on the evolution of tourist demand – followed by negative environmental impact.
- There seems to be a coherence between major signals of decline and indicators used by destination managers. In fact, the most popular indicators correspond to the major category A of Signals of Decline (tourist arrivals, nights, length of stay, seasonality).
- Many other variables regarding the type of tourism at the demand and supply side (e.g. same-day visitor flows, role of tourist activities, etc.) and the social and economic impacts of tourism (e.g. residents’ quality of life, site stress, crowding out effects, etc.) as well as the quality of supply development (resource-based approach) are not monitored at all. We would like to stress the importance of such indicators, which are essential to the full understanding of the trend of a destination, and therefore recommend that they are collected on a regular basis.
- Furthermore, some of the indicators used are not monitored constantly over time but derive from occasional analysis (e.g. a specific survey).
- A range of strategies is available to destination managers in order to face potential decline. In theory, various models exist which provide possible strategic options in different environments and situations. Most of these models originate from general marketing theories and are adapted to destinations, thus treating a tourist destination as a product (as is the case with the life cycle theory). Nevertheless, the practice of destination management does not always fit into such theoretical models. More often than not, strategies implemented in practice do not originate from a thorough analysis of the destination’s situation, as it should be. This is due to many factors, such as the lack of a vision and/or mission for a specific destination, the lack of regular data collection, and so on.
- Not all destination managers have a clear vision of what needs to be done to face or prevent decline. While in some cases there is a coherence between signals perceived and strategies implemented, in other cases actions do not seem to be supported by a real understanding of problems and causes but by an undefined generic feeling that ‘something has to be done’.
- In spite of that, there is a growing awareness that measures dealing with “innovation and organisation” may be the most effective. This means that the reorganisation of the tourism system as a whole, through the development of co-operation networks between all stakeholders involved (and the use of new technologies) is regarded as one of the most important strategies for overcoming decline and gaining competitiveness in the market.

- In most cases, the implementation of strategies and practical measures starts from the public sector, which is best placed to request and administer funds from the state or other institutions. However, there are a few cases where private operators and/or associations have shown themselves willing to finance some of those actions necessary in order to prevent or face decline.
- The lack of a systematic monitoring system makes it difficult to put a feedback analysis in place that can measure the effectiveness of the strategies implemented.



8 RECOMMENDATIONS AND POTENTIAL SCENARIOS FOR FOLLOW UP

8.1 A first warning system prototype

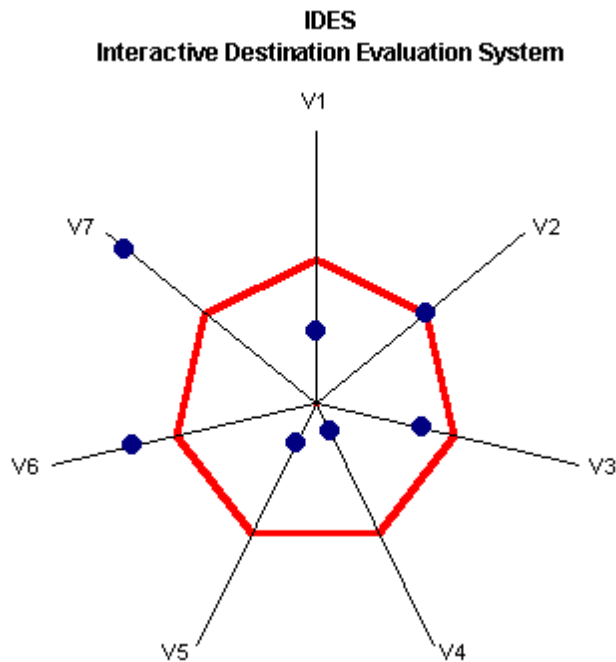
A first warning system prototype is proposed by means of an Interactive Destination Evaluation System (IDES), a holistic diagnostic system which can also be used to simulate different scenarios.

The idea is to build, from the selected indicators, a dynamic and user-friendly decision-making tool with three functions:

- giving destination managers strategic and easy to interpret information about the current situation and risk of decline;
- showing in a really effective way (by means of a series of snapshots) the evolution of the destination over time;
- simulating by means of images (created with a simple interface) the effect of changes in variables.

IDES is therefore a Virtual Warning Machine which, once strategic variables have been selected (in this example, a seven-variable model is proposed) and appropriate decline thresholds have been adopted, helps to anticipate decline and gives an input for the implementation of practical measures to face it.

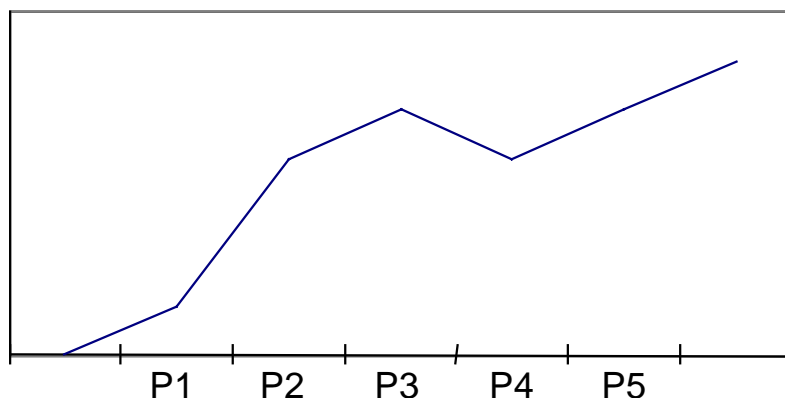
A threshold value is a theoretical maximum value that must not be exceeded. The identification of a threshold is necessary in order to provide a benchmark against which the overall trend for a given variable can be assessed.



In the example above, it is evident that variables V6 and V7 exceeded their threshold and need therefore appropriate corrections, while variable V2 is risky (it is just on the border) and variable V3 must be kept under observation.

IDES can serve as an internal and external benchmarking tool that allows the monitoring of a specific destination dynamic over time as well as a comparison between different destinations.

This paragraph presents an example of the application of the IDES warning system to a hypothetical tourist destination that has already passed its introduction (P1) and development (P2) phases, and which is now monitored in the final periods of its life cycle: maturity (P3), decline (P4) and rejuvenation (P5).



On the basis of the tools presented in the previous chapters, five variables have been identified as sufficient to achieve a successful implementation of IDES:

- A. Tourists/Residents
- B. Same-day visitor share
- C. Economic role of tourism
- D. Gini seasonality index
- E. Gini demand structure index

Two other variables have been added to this list in order to acquire a more comprehensive insight of the destination:

- F. Cooperation. This variable can be expressed by the formula “1 - Degree of cooperation”, where “Degree of co-operation” is measured by the percentage of operators and organisations involved in partnerships in total.
- G. Environmental impact. This variable represents the physical pressure which affects the destination as a consequence of tourism, and can be expressed most easily by means of use intensity indicators (i.e. number of visitors / surface). Other indicators which could prove useful to express environmental impact, but with less availability of data, are represented by waste levels, water consumption and air pollution.

Due to its dynamic nature, IDES needs systematic data as input in order to represent an effective warning system. The seven variables chosen for its implementation have been selected on the basis of their effectiveness (i.e. the amount of information they provide with reference to the destination) and the likelihood of finding systematic data necessary to build them.

In order to build the IDES graph, a threshold for each variable considered is needed; values that reach or exceed the threshold provide a warning of a potential decline. In the example, hypothetical thresholds for each of the seven variables have been identified.

The three diagrams that follow show the dynamics of a hypothetical tourist destination over time from maturity (P3) to decline (P4) and rejuvenation (P5). A joint analysis of these graphs and the life cycle curve allows the evolution of destination to be monitored effectively.

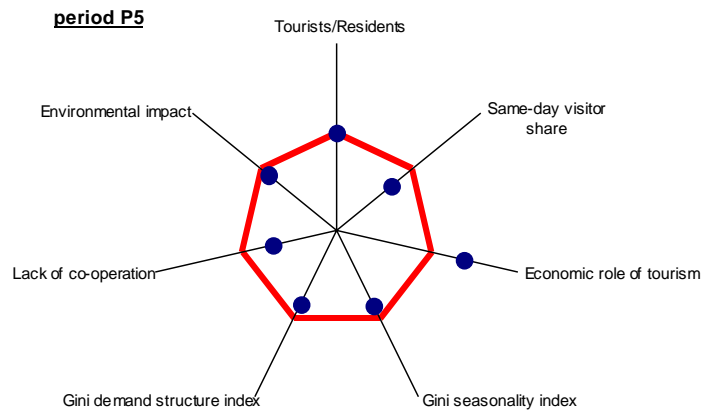
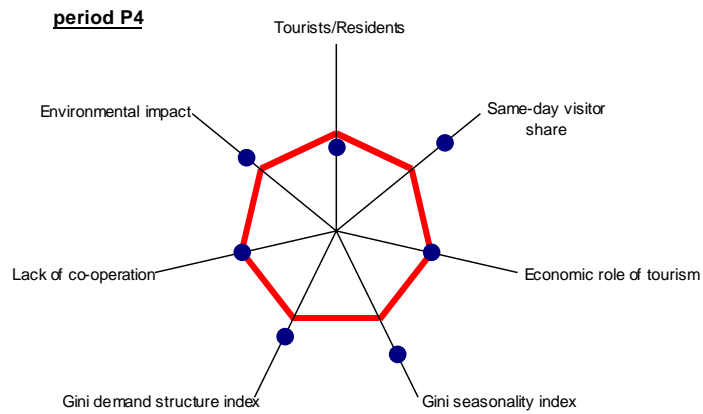
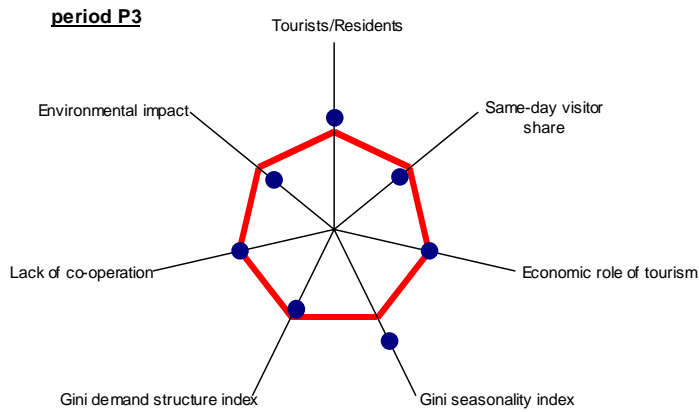
In particular, the IDES graph referring to period P3 shows a situation of maturity in which the main issues are represented by seasonality and tourist/residents ratio, while the other variables are still within an acceptable range.

P4 clearly identifies a situation of decline, since the majority of the variables register a value that exceeds the threshold. Nevertheless, the variables that demand immediate action are linked to environmental and seasonality issues, as well as to strong same-day visitor pressure.

The graph referring to period P5, on the other hand, shows that most variables have returned to within an acceptable range (implying that strategies and measures have been implemented in the destination), even if it is evident that the tourist/resident ratio must be carefully monitored, and that the destination is still extremely dependent on tourism (the economic role of tourism is now the only variable whose value exceeds the fixed threshold).

IDES applied to a hypothetical tourist destination

code	indicator	thresh- old	period P3		period P4		period P5	
			value	value/ thresh- old	value	value/ thresh- old	value	value/ thresh- old
A	Tourists/Residents	15.00	17.14	1.14	12.86	0.86	15.00	1.00
B	Same-day visitor share	0.35	0.30	0.86	0.50	1.43	0.25	0.71
C	Economic role of tourism	0.25	0.25	1.00	0.25	1.00	0.33	1.33
D	Gini seasonality index	0.15	0.19	1.27	0.21	1.40	0.13	0.87
E	Gini demand structure index	0.35	0.32	0.91	0.42	1.21	0.30	0.85
F	Lack of co-operation	0.50	0.50	1.00	0.50	1.00	0.33	0.67
G	Environmental impact	3.00	2.40	0.80	3.60	1.20	2.70	0.90



8.2 A Framework for an early warning system: the DeTour system

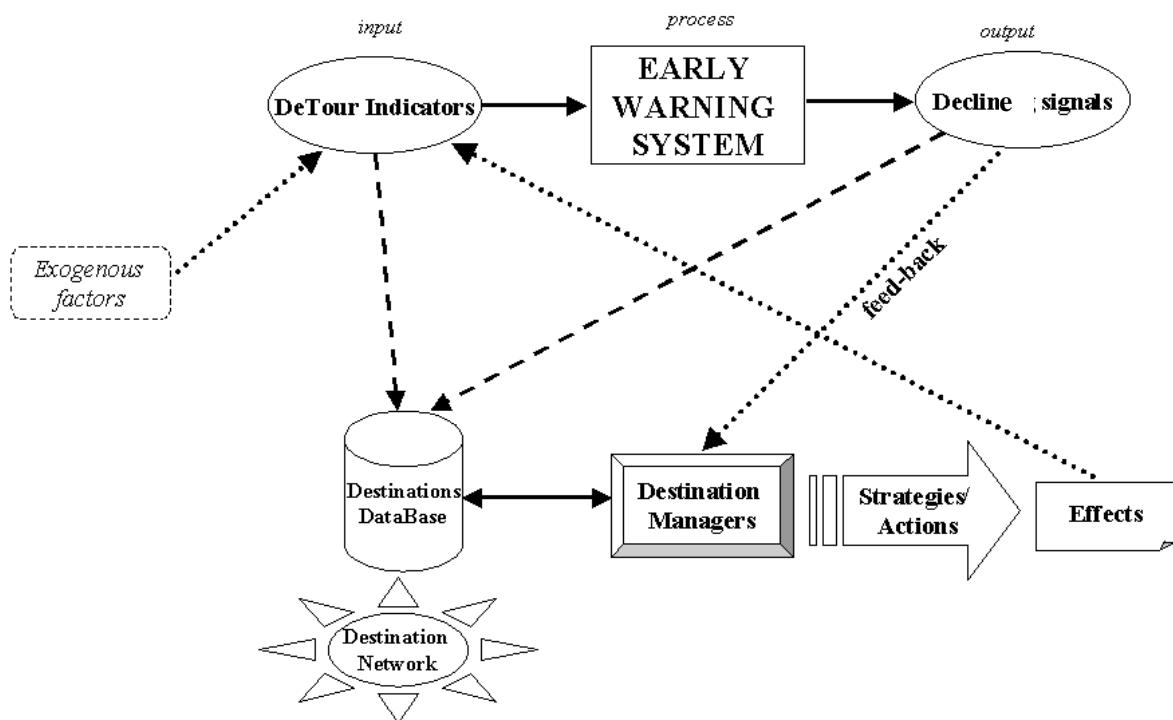
An example of an early warning system for decline has been given in the Interactive Destination Evaluation System (IDES). The purpose of this user-friendly decision-making tool is basically to show in an effective way the trend of a specific destination, thus providing destination managers with strategic and easy to interpret information about current situation and risk of decline.

The DeTour system of indicators represents a general-purpose and exhaustive framework in order to build an effective early warning system for declining destinations.

The strength of this framework is that it can be applied to a large sample of destinations. Homogeneous subgroups of destinations sharing, for instance, the same kind of tourism (e.g. beach resorts, spa resorts), or the same kind of problems/solutions (e.g. decrease of tourist arrivals, change in the composition of tourism demand), could be created so as to identify transferability and best practices.

DeTour indicators represent the input for the application of a warning system from which signals of decline are generated.

We can describe the process as follows:



The next step could be the development of a network of destinations sharing a common database and dialoguing among each other. Availability of online information about similar problems and strategies implemented in order to solve them is a key factor in increasing the dissemination of best practices and cooperation between destinations.

8.3 Implementation of the BSC

Another useful approach that can be applied for analysis is the Balanced Score Card. It is helpful in answering the question: 'How do we know, at any moment in time if our performance is satisfactory?' and provides a means of monitoring the most critical performance measurements in a single tool. This concept developed in the business community, has proved very useful at public and regional development level.

The BSC makes it possible to take into account the different perspectives of tourism: "destination resources", the "tourist supply", the "tourist demand" and the "innovation and organisation" perspectives. By linking these perspectives to vision, mission and strategies and making the relationship between the different perspectives clear, the BSC makes monitoring (or better "performance management") a dynamic process instead of a static project.

The case studies made it clear that elements of the BSC are already used by tourist destinations. The demand perspective and the supply perspective are commonly recognised. The perspective of the resources and the perspective of innovation and communication are less often used. Another important conclusion is that targets are rarely used to make objectives measurable.

Some recommendations can be made on the stepwise procedure to implement the concept of the Balanced Score Card for a tourist destination.

Performance measurement in tourist destinations

Measurement is not an end in itself, but a tool for the more effective management of tourist destinations. The results of performance measurement will tell you what happened, not why it happened, or what to do about it. In order for a tourist destination to make effective use of the results of performance assessment, it must be able to make the transition from assessment to management. It must also be able to anticipate the changes needed in the strategic direction of the destination, and have a methodology in place for effecting strategic change. The successful accomplishment of these two tasks represents the foundation of good performance management. Both of these tasks can be greatly facilitated by use of the BSC. In other words, besides simply assessing performance, the BSC provides a structured framework for performance management. Because a tourist destination is not a single business, commitment of the important tourist stakeholders is fundamental. The stakeholders of the tourism sector, such as the government and the business community, have to be committed to the general strategy.

To effectively move from performance measurement to performance management, two key components need to be in place:

- the right organisational structure of the tourist stakeholders in the destination (for example communication structures between tourist managers and hotel or event bureaux)
- the ability to use performance measurement results in investment decisions (the use of the balanced score card contributes to success when there is a mandate to invest in order to fight decline or to prevent a possible decline).

Therefore, in a tourist destination, performance measurement systems must provide intelligence for the actors in the destination and not just compile data. Performance measures should be limited to those that relate to strategic organisational goals and objectives, and that provide timely, relevant, and concise information for use by decision makers — at all levels — to assess progress towards achieving predetermined goals. Although each destination is unique in how performance results can best benefit the destination, several concepts appear to apply across the board, with the following questions in mind:

- Does the data indicate any performance trends over time and over the resources and supply side of the destination?
- Can the data be used to improve performance in areas other than the one(s) assessed?
- Have the correct performance measures been selected for assessing desired performance?
- Do the measures reflect priorities in tourist development goals?
- Do the results reflect a comprehensible causal relationship between performance effort and performance result?
- If performance targets are not met, what inhibited successful performance (a certain decline in the number of same-day visitors or hotel guests can still be a relatively good performance during a time of general collapse in tourism – for example a 2% decline in a destination compared to a 5% national or global decline) ?
- If performance targets are significantly exceeded, are there additional benefits to the destination that can be gained in terms of reducing operating costs or improving performance?

Results must be used or no one will take them seriously.

This seems so obvious that it should not need to be stated. Nevertheless, assessments in tourist destinations are often followed with little effective analysis of results, or honest attempts at improved performance.

Requirements for the elements of the BSC

Each of the four perspectives needs the development of 'goals', 'indicators', 'standards or target numbers' and profiles of results. The elements should fulfil certain requirements, as follows:

Goals should be clearly formulated and relate to rewards and realisation (the organisation, departments etc. must have opportunities to improve themselves). The goals must be complete: meaningful activities related to the goals should not be excluded. The goals should conform to the SMART principles:

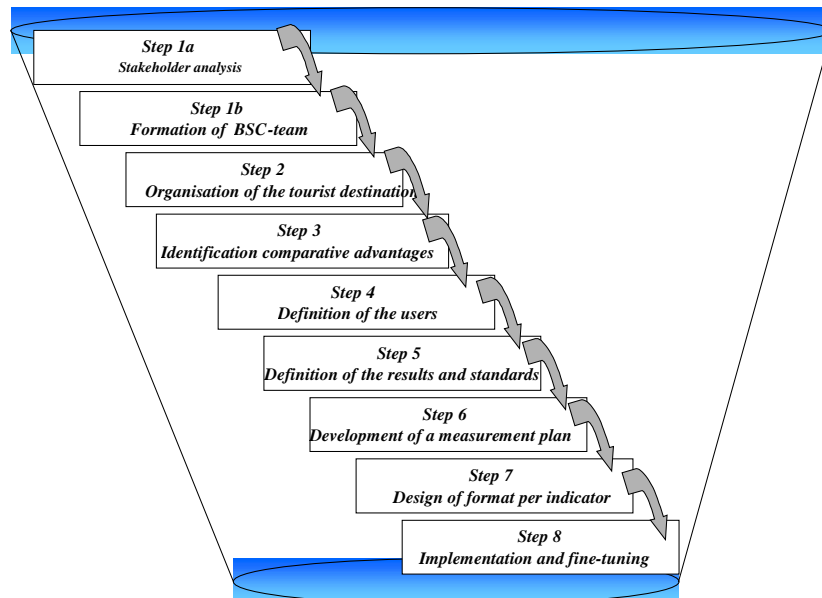
- **S**pecific;
- **M**easurable;
- **A**ceptable;
- **R**ealistic;
- **T**ime scheduled.

Indicators: Each indicator needs to be quickly readable and understandable for every actor concerned. A goal can entail multiple indicators. Each indicator or set of indicators should therefore encapsulate the main goals. The indicators should be valid, to give accurate insight into the goals. Indicators should not be too complex: direct steering should be possible on the basis of the indicators. They should be linked to the strategy and should function as an early warning for decline.

Standards (target numbers): A received result based on an indicator is not enough to judge whether an action has been efficient. Linked to an indicator there should be a standard (periodically adjusted); standards should be linked to previous results and to agreed targets for future results.

Stepwise to a BSC for tourist destinations

The different steps for the implementation of the Balanced Score Card as an early warning system in tourist destinations should be as follows:



Step 1a Analysis and involvement of the relevant stakeholders in tourism development

The process starts with an analysis and the involvement of the relevant stakeholders. Relevant are those stakeholders that have an important role in the development of the destination (this differs between destinations) and those that can steer the development. Stakeholders are both public (governmental tourist managers) and private (hotels, owners of attractions) or both (organisational boards for events). To create a balanced group of stakeholders it is wise to involve united organisations like Chambers of Commerce and associations of hotel owners. The initiative should lie with tourist managers. These managers should also create the links with governmental and departmental stakeholders in the local administration (links with departments for economy, transportation, environment and planning).

Step 1b Formation of a BSC-team

After the actor analysis a BSC team should be formed. The most important criterion for selection is that the members of the BSC team need to oversee the total picture of the tourist destination. Therefore the BSC team for a tourist destination needs to be formed from both local government tourist managers and the private sector.

Step 2 Understanding of the organisation of the tourist destination

The next step is the understanding of the organisation of the tourist destination. In this phase, communication of the mission is very important. Every member needs to have the same notion of the strategy, mission and vision. These must be easy to communicate. Here the main questions are 'who are we?', 'what are our assets in our resources?' 'what do we stand for?', 'what do we want to gain?', 'who are our target groups?'

Step 3 Identification of areas with comparative advantages

The third step focuses on the competitive advantages of the tourist destination. A certain tourist destination may be attractive because of resources (for example beach or environment) and supply of tourist products (attractions, accommodation and events). In relation to these advantages, the question arises 'what do we need to do to distinguish ourselves from other tourist destinations?' Being a destination in a larger region means that a certain specialisation and attractiveness is an advantage in the 'competition between destinations'. This competition is not necessarily to attract the biggest flows of tourists. Linked to the strategy, the comparative advantages for target groups are defined.

Step 4 Definition of the users of the performance measurement system

Step 4 deals with defining the users of the performance measurement system. In this phase the users of the system and their expectations are important. A participatory approach is very useful.

Step 5 Definition of the results and standards

In this step the different perspectives of the BSC are furnished with indicators. To make a workable system the many indicators that can be formulated need to be reduced (say to 10-12). Setting priorities is important in this phase. In a tourist destination it helps to start with the translation of the strategy into one or two indicators of the destination resources, e.g. the sustainability of the attractions (nature, beach, mountains, etc.). Furthermore, the rationale and links of the different levels of preferences are important. For each indicator results and standards need to be formulated. For each indicator there should be a definition of how to measure it, its targets, what initiatives (investments) can be made and which stakeholders are therefore important.

Step 6 Development of a measurement plan

The total system of indicators is only of any use when the indicators can actually be measured. So, 'what data is available?', 'who collects it?', 'how and who is responsible?'. Supplementary and very important for a tourist destination is the definition of how frequently information and data must be collected and what technologies can be used. Because tourist markets are very dynamic, measurement every couple of years will not do. After the questions about the collection of data, answers are needed to questions such as 'on what comparable advantages are the different indicators linked' and 'what adaptation is necessary to the indicators?'

Step 7 Design of format per indicator

After a measurement plan has been devised, the interpretation of the results is the next step: 'how do the users interpret results?' In this step questions on a 'need for information on a time scale' and its visualisation should also be answered. Chapter 5 provided some examples.

Step 8 Implementation and fine-tuning of the performance measurement system

In this last phase the impact of the performance measurement system needs to be determined.

ANNEX 1. GLOSSARY

Balanced Score Card (BSC)

An approach that is considered as a new form of performance measurement in businesses, an alternative to one-sided financial performance measurement. The BSC links the four important steering functions of a company to each other: translation of the vision/strategy, communication in performance networks (departments), business planning, and feedback and learning.

Carrying capacity

The maximum number of tourists which a destination can sustain beyond which there can be damage to the destination itself. Carrying Capacity can be characterised by three dimensions (environmental, economic and social).

Declining tourist destination

A destination with a certain tradition in providing tourism but characterised by one or more negative trends.

Destination Management

A management approach with the purpose of making the destination able to compete in the global tourist market through adequate structures and policies.

Integrated Quality Management (IQM)

An approach which simultaneously takes into account and has a favourable impact on the activities of tourism professionals, tourists, the local community and the environment (i.e. the natural, cultural and man-made assets of the destination).

Life Cycle Model (of tourist destinations)

A model which represents the trend of visitor arrivals to a destination over time (from discovery to decline) by a curve.

Sustainable Development

A broad political objective, encompassing an intention to avoid activities that will cause long-term damage to the environment and a desire to ensure adequate quality of life for present and future generations.

Sustainable tourism

Meets the needs of present tourists and host destinations while protecting and enhancing opportunities for the future without compromising the ability of future generations to meet their own needs. It is envisaged as leading to management of all resources in such a way that economic, social and aesthetic needs can be fulfilled while maintaining cultural integrity, essential ecological processes, biological diversity and life-support systems.

Tourism

All activities undertaken by tourists during their travel and stay away from the area where they usually live or work, whether for private or professional reasons.

Tourist destination

An area which is separately identified and promoted to tourists as a place to visit, and within which the tourism product is coordinated by one or more identifiable authorities or organisations.

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