CHAPTER 1: INTRODUCTION

1.1 Background

Standardization of products and services are becoming integral part of business development. Nowadays, changing customer needs and increasing supply of consumer goods and services are pushing the stakeholders to be different from their competitors to retain their products and services as the leader in the consumer market. Today, tourism organizations are striving to develop new approaches in order to establish competitive advantages (Xiang, Kothari, Clark, & Fesenmaier, 2007). There are many strategies that the companies are adopting to beat the competitors, namely new product development, customized packaging, competitive pricing, surety in services and intensive promotions.

The competency of a tourist destination is the ability to offer product and services holistically in an expected way for all the parties involved. The experience of poor quality is exacerbated when the destination management organizations (DMO) are either not empowered to check the quality inadequacies or not willing to do the service delivery in an expected manner. The consequences of such an attitude are the loss of tourist confidence and competitors taking advantage of the market leadership.

In the present decade, tourism industry has become significantly popular in almost all countries in the world. The continuous growth of the industry catalyzes them to capitalize the opportunity to transform their socio-
cultural and economic condition. However, most of the tourist destination still fails to catch the attention of potential tourist generating market due to the unplanned tourism development. For this reason, a continuous improvement of quality leading to destination performance competitiveness is important for tourism development. In the service industry, selectively in tourism, the performance evaluation so far has been considered difficult and challenging. There are multiple reasons behind this issue (a) Tourism industry consists of many operational sectors, subsectors, components and elements, it is difficult to identify what is to be measured in performance evaluation; (b) Since, tourism industry involved tangible goods and intangible services, it is difficult to align goods and service constructs in one single scale of measurement; (3) A perfect destination performance evaluation consists of quantitative and qualitative methods, an approach that is time-consuming and difficult to align in one scale; (4) There is a significant difference from one destination to another in terms of their products, services, economic and socio-cultural characteristics, so each destination needs a customized method and tool for destination performance evaluation. Due to these reasons, an absolute destination performance evaluation is still in infancy and the study on destination performance evaluation is significantly low.

There is an accelerated movement of tourism industry in transforming social condition in the tourist destination. Its power has been apprehended globally for socio economic transformation and hence, tourism industry is more valued as a social activity rather than a recreation phenomenon. In
developing and underdeveloped countries, tourism helps transform a poor society into a self-sufficient one with increased employment opportunities and basic infrastructure access. Tourism also reduces prejudices, social tension and enhances the social equilibrium.

Due to intangibility, tourists travel to a tourist destination with expectation. If the performance exceeds the expectation, tourist will be delighted and positive disconfirmation is the result. As such, quality overrules the price in tourism and quality in turn is determined by tourism without deficiencies and variation with higher level of consistency in service. Tourist visits consists of cognitive emotions and therefore measuring tourist satisfaction is integral part of quality check in any tourist destination. Additionally, tourism development has direct involvement of destination community and tourism stakeholders, hence tourist satisfaction alone is not sufficient to evaluate destination performance, it is also important to measure the multiplier effect of tourism in local business development, community impact and stakeholders’ benefits. The consequence of destination development in these wider areas are based on the management action, generally disbursed by Destination Management Organizations (DMOs) reflected through tourism policy. The impact is based on the policy coverage and efficiency of DMOs to translate the policy into action.

On the tourist’s side, consideration of visiting a destination covers parameters such as the typology of tourism, geographical proximity, rarity of entertainment offers, safety and security, price, host community, political
stability, development pattern etc. A “quality tourism product” is the sum of contributions and processes, resulting from the above parameters. Quality statement in a tourist destination is always based on the expectation of the tourists on their visit to a tourist destination. For visitors, the product is the total experience, covering the entire amalgam of all aspects and components of the product, including attitudes and expectations (Heath & Wall, 1994; Scott, Parfitt & Laws, 2000; Marios & Vasiliki, 2007). In order to measure the performance of a tourist destination, it is required to measure the performance efficiency of all these areas to understand the quality of the tourist destination. Same services perform differently in different situations and hence quality tourism experience is often assumed as tacit knowledge that is, it is taken for granted knowledge (Schutz, 1967) and such knowledge is constantly being reframed, reconstructed and reinterpreted (Ryan, 1997). Since tourists’ consumption of place is highly influenced by temporality, tourists have different perception on development due to the short term ownership of the product and set their expectation high due to this specific trait. Liminality is one of the reasons for setting tourist expectation in different levels. This is due to the fact that during liminality phase of tourist experience, a person’s ordinary role and obligations are suspended and where general human (rather than particular social) bounds are emphasized. The experience during the liminality phase will be the reflection of experience in the tourist destination during reintegration phase. Indices of tourist satisfaction must be created in order to measure the satisfaction level of the tourists. Tourists view their
experience in all dimensions of the products and service performance of the tourist destination. Explained simply, satisfaction consists of tourists’ experience in different levels such as (a) emotional level (b) product level (c) service level and (d) cognitive dissonance level. Therefore the tourist satisfaction in a tourist destination is a collective satisfaction of the four cognitive scales.

The destination residents’ well-being and consequence of profitability are also required as conditions for competitiveness (Zins, H, Karl, & Mazanec, 2007). In the case of destination community, indicators are required to measure community enhancement due to tourism development, and the methods commonly adopted to measure the contribution of tourism for community development is (a) Quality of Life Indicators (QOL) which measures broader social effects of tourism. Along with the enhancement of socio economic condition, QOL also measures the weakening of family structure, disruption of social network, loss of cultural integrity, loss of historical infrastructure and environmental degradation. In general, QOL measures Residents Quality of Life (RQOL) indicators consisting of (a) economic quality of life, (b) social aspects of quality life, and (c) environmental aspects of quality of life. RQOL can be measured in terms of costs and benefits of tourism development in a destination community which is termed as Sustainable Net Benefit Index (SNBI). This index separates factors into costs and benefits and presents results on a balance sheet, allowing for a clear comparison of the benefits and costs of tourism
development in destination community which indicates the expansion of tourism resulting in improved welfare of the destination community and is termed as Genuine Progress Indicator (GPI). A general perception of tourism development in the destination community is that the increase of production of goods and service positively affects the quality of life. There are experimental evidences of opposite relationships that are the aggregate quality of life declared due to tourism development.

Effective tourism planning directly helps increase the competency of the tourist destination’s performance. Understanding the position of a tourist destination in terms of its performance is a basic step for preparing the tourist destination for building external competencies. There are many advantages in evaluating the performance of tourist destinations, such as to understand the efficiency in using tourism resources, the strength of resource availability, marketing strategies and promotions. Destination performance evaluation also facilitates the enforcement of successful policies and minimizes unsuccessful policies. In order to perform tourist destination planning, many factors need to be considered for destination performance. They are tourism resource endowment and deployment, qualifying and amplifying determinants including location, safety, security, costs and values, core resources such as physiography, climate, activities, entertainment etc. supporting factors such as infrastructure, accessibility, facilities, political will; destination policy, planning and development consisting of vision, positioning, branding, philosophies and values, destination management such as organization,
marketing, quality of service and experience, information research, finance and venture capital, resource stewardship, visitor management and crisis management. All these factors play an important role both internally and externally to define the competitiveness of the tourist destination. The Destination Performance Indicators (DPI) is used to measure the tourist destination performance in the following ways:

1. Diagnostic tool: Consistent and reliable way to compare a destination’s tourism performance relative to other destinations in a comprehensive manner.

2. For increased visibility: The DPI will reinforce the importance of tourism to governments, business and the general public through media exposure.

3. For improved knowledge: Index construction process will raise critical issues central to destination management knowledge and allow better understanding of the key drivers of management action.

4. For sustainable development: Sustainability indicators, crucial to the index, will help managers and policymakers focus on key issues which enhance long-term destination sustainability and performance.

The outcome of the destination performance evaluation helps to benchmark the performance of a tourist destination. However, benchmarking is generally used as a comparative tool of one product to another or performance of one tourist destination to another tourist destination. Due to
the difference in the purpose of performance measurement of a product or services, benchmarking is classified into;

1. Internal Benchmarking: Measures own performance of the destination in order to specify areas that need to be benchmarked (Zairi et al, 1992)

2. External Benchmarking: A management technique that initially identifies performance gaps with respect to any production or consumption part of the organization and then presents method to close the gap. External benchmarking is to identify the performance of one destination to another.

3. Generic Benchmarking: Identifies the best practices or the best performing business in the industry and improve one’s own performance by adopting good practices by other’s or guidelines established by professional national or international organizations (Evans and Lindsey, 1993).

4. Competitive Benchmarking: Refers to a comparison of one destination with their direct competitors only.

5. Functional Benchmarking: A comparative performance matching that attempts to seek world-class excellence by comparing business performance not only against competitors but also against the best business operating in similar fields and performing similar activities or having similar problems, but in different industries (Kozak, 2004)
6. Relationship Benchmarking: Similar to external benchmarking, in this process the benchmarker already had a relationship in advance of a benchmarking agreement (Kozak, 2004)

Based on the above typology, there is a relationship between one types of benchmarking to another. Therefore, it is important to know one’s own performance to benchmark against another, i.e. without internal benchmarking external benchmarking is not possible. Consequently, internal benchmarking can be set as the basic criteria to perform other types of benchmarking which is suitable for a product or services. As an extradisciplinary field of study, it is important to know the status of various sectors, sub-sectors, components, elements and parties directly and indirectly involved in tourism related business to measure the internal functional status of the tourist destination.

Since tourism industry immensely contributes to the national development, employment generation, fostering international understanding and socio cultural enhancement, it is significantly considered as an industry for social transformation. In the international scenario, many countries, regardless of its economic development status, weigh tourism as an important contributor for their socio economic development. Looking on these priorities, the tourism industry’s growth or decline defines several economic systems of the world. Stabilizing the future growth of tourism industry is therefore significant to protect the interest of most of the local economic system. As such, internal destination performance evaluation for destination
benchmarking is inevitable to set the standard and the vision for future tourism development in any tourist destination.

1.2 Rationale

There is a steady growth of tourism development observed in Kerala in the past five years and the tourism industry is highly accounted for the socio-economic transformation of Kerala by the state government. Stable destination development is inevitable for the absolute sustainable development of tourism in Kerala in a long term basis. Destination performance evaluation will directly help to identify the functional status of performance core components of international tourism. This study will help to identify which performance constructs have direct relational capability to meet the requirement of different parties involved in tourism development in Kerala. The study also helps to identify the productive performance core components to maintain and enhance the functional efficiency, and to identify the incapacitated performance core components and take necessary steps to improve the functional level. By doing so, the total performance of the destination core components will be stabilized and the destination will have a longer sustainable development option. The result of the study can be used for performance gap identification with similar tourist destinations for external and generic benchmarking.

1.3 Purpose of the Study
The main purpose of the research is to identify new performance core components for destination performance evaluation for benchmarking tourist destination. The model is then tested in Kerala tourism to check the functionality. The ultimate purpose of conducting the case study in Kerala is to identify the competency of the tourist destination in the international tourism market and hence, necessary steps that can be taken to improve the performance, eventually achieving market leadership.

1.4 Problem Statement

Many tourist destinations adopt tourist satisfaction survey using satisfaction indices to measure the tourist satisfaction level. In fact, this method only helps to increase the service quality, whilst the tourism industry stands to support multiple sectors such as local community, service providers and local government. Core components of these sectors need to be considered for destination performance evaluation. The emerging core destination management activity is the periodic monitoring of visitor satisfaction and the regular resource monitoring of other involved parties that are vulnerable to damage caused by tourism (Mathias & Klaus, 2004). There is a significant gap of empirical studies investigating the level of most of the parties involved in tourism development. Equilibrium has to be created among all tourism players to act as a firm foundation for sustainable development of the tourist destination.
Lack of studies exists in considering the comprehensive and holistic model of measuring tourist satisfaction, community impact, tourism stakeholder’s performance and managerial action for tourist destination development. Undoubtedly, there is a significant need to measure the level of involvement and action of all parties involved in tourism development for destination competency as the industry is the amalgam of different sectors, subsectors, business components and performance elements. However, the outcome of the measurement exists individually in each performance measurement core component and the results remain the roadmap for internal destination benchmarking. Since performance measurement is an ongoing evaluation, segmenting the core components in the destination performance helps to correct the problems in a particular core component to preserve or to enhance the performance efficiency.

In the current study, internal benchmarking by evaluating the performance of index core components such as (a) Tourist Satisfaction Index (TSI) (b) Community Impact Assessment (c) Tour Operators Initiatives and (d) Tourism Policy Implantation Effectives have been identified as the core component for destination performance evaluation. The internal benchmarking approach is adopted due to the fact that this method is the foundation for external, generic and competitive benchmarking.
1.5 Model Test

Kerala, the southernmost state of India has been chosen to conduct the study using performance Index Core Components. Kerala’s literacy rate is comparable to the most advanced regions of the world with 93.91 percent (Kerala Government Economic Review Report, 2011). In terms of poverty, Kerala has the lowest poverty rate in India with 15 percent (Lakdawala methodology) or 19.7 percent (Tendulkar methodology) of population living below the poverty line (BPL) whilst in all India, 50 percent of the people are living below the poverty line and 77 percent of the people are living on less than 20 rupees per day (<$0.50 per day). In the Human Development Index (HDI), Kerala, with 74 percent in ranks the highest life expectancy rate in India. All these make Kerala one of the best states in India with high quality of life. Kerala’s Human Development Index (HDI) is equal to most of the developed economies such as United States and Germany.

Kerala’s achievements in the tourism industry are plenty. The state has honored 61 national and international accolades from 2001 till date. The National Geographic Traveler ranked it as one of the 10 paradises in the world. In a recent survey of 700 brands in India, Kerala emerged as the only major tourism brand. India’s first planned ecotourism destination Thenmala is located in Kerala. However, Kerala tourism is not remarkable as the destination does not live up to its status. Some of the key necessities to perform destination performance evaluation in Kerala are listed as follow:
1. Kerala tourism resources are unique and have continuous demand in the international tourism market.

2. Even though international tourism in Kerala is increasing every year, the total arrival and receipts are considerably less compared to many similar international tourist destinations.

3. Kerala tourism provides 800000 employment opportunities for the local community; so stable and sustainable development is significantly important for social cohesion.

4. As a developing state, Kerala tourism highly focuses on extradisciplinary benefits of tourism development. Internal benchmarking will help to uplift the status of tourism development that synergized with local developments.

5. Kerala tourism is ecologically fragile, socially sensitive; benchmarking will help to understand the sustainable development with minimal impact to the community and the environment.

6. Even though Kerala tourism is unique and progressing, the tourist arrival in this state compared with many other states are comparatively less. Benchmarking will describe the reasons and managerial action that can be taken for market leadership.

The study is a mix of quantitative and qualitative methods. Four identified index core components such as Tourist Satisfaction Index, Community Impact Assessment, Involvement of Tour Operators and Tourism Policy Implantation Effectiveness are selected as the measurement
components. Major supporting theories and concepts are derived from the extensive review of literature in the four selected measurement areas. Based on the literature, five constructs are developed to design questionnaire to measure Community Impact Assessment (CIA) and four constructs for Tourist Satisfaction Index (TSI). The four Index core components are critical to evaluate the performance of the tourist destination.

1.6 Research Objectives

The current research aims to develop a destination performance evaluation model and to test the model in Kerala tourism. To portray these two areas, this research work focuses on the following objectives.

1.6.1 General objectives

1. To develop a new destination performance evaluation model for destination benchmarking.

2. To examine the influence of tourist satisfaction for destination performance evaluation for internal destination benchmarking.

3. To examine the influence of community impact for destination performance evaluation for internal destination benchmarking.

4. To examine the tour operators’ perception on tourism development for destination performance for internal destination benchmarking.

5. To examine the tourism policy implementation effectiveness for destination performance evaluation for internal destination benchmarking.
To examine the synergy among the index core components for tourist destination performance evaluation.

1.6.2 Specific objectives

1. To examine the relationship between cognitive emotional satisfaction and tourist experience.
2. To examine the relationship between cognitive product satisfaction and tourist experience.
3. To examine the relationship between cognitive service satisfaction and tourist experience.
4. To examine the relationship between cognitive dissonance and tourist satisfaction.
5. To examine the relationship between conservation and preservation effort of tourist destination and destination community perception.
6. To examine the relationship between social image and destination community perception.
7. To examine the relationship between social services and destination community perception.
8. To examine the relationship between economic condition and destination community perception.
9. To examine the relationship between social issues and destination community perception.
10. To examine the relationship between tourism policy initiatives and implementation effectiveness.
11. To examine the tour operators’ perception on tourism development in Kerala.

12. To illustrate a comprehensive destination performance evaluation model.

1.7 Scope of the Study

The study has come up with a new model of destination performance evaluation for internal destination benchmarking from various theories and concepts using literature. The application of the model is limited to the state of Kerala, South India. The state is selected due to the fact that Kerala tourism performs differently from other states of India. For Tourist Satisfaction Survey, data is collected from international tourists from three high active tourist districts of Kerala i.e. Cochin, Thiruvananthapuram and Alappuzha. These districts contribute more than half of the total international tourist arrival in Kerala and samples were taken in January due to the peak season. For community Impact Assessment, survey was conducted at Thiruvananthapuram, Cochin and Alappuzha as these districts have high involvement of local community in tourism related business and activities. Major tourism related publications were collected from the Kerala Tourism Department; published documents from the government of Kerala were also used to get accurate information on the status of Kerala tourism. For tour operators’ initiatives, an in-depth interview was conducted with the most active tour operating companies in Cochin. Senior Managers from Assistant General Managers were targeted for the interview. Data for the study
variables were obtained through questionnaire for the Tourist Satisfaction Survey and Community Impact Assessment. Structured interview methods using open ended questions were used to conduct interview with tour operators. Kerala Tourism policy document was used for extracting the major initiatives. Interview with stakeholders (Tour Operators), observation of the tourist destination and articles from newspapers, magazine and journals were used to collect the data on the effectiveness of the policy implementation.

1.8 Organization of the Thesis

The thesis is organized in 7 chapters. Chapter 1 describes the background of the research, problem statement, research objectives, scope of the study, significance of the study and summery of the thesis. Chapter 2 consists of review of literature, which is divided into five sessions: benchmarking tourist destination, tourist satisfaction, destination community, role of intermediaries, and tourism policy. Chapter 3 narrates the major information on Kerala tourism required to conduct the study such as overview of Kerala State, drivers of Kerala’s economy, Kerala’s model of development, international tourism trend, geographical distribution of tourism, tourism’s contribution to Kerala GDP, Kerala tourism as an international brand, position of Kerala tourism industry, analysis of resource distribution, the niche products, impact of tourism in Kerala, Kerala tourism and vision 2025. Chapter 4 consists of research design and methodology for conducting destination performance evaluation, research framework, conceptual framework sampling area and process, constructs and variables for
sampling, measurement of variables and pilot study. Chapter 5 describes analysis of data which consists of reliability and validity test, characteristics of sample, descriptive statistics, correlation coefficient and Structural Equation Modeling (SEM) and content analysis. Chapter 6 describes the findings of the data analysis. Chapter 7 describes discussion, theoretical contribution, implications for practice and limitations and suggestions for future research.

1.9 Summary

Chapter 1 comprehensively presented the introduction of the research. The first part of the chapter critically discussed the background of the study. The dearth of research in the field of tourism was highlighted in this session. Even though the concept of destination performance evaluation and benchmarking concepts are popular in many segments of the industry, it has not been practiced widely in the area of destination benchmarking. The need for a comprehensive model of destination benchmarking is important in tourist destination development in any tourist destination regardless of its development status. Since the tourism industry consists of many sectors, sub-sectors components and performance element, it is imperative to identify the correct indexes that fit for performance evaluation and identify the type of evaluation required to conduct in a priority basis. Since Kerala tourism is comparatively young in the potential market, it was decided to conduct the internal benchmarking using destination performance core components. The result of the internal benchmarking is baseline information for external,
generic and competitive benchmarking of a tourist destination. The four core components that have significant influence on tourist destination performance were identified through literature reviews. Kerala tourism was identified as the potential tourist destination to conduct the study due to the specific characteristics of the tourist destination. Both quantitative and qualitative approaches were adopted to test the four index core components for destination performance evaluation in Kerala.

CHAPTER 2: LITERATURE REVIEW

2.1 Tourist Destination

There has been considerable study that has established the relationship among service satisfaction, value perception, product quality and intention to purchase a product in consumer behavior in general (Ajzen & Fishbein, 1980; Fishbein & Ajzen, 1975; Oh & Parks, 1997; Zeithaml, 1988; McCleary, Weaver & Hsu, 2006). The tourism product is designed in a particular way and tourism product evaluation enables us to understand the performance, quality, value, positioning and impact assessments. This may require understanding the progress of growth and maintenance of tourism product during its development. Echtner & Ritchie (1991) studied tourist destination is a holistic impression of many components and elements; destination consists of functional characteristics, concerning more tangible aspects of the destination, and psychological characteristics, concerning the more intangible aspects. The complex reality of a tourist destination requires it to be managed