BUSINESS TOURISM AS INNOVATIVE PRODUCT FOR DESTINATIONS

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Abstract. The innovation is the critical dimension of economic change. In the paper the business tourism is presented as an innovative product positively affecting the functioning of cities and regions. Demand on business tourism market is still growing in the world, especially in the regions with the following features: easy to reach by business tourists, bustly economic regions, cities with significant scientific contribution and a large number of objects for business meetings (conventions, exhibitions, incentives).

The aim of this article is to show the influence of business tourism as an innovative product for many cities. The author analyses few historical facts and researches on business tourism market. The factors contributing to the success of tourism business market destination were identified: meeting client's requirements, taking into account business meetings features, "local" and "external" cooperation in the product management of the destination and local government's determination in the development of business tourism.

Introduction

The concept of "innovation" in recent years gained wide popularity. This is especially valid in the European Union's economic policy, the economies of individual countries, and regions. It is widely recognised that innovation is the basis for smart, sustainable and economic environment conducive to social inclusion, growth employment, improvement of professional skills and reduction in poverty. Generally, in tourism market, it can be observed that economic development of the region is accompanied by development of tourism products.1

A tourism product can be any product that is offered and marketed by tourism destination management organisations (DMO's) or a company that strives to meet the needs of the visitors.

There are two levels of the tourism product:

- the *overall tourism product* comprises a combination of all the elements, that a visitor consumes during the trip, and covers the complete experience from the time he/she leaves home to the time he/she returns
- the specific products are components of the overall tourist product and can be sold as *individual offerings* such as accommodation, transport, attractions and other facilities for visitors².

On the second level tourism management is focused on the product of individual tourism businesses.

The management of tourism destinations is closely related with the total tourism product and with the policies that affect local development and creation of value in the destination.

Tourist destination (country, region, city, town) can be recognised a as a platform from which many different experiential products can be delivered: the tactics associated with managing physical and non-physical product lines may be appropriately applied by different institutions and formal organisations.

One of the products of the destination can be the business tourism – the special product for the special segment of the tourism market.

If local government or DMOs decide on business tourism they need to cooperate and prepare a very attractive product of the destination including (according to Middleton's specification) all levels of the tourism product:

- destination attractions and environment
- destination facilities and services
- good accessibility of the destination
- good images of the destination
- special price to the customer.

Analysis of the several cities development around the world demonstrated that the business tourism contributes to greater tourism in these cities.

The product, especially at the beginning of its development requires a number of innovative solutions, especially in terms of process, organisation, use of material resources, etc.

The success of many cities offering the possibility of organising and operating group business meetings can be an example to follow on how to increase the number of visitors and generate many positive economic effects of the region (new jobs, improving the quality of services, process improvement of cooperation between the companies and the administration, additional revenues for companies operating in other markets, publicity, and creating a positive image of the region, etc.).

To create an attractive product in business tourism market requires taking into account the perception and the high demands of the clients and specific characteristics of the unique product. The institutions responsible for its development in the regions (cities) are applying a lot of innovation in different areas of their competence.

¹ Especially when the analysis will be in: area of developing institutions and organizations responsible for generating more tourists, some historical facts about the region, and in the tourism statistics of the region.

² V.T.C. Middleton, Marketing in Travel and Tourism (3rd ed). Elsevier. Oxford 2004

Innovative product in tourism market

Schumpeter identified innovation as the critical dimension of economic change³. He argued that economic change revolves around innovation, entrepreneurial activities, and market power. He sought to prove that innovation-originated market power can provide better results than the invisible hand and price competition. He argues that technological innovation often creates temporary monopolies, allowing abnormal profits that would soon be competed away by rivals and imitators. These temporary monopolies were necessary to provide the incentive for firms and DMOs to develop new products and/or processes.

Based on this approach, other authors and institutions define the concept of innovation.

More recently, the Oslo Manual (OECD, 2005, pp. 47-51) elabotating on Shumpeter's definitions, classified innovations into the following four categories⁴:

- product innovations new or significantly improved goods or services with respect to its characteristics or intended uses;
- process innovations new or significantly improved production or delivery methods, including significant changes in techniques, equipment and/or software:
- marketing innovations new or significantly improved marketing methods involving significant changes in product design or packaging, product placement, product promotion or pricing;
- organisational innovations new or significantly improved methods in a firm's business practices, workplace organization or external relations.

Product innovations in services can include significant improvements in how they are provided, the addition of new functions or characteristics to existing services, or the introduction of entirely new services. Innovation activities may involve different solutions relating to various forms of economic and social, institutional markets and consumers.

One of the forms of activity and development of society is tourism. Defined by the UNWTO as all activities of the people who travel and stay for leisure, business or other purposes for no longer than a year without a break outside their usual environment.

International tourist arrivals reached 1,138 million in 2014, a 4.7% increase over the previous year, according to the latest UNWTO World Tourism Barometer. For 2015, UNWTO forecasts

international tourism to grow by 3% to 4%, further contributing to the global economic recovery⁵.

The World Tourism Organisation defines tourists as people traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes.

During travels people have different needs. In marketing management, the product is everything that can be offered and it meets the needs of the specific group of clients.

For success in an increasingly competitive tourism market and striving to attract as many tourists as possible, it is necessary to increase the involvement of local authorities in the creation and management of the tourism offer. Innovation is nowadays an essential factor for economic competitiveness of firms and tourism destinations. The destination on tourism market is defined as the place determined by the administration criteria.

Currently, the local authorities and DMOs undertake various initiatives, including:

- Product innovation (e.g.: creating a new offer by using existing material resources, personalised in your area)
- process innovation (creating new organisational structures for better tourist company cooperation in the region, exchanging information, experience, generating new ideas for the tourism product)
- Marketing innovation (information platforms, promotional campaigns and sales companies and regions are developed)
- Organisational innovation (e.g.: new departments are responsible for the development of tourism in the region).

The management of such a complex product, requires a well performed identification of the customer target group, monitoring of their changing needs and improving marketing management processes in the region.

Business tourism as a product in the tourism market

Tourism is a social, cultural and economic phenomenon, which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes. These people are called visitors (which may be either tourists or excursionists; residents or non-residents) and tourism is related with their activities, some of which imply tourism expenditure.

Assuming that the segmentation of the tourism market is based on satisfying the needs and demands reflected in travelling goals, motives, and financing methods, the following categories can be pecified: business tourism market (more

³ E. Pol, P. Caroll: An Introduction to Economics with Emphasis on Innovation, Innovation Planet, 2006

⁴ Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data, 3rd Edition. Paris: OECD Publishing, 2005

⁵ http://media.unwto.org , Madrid (27 January, 2015)

extensively – the business travel market) and private tourism market (leisure travel).

Taking into account travel purpose and methods of financing, tourism can be divided into business tourism and leisure tourism (leisure time).

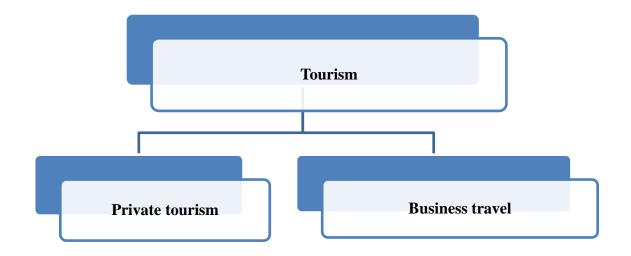


Fig. 1. General typology of tourism. Source: own study

The concepts of "business travel" and "business tourism" appear in various contexts and are sometimes considered synonymous. Usually they mean business and work-related travel.

Rob Davidson suggested a clear division between the terms "business travel" and "business tourism". He argued that "business travel" is higher category referring to all trips related to the traveller's work or other business affairs. They include "individual business trips" and "business tourism" which are treated rather as group meetings.

Business tourism involves non-routine, official, and frequently group trips. These include:

- group meetings (many types of events, such as conferences, training seminars,

- launching new products to the market or annual general meetings),
- incentive travel (usually luxurious trips taken to attractive locations, financed by an employer for its employees as a reward for winning a work-related competition or within a team of sales specialists),
- exhibitions (including fairs as well as consumer events).
- corporate travel (luxurious entertainment offered by companies to the most valuable customers or potential customers during prestigious sport and cultural events).

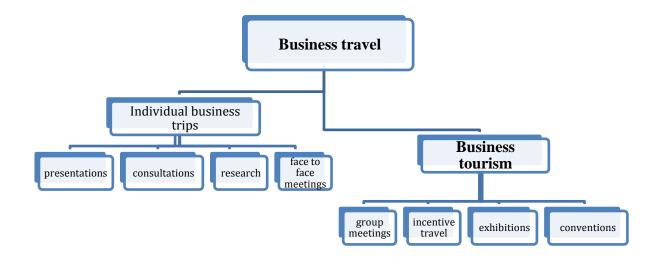


Fig. 2. Business travel sectors. Source: R. Davidson, B. Cope: Business Travel: Conferences, Incentive Travel, Exhibitions, Corporate Hospitality and Corporate Travel. Pearson Education Ltd., Edinburg, 2003.

Until recently there was an industry trend called MICE (Meetings – business meetings and talks, usually face-to-face; Incentives – incentive trips; Conventions – congresses and conferences; Exhibitions/events – fairs, exhibitions and events). Today, with the new types of business events taking place that are harder to classify under the four types presented above, the "meetings industry" becomes the term commonly used, alongside the acronym MICE. The term underlines the economic value of group meetings for the regions where business tourism is present.

A business visitor is a visitor whose main purpose for a tourism trip falls under the business and professional category. Compared to regular tourism, business one involves a smaller segment of population, with different motivations, and additional freedom-of-choice constraints imposed by the business aspects. Destinations of business tourism are much more likely to be areas largely developed for business purposes (cities, industrial regions, etc.). An average business tourist is wealthier than average leisure tourist, and is expected to spend more money.

In business tourism market the term "conference participant – delegate" refers both to "business tourism" (a meeting participant on a business trip who meets the criteria included in the definition of a tourist according to the terminology recommended by the World Tourism Organisation (UNWTO), i.e. stays outside his/her place of residence for at least 24 hours, uses at that time generally available accommodation facilities) as well as other people who have travelled for professional reasons to the location where the conference is held and do not spend the night there (one-day visitors), but use the conference services.

From a group perspective, the business tourism market is divided into the following groups:

Group 1– producers/providers of partial services:

- accommodation facilities (hotels, training centres, conference centres),
- meeting venues without accommodation (multifunctional halls, cinemas, theatres, lecture halls, etc.)
- auxiliary services (e.g. communication, catering)
- other local entrepreneurs (trading companies, specialist audio-video equipment, advertising, etc.)

Group 2 – intermediaries (agents)

- Professionals acting on behalf of ordering parties (e.g. professional conference organisers PCO)
- acting on behalf of producers/providers of specialist services (e.g. the Convention Bureau)

Group 3 – purchasers/buyers

 companies and institutions (generating major demand; two groups of corporations/companies and non-profit organisations including public

- administration as well as various associations and unions)
- individual purchasers (conference participants, delegates, purchasing only some additional services during conference meetings or otherwise; closed meeting and open meeting participants).

Supply segment of the market are group 1 and 2. Group 3 is the demand segment. Companies and institutions dominate the general demand generated in the market. However, conference participants may choose from a range of additional services, as well as various forms of meetings, venues, participation fees, and duration time.

The production, offering, management and marketing of tourism products on the market is distinct from industrial products and displays specific characteristics that often pose constraints or problems and hence serve as stepping stones for increasing the value of products via innovation. Tourism produces and sells product bundles instead of products (products being "experiences") which are very intangible, products cannot be stored (simultaneity of production and consumption), the consumption of tourism products involves active participation of the customer (consumer), and tourism production/marketing may involve large capital assets (airlines, hotel chains or car rental firms) or intermediation, distribution and final consumption stage may involve interaction personnel (e.g. travel agencies, restaurants, coaches, etc.).

Analysis of the reports on business tourism market reveal the structure of expenses incurred by conference participants⁶, and main group of institutional customers ⁷. All of them generated great demand for:

- accommodation services,
- catering services outside the conference facility
- shopping in commercial centers and stores located on commercial streets
- local transport in the target city (e.g. public transport services, taxi)
- conference materials
- catering services in the conference facility
- recreation and entertainment in free time in Katowice
- souvenirs from the conference location
- recreation and entertainment in free time in the facility
- others.

The number of factors involved in the process of creating a product in the business tourism market is long and revealed that suppliers' revenues per

⁶ K. Cieslikowski: Business tourism market in Katowice in 2012. Conference participants market research. Report. Katowice Convention Bureau, 2013

⁷ K. Cieślikowski: Conference tourism market. Vol I. Theoretical basis. Functioning and development in the world. AWF Katowice, Katowice, 2014

business tourist is several times higher than per the leisure traveller. Thus, business tourism is very attractive product for many companies and DMOs.

But managers of all suppliers should remember that the client in the market is very demanding and expecting special treatment. Every company and tourism destinations must **meet the high expectations** if they want to have profitable, great meetings (conventions, exhibitions, etc.).

Research results from different countries on business tourism market ⁸ indicate that the preferred tourist destinations must offer: good transport accessibility and an extended general infrastructure, hotels with high standard services provided, a number of different size conference rooms, universities, venues for fairs and exhibitions, active professional organisations, government authorities and local government, as well as the headquarters of multinational corporations and organisations.

Many of these factors require large investments into infrastructure of the region and overall organisational changes in the management of tourism Destination.

Another challenge for the region's administration or DMOs in business tourism market, is a specific feature product in the market:

- a very complex, due to the large number of services and tangible goods offered by the supplier,
- as diverse as the services, (custom, diverse and may occur in various combinations),
- very flexible in scale of services (tailored to the needs of the client),
- seasonal because there is periodic (monthly and weekly) increase and decrease in demand of the product.

Thus, business tourism requires a specific approach in its management, an **open minded internal** (between the companies and the local authority) and **external cooperation** (between other regions, regional and international organisations). Good value offer and satisfied customers will provide above-average income. Local destinations tend to use a variety of innovative solutions in the development of business tourism.

1 (1998), p. 49-69

Development of selected destinations based on business tourism

One of the first and best described products in the business tourism market was an international congress **in Vienna**. The Congress of Vienna was a conference of ambassadors of 16 European states chaired by Austrian statesman Klemens Wenzel von Metternich, and held in Vienna from September 1814 to June 1815. Two emperors (Austrian and Russian), four kings (Prussian, Danish, Bavarian and Württemberg), many princes of the Reich and representatives of the cities - a total of over 200 delegations and approximately 100,000 guests met in Vienna.

Organisation and operation of the event brought fame and positive economic impact for the city. Since that time, Vienna counts as one of the most important cities in the world congress market.

Another important event in the development of business tourism was the organisation of the global economic exhibition EXPO in London (Great Exhibition) in 1851. The Great Exhibition of the Works of Industry of all Nations or The Great Exhibition, sometimes referred to as the Crystal Palace Exhibition in reference to the temporary structure in which it was held, was an international exhibition that took place in Hyde Park, London, from 1 May to 11 October 1851. It was the first in a series of World's Fair exhibitions of culture and industry that were to become a popular 19th-century feature. The Great Exhibition was organised by Henry Cole and Prince Albert, husband of the reigning monarch, Queen Victoria. It was attended by numerous notable figures of the time. A special building, nicknamed The Crystal Palace, or "The Great Shalimar", was built to house the show. The Crystal Palace was an enormous success, considered an architectural marvel, but also an engineering triumph that showed the importance of the Exhibition itself. Six million people — equivalent to a third of the entire population of Britain at the time — visited the Great Exhibition. The average daily attendance was 42,831 with a peak attendance of 109,915 on 7 October. The event made a surplus of £186,000 (£17,770,000 in 2015), which was used to found the Victoria and Albert's Museum, the Science Museum and the Natural History Museum. They were all built in the area to the south of the exhibition, nicknamed Albertopolis, alongside the Imperial Institute. The remaining surplus was used to set up an educational trust to provide grants and scholarships for industrial research; it continues to do so today.

Other great and very important business meeting in the word was The Exposition Universelle of 1889. The World's Fair was **in Paris** from 6 May to 31 October 1889. It was held during the year of the 100th anniversary of the storming of the Bastille. The fair included a reconstruction of the Bastille and its surrounding neighbourhood, but with the interior courtyard covered with a blue ceiling decorated with

M. Oppermann: Convention destination images analysis of association meeting planners' perceptions. Tourism Management. 1996, Vol. 17. No 3 p. 176; M. Oppermann: Convention Cities – Images and Changing Fortunes. The Journal of Tourism Studies Vol. 7, No. 1, '96, s. 11-19; por.: Hank-Haase: Der Tagung Kongressreiseverkehr als wirtschaftlicher Faktor in Deutschen Grosstaten unter besonderer Berücksichtigung von Wiesbaden. Trier 1992, s. 7-8; I. Crouch, Geoffrey, J. R. Brent Ritchie: Convention site selection research: a review, conceptual model, and propositional framework. Journal of Convention & Exhibition Management,

fleur-de-lys and used as a ball room and gathering place.

The main symbol of the Fair was the Eiffel Tower, which served as the entrance arch to the Fair. The 1889 fair was held on the Champ de Mars in Paris, which had been the site of the earlier Paris Universal Exhibition of 1867, and would also be the site of the 1900 exposition.

The 1889 Exposition covered a total area of 0.96 km², including the Champ de Mars, the Trocadéro, the quai d'Orsay, a part of the Seine and the Invalides esplanade. Total number of visitors was: over 32,250,297; and exhibitors: over 61,722. Currently, Paris is one of the most frequently visited cities in the world with the best public transport where are 14 convention and exhibition centres⁹.

Table 1. European city ranking measured by number of meetings organised in 2013. Source: The International Association Meetings Market 2013. ICCA, Amsterdam, 2014

| | City | Number of meetings |
|------|-----------|--------------------|
| 1. | Paris | 204 |
| 2. | Madrid | 186 |
| 3. | Vienna | 182 |
| 4. | Barcelona | 179 |
| 5. | Berlin | 178 |
| 7. | London | 166 |
| 8. | Istanbul | 146 |
| 9. | Lisbon | 125 |
| | | |
| 42. | Kraków | 32 |
| | | |
| ???. | Katowice | ??? |

London, Paris, Vienna - these cities are the most important economic, cultural, and scientific centres in the world. Involvement of local authorities in the development of business travel require a lot of innovative solutions and courageous decisions. These cities are at the top of the meeting market ranking (Table 1)¹⁰. And what about others cities?

Kraków is one of the most popular destinations for tourism in Poland. It is not accidental that the city surrounding the Wawel Castle is referred to as the cultural capital of Poland – it is in Kraków that significant art events and festivals highly rated by specialists take place.

byInternational Congress and Conference
Association (ICCA) statistics must: rotate between
at least 3 countries **and** attract at least 50
participants **and** be held with a certain frequency

The Kraków Convention Bureau (KCB) within the Urban Municipality of Krakow – Krakow Municipality Office has been operating since 2004 on a non-profit basis. It currently operates as part of the Department of Information, Tourism and City Promotion.

In 2005, the city municipality approved "The strategy for the development of tourism in Kraków for 2006-2013". International Convention Centre recorded as relating to business tourism market promotion and construction.

Business tourism has become one of the city's tourism products. The city is known for its history, universities, culture, and monuments. In 2013, the number of people using the tourist accommodation in Kraków amounted to 1,901,980 tourists. It is by 41.89% more than four years earlier (1,340,420 in 2009). This increase (47.52%) is much higher in the group of foreign tourists -1,016,192, who constituted over 53% of all tourists in Kraków in 2013¹¹. The Congress Centre will complete Kraków's offer regarding organisation conventions and concerts. Events for over 2000 participants will be organised in the Congress Centre.

The other city where business tourism is one of the most important products is Katowice. The modern and dynamically developing city is located in the middle of the largest urban region in Poland (almost 2,500,000 residents in neighbouring cities and towns - the Silesian Metropolis). Katowice shows dynamic economic growth and is open to cooperation with investors. It is a green and academic city (almost 200,000 students, of whom more than 134,000 live in the Silesian Metropolis and 80,000 in Katowice). It is a city with a great scientific potential, whose modern character creatively draws from tradition. Katowice, probably has the best communication infrastructure for the organisation of major events in Poland. The city is located at the intersection of major European communication routes (with the A4 motorway running through the city, and the A1 motorway nearby). There are three international airports located within 100 km from Katowice.

Convention Bureau Katowice (CBK) was established in Katowice City Hall in 2009. Now it is a section within the Promotion Department of Katowice City Hall, which promotes business tourism in the area of Katowice and the region. CBK continuously cooperates with the organisers of congresses, conferences, fairs as well as business meetings and visits to attract new congresses and conferences.

Business tourism is the innovative product for Katowice. The industrial image of the city has become a thing of the past. Old production sites and mineshafts are being transformed into commercial centres or cultural facilities. At the same time in the very centre of the city new, multifunctional, covered facilities that can host meetings will soon be handed

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⁹ http://en.convention.parisinfo.com

¹¹ Central Statistical Office of Poland (stat.gov.pl)

over to the International Congress Centre¹² (connected to the Spodek arena complex, the largest covered venue for meetings in this part of Europe), the new location of the Silesian Museum ¹³, or the new location of the Polish National Radio Katowice¹⁴. Symphony Orchestra in New architectural competitions are held to redevelop post-industrial sites. The value of an investment just for International Convention Centre will be over €80,000,000. In 2014, city authorities prepared a €12,000,000 for business tourism budget of promotions during the next five years. Total number of participants at the meetings and conferences in Katowice is estimated to be 500 000 delegates per year. The changes taking place in Katowice, including projects initiated by Katowice City Hall aimed at redevelopment of the centre and several quarters of the city, make Katowice residents and visitors view it as an increasingly significant leader in the positive economic and social changes in the region.

Summary and conclusion

Performing the analysis of the selected cities show involvement of local authorities and DMOs in the creation and development of business tourism and is an example of the development of innovative products. The management of tourism destinations contributes to the further economic development of their regions.

It should be remembered that the development of business tourism, requires:

- Meeting high customer expectations,
- Taking into account the specific characteristics of the product on the market,
- Openness to internal and external cooperation,
- Determination of the decisions taken (sometimes significant financial outlays).

Therefore, the business tourism, as a product of the region - destination, can be an attractive and innovative product. These innovations may include changes in:

- organisation the creation of new structures within the administration,
- process for the improvement of the business customer service,
- product related to new infrastructure projects and meeting facilities,
- marketing the promotion and creation of a new city image.

Many cities could increase the number of visitors and/or change their image by addressing the ideas presented in the paper. They could also generate additional profits in many sectors of local economy.

¹² The largest hall will hold 12,000 people.

¹³ The exhibition space in the new main building will occupy two levels. In total 6, 068 m²

¹⁴ The stage of the Polish National Radio Symphony Orchestra in Katowice will occupy over 250 m², ensuring a comfortable working environment for 120 members of the orchestra and 100 members of the choir. The stage will be equipped with a system of platforms to allow any modifications of the stage. There will be 1,800 seats spread over five levels.

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