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**THE TOURIST DISTRICT MODEL OF COMPETITIVENESS FOR ECONOMIC DEVELOPMENT IN LOCAL TERRITORIAL**

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**Abstract**

*Tourism has represented one of the major sources of balance of trade earnings for many years in the most developed countries. According to estimates by the World Tourism Organization (WTO), world tourism flows will grow by 4-5% annually over the coming years, reaching in 2020 an estimated number of 1.6 billion international arrivals, of which 378 million will be short haul international travellers. With the passage of time demand will become more diversified and this will lead to the spread of “new tourism”, the search for new products and increasingly diverse offers, characterized by organized local tourist systems.*

*This paper underlines the importance of the tourist district model as a strategic tool for creating innovative processes of endogenous development in a highly globalized framework, moreover it tries to highlight the peculiarities of tourist districts and their importance in overcoming the major limitations of the distribution chain. Therefore, the birth of the tourism district represents an important opportunity for the promotion of tourism development of different local realities.*

**Key words:** *Local communities, Local Tourism System, Organizational dimension, Territory, Tourist district.*

**JEL Classification:** *O18; P25; L83.*

**1. TERRITORY: MODEL OF ECONOMIC GROWTH OF SMALL BUSINESSES**

Territory may be regarded as a complex system, formed by a series of interacting factors, such as actors, resources and infrastructure. It is characterized both by a spatial dimension and a temporal dimension. The former refers to a dimension characterized by resources and homogeneous features. Although located in a defined space not all activities conducted in a certain territory always originate in that context, and their effects are almost never felt exclusively within a single territory. The temporal dimension, on the other hand, shows that any relationship established is dynamic, that is to say subject to continuous development; for this reason, territory is often described as a vital system (Golinelli, 2002), characterized by the evolution of the many actors that constitute it. Actors are an integral part of the system and they can include both individuals (private and public) and more or less complex organizations. In relation to these considerations, the aim of a territory, as a “living system”, is to provide and steadily and progressively strengthen all the necessary conditions for achieving economic, social and cultural improvements. For this reason it is important for it to be increasingly competitive, in relation to its global position and citizen welfare, in terms of employment and economic wealth. Thus, the competitiveness of a territory is not exclusively linked to macro-economic variables, such as GDP per capita or added value per capita, but also a set of conditions

related to individual welfare, quality of life, environmental protection and landscape. Territories, thus, compete to acquire and control resources useful for their sustainable development and for promoting the socio-economic advancement of the actors who participate in them. From a business viewpoint, a territory is evaluated in relation to the convenience it offers in starting up a business activity. For a company, the degree of attractiveness of an area is influenced by the specific type of production, by the industry it belongs to and by the type of competition strategy adopted. When assessing a territorial area certain variables should be taken into account, such as: the market, human resources, infrastructure, knowledge system, production system, institutions and public policies, the regulatory system, social and environmental quality, image and reputation. The choice of a geographical location in which to make a productive investment is crucial for a company, whether it is engaged in the primary, secondary or tertiary sector.

From the perspective of relative economic sectors, the competitiveness of a region is proportional to the quality of the tangible and intangible elements that constitute the wealth of resources it provides to operators and users. The companies located in a territory increase their productivity level if they are able to differentiate their products, if they are efficient, and especially if they have a localization quality, understood as the ability to build good relationships and a high level of quality of life.

In particular, if they operate in the tourism industry they must consider that the territory is seen as an area where you establish systematic interrelationships, where territorial organization is functional to meet tourist needs and elements of attraction are like interacting resources in a development framework that can be used as a tool for projecting a unified image with developmental capacity.

In these local contexts, we can distinguish a systematic layout, in which integration is the result of a socio-cultural process that involves not only the territorial system in question but also its tourism space, and a network layout, in which integration originates as an instrument of strategic action for local tourism in relation to the changing competitive environment (Pollice, 2002).

Systematic layouts include the relationship between tourism businesses and the economic and cultural effects generated by social interaction (the public sector plays a crucial role). Network interactions, on the other hand, establish a relationship between local and external businesses, with the presence of a leader; relations are stable, involve a limited number of subjects and they are strongly territorialized.

## 2. THE DISTRICT CONCEPT IN ECONOMIC LITERATURE

From the etymological point of view the term district comes from the Latin, "dstrictus" which means narrow tight, within and content. Just the last two definitions are particularly pertinent to the concept of a typical district of a local economy, because we intend to include in this term all the economic and productive forces of a given segment present of a territory and thus contained in it.

It is an aggregation of local, medium and small enterprises, interested in the same production process. This unity of production units enables us to separate the production process in to several steps, each of which is attributed to each single company, although it retains its autonomy it, is set in a system of enterprises operating in a given territory that weave interrelations amongst themselves and also outside their district. The importance of the district instrument is easy to see and know how it allows significant flexibility in the management and organization of the production process by helping to achieve economies of proportion that are able to give a finished product even more competitive to large enterprises.

Therefore it is easy to see how the district represents a principle instrument in promoting the economic and territorial development of rural areas at risk of abandonment, as it allows overcoming the fragmentation and pulverization of production, passing the limits of individualism and accepting the concepts of system and production synergy. Only the

district can therefore overcome the significant limitation that characterizes the economy of depressed areas of southern and Eastern Europe, i.e. a business tissue characterized mainly by micro business, which remains outside of any regulated market logic of globalization.

There are different types of district, all having a common matrix the "Marshall district" and the "industrial one". The "Marshall Industry district" is those in which small size enterprises operating in the same industry come together to create a territorial production system. The "industrial district" can be defined as "socio-economic entity characterized by the active presence, in a limited area, of a community of people and a population of industrial enterprises". Its essential components are:

- Same territory-cultural-history (industrial atmosphere);
- Reduction of information costs (for the same coordination costs);
- Entry barrier (for outside competitors);
- Exit barrier (for the district system).

The purpose of this District instrument is to encourage the involvement of private and public stakeholders on a limited area.

We can speak therefore of agricultural district at the regional level when speaking only of vertically integrated stages of farming and farm supplies and when the agro-processing concerns mainly agricultural products produced locally (Cecchi, 1992). Conversely we are in the presence of an agro-industrial district where in a given area there is the integration of the three phases of agribusiness (farm supplies, farming, processing and distribution) (Fanfani and Montesor, 1991). Instead, the identification of district food occurs when the downstream phase of processing and distribution prevails over the upstream supply. Finally we have the tourist district, whose identification and importance will be expanded in the following pages.

The presence of clusters enhances the potential in our opinion that the area offers in terms of both natural and economic resources; smaller companies, if they are located in a district, they have a greater chance of survival, and even more micro-enterprises, as defined by the EU with the recommendation 2003/361, if outside the logic district they are in danger of disappearing.

We can look favourably on the district because, economically, it does not weigh down the local situation asking to acquire new resources, but is anxious to efficiently allocate those already available and can qualify as a new instrument of governance. This to underline the optical district within a local institutional reality can give answers to local needs and allow the enterprises to deal with the crisis that arose following the globalization process.

### 3. THE IMPORTANCE OF THE TOURIST DISTRICT IN THE ECONOMY OF LOCAL COMMUNITIES

Tourism districts can be treated as a homogeneous network of operators in a local area and thus, like other networks, is of great importance for the territory (Bencardino and Marotta, 2004).

From the numerous contributions made on this subject we can formulate a definition by taking into account three main criteria:

- The geographical dimension;
- The attractions on offer;
- The strategic and organizational dimension.

The discussion of these three definitional criteria of tourism districts takes place from a holistic analysis perspective, which jointly considers supply and demand.

Indeed, the main point of reference for tourism districts is the subject interpreting the tourism experience.

The sectoral system is regarded as a set of sectors and commodities (economic and otherwise) and consequently finds a timeline in the geographical element.

We have a geographic dimension when there is a range of product-market combinations (supply nodes) which are followed by stable customer segments.

Another requirement is the presence of well-defined geographical areas that are portions of territory with homogeneous characteristics with respect to the maintenance of natural landscapes and habitats and where land development and land use characteristics are defined as rural.

The areas in which to identify territorial domains are those with high natural value such as parks, reserves, significant natural sites, or natural wooded areas, areas intended primarily for forestry activities in which human activity has affected natural evolution over time.

Regarding attractions on offer within a district, there are elements that make the various sets of attractions unique and different from those offered by geographically neighboring districts, and changeable over time (Medlik, 1995).

Attractions can be divided into: natural attractions and man-made attractions. The latter are particularly important because, unlike the former, they represent the part of the stock of resources upon which we can act to create more value (Lanfranchi, 2008).

This importance explains the possibility of finding districts geographically close and therefore with very similar natural resources, but with totally different kind of tourism development.

Finally, as regards the strategic and organizational dimension, there is a need to foster strategic and managerial style of district management, facilitating the development of a competitive advantage and creating a balance between supply and

demand. This approach should be developed so that the district acquires a competitive position within the tourism market.

Tourism District boundaries become thinner, but despite this there is a complex network of businesses and tourism resources located within homogeneous areas, both in terms of demand and supply (Pender and Sharpley, 2004).

From the supply point of view, tourism districts that base their activities across the territory can produce goods, provide services and provide recreational and cultural experiences.

Regarding supply we can identify three types of tourist districts:

- Sectoral layout: intertwined causal relationships among the actors, without a real purpose or prior will;
- Supply system: the players agree in advance to create relationships, but there is no substantial cooperation;
- Network and constellation: fully-fledged relationships are established, there is intent to co-operate, and leadership is created.

From the perspective of demand, Tourist Districts link together the human element, that is to say the tourist, the central element, which is represented by all the endogenous and exogenous resources at their disposition, and the information element, which is represented by all forms of communication.

The variables do not determine a defined geographical coverage but involve a mobile destination.

There may be some dissonances between the perceptions of the concept of district for supply and demand; if so, these differences should be eliminated by acting on supply and communication towards demand (for example through tour operators).

The actors operating in a local tourism system offer (Pennarelli, 2004):

- Accommodation services;
- Catering services;
- Entertainment services (bars, pubs, wine bars, cinemas, theatres, etc.);
- Artistic, historical and environmental attractions;
- Handicraft goods and services;
- Local food and produce;
- Public services;
- Cultural and recreational events.

Therefore, they must correlate: services, experiences, events (business and leisure) cultural and tourist activities (business tourism and leisure tourism) (Tepelus and Cordoba, 2004).

A definition of tourism district was also offered by ACI-Censis (2007), stating that it is a geographical area with a population of SMEs that share a sufficiently homogeneous cultural heritage and which includes various product systems that address different

customer segments, according to paths of integration and homogeneity.

From research conducted by ACI-Censis (2007) the distinctive elements of a tourism district are:

- Degree of territorialisation: this represents the level of development of services and amenities in relation to primary vocations;
- Quality of catering: identification of catering establishments of high quality;
- Quality of hospitality: identification of hotel establishments included major tourist guide books;
- Segmentation of catering: indication of the degree of differentiation of food and wine supply;
- Segmentation of hospitality: indication of the degree of differentiation of hotel and other accommodation supply;
- The added extra of food and wine: indicates whether there is a particular element of differentiation and attraction compared to other districts.

These elements show that great importance is given to catering, food and wine, and in this case we can speak specifically of rural tourism districts.

#### 4. LOCAL TOURISM SYSTEM PART OF THE TOURIST DISTRICT

Over recent years deep differences have been highlighted in various spatial contexts, both in restricted geographical areas, for example among regions, and on a global scale, indeed the gap between North and South has increased markedly.

The differences that emerge reveal that the territory gives rise to social and political events and areas that can change continually, in relation to actions that are performed and the complexities of temporal and spatial dimensions (Craik, 1995).

From these considerations it can be seen that the added value of a territory is the result of a number of variables, such as interpersonal networks, culture, politics, cultural and natural heritage, survivability and adaptability to exogenous circumstances. It is for this reason it is important for the local system to play an active role in order to achieve territorial development.

The local system is characterized by the elements that compose it and strategies that are undertaken, and this also overcomes the theory of path dependence, which states that local development depends solely on the endogenous dynamics of the economy.

Various solutions and policy actions have been explored in order to enhance the local economy, but those that may be most effective are the ones that aim at tourist development (Priesley, Edwards et al, 1996).

For this reason, we have recently seen the adoption of measures for the improvement of

territorial management from a tourism point of view, in order to promote the competitive growth of the national, regional and local tourism system.

In relation to the promotion of local tourism growth, article 5 of the new framework law reforming national tourism legislation, no.135 of 2001, introduces so-called "*Local tourist systems*" (LTS), defining them as *homogeneous or integrated tourist contexts, including even territories belonging to different regions, characterized by an integrated supply of cultural, environmental and tourist attractions, including local agricultural produce and handicrafts, or by the widespread presence of single tourism enterprises, or groups of them.*

The purpose of this law and, in particular, of the article mentioned is to avoid excessive sectoralization and thus marginality of this sector in economic policies.

Therefore, the setting up of LTSs is an attempt to create a "network" consisting of a series of relationships between the businesses in a given context and the local associative, environmental, cultural, artistic and historical context, in order to improve territorial management.

Indeed, these ties enhance and give more importance to quality, tourism development and the improvement of the organizational situation involving, among other things, the enhancement of local territories.

LTSs can be defined as a territorial systems, i.e. a real network of destinations and attractions linked by homogenous and complementary factors, requiring however, a complete and integrated supply system and the adoption of product policies geared to the enhancement of territorial specificities.

To achieve these objectives we need to take certain actions such as identifying local employment systems established by ISTAT, detecting the industrial zones and local production systems legally recognized by the various regions of Italy, analysing and comparing tourism practices and policies on a regional and national level, developing innovative products for sustainable tourism, studying GIS, etc. ...

In relation to these instruments, there has also been a change in the way politics is conducted, with a move from *top-down* development policies to *bottom-up* development and thus tourism policies have undergone a process of refocusing, moving the centre of gravity from government action to governance action.

Today we can distinguish three operational instruments of tourism policy:

- Public / public partnership;
- Public / private partnership;
- Partnership between private parties.

In the first case several public institutions agree to support initiatives in favour of tourism activities; in the case of partnership between public / private institutions the public and private sector agree to resolve problems or implement initiatives in order to

promote local systems. Finally, in the third case, several private parties agree to create consortiums and partnerships.

The setting up of partnerships (i.e. networking) can be used to achieve a sustainable competitive advantage, capable of reaching new markets, developing new products, improving operating margins and service quality, and above all achieving new economies of scale.

LTSs can bring about three kinds of effect:

- Direct effects: these originate from the volume of production required to meet actual tourism demand (tourism goods and services, accommodation, meals, local produce, leisure services, etc.);
- Indirect effects: in terms of tourism expenditure, these concern the overall volume of output required by the suppliers of the “tourism product” and other businesses that produce real services (these are the less noticeable economic effects and, if there is a lack of an adequate local tourism system, they often benefit external areas);
- Induced effects: these are related to the volume of output required to meet the consumption of workers who have earned their income in activities directly or indirectly supporting tourist demand.

The degree of economic activity and the level of the multiplier effect of tourist spending at the local level are determined by a mix of factors related both to the characteristics of demand, and to those of the territory, such as the characteristics and consumption habits of visitors, the organizational model of tourism production, and the characteristics and scope of the entire local production system.

A tourism district is a particular form of tourism system; indeed, it is expected, for example, that a tourist’s stay in a tourism district must take place within a geographical area, coinciding with the geographical and cultural boundaries of a locality.

## 5. CONCLUSIONS

\* The work is the result of a complete cooperation and it is, therefore, of responsibility of both the authors. The material drawing up of paragraphs 1, 2 and 3, are attributing to **Maurizio Lanfranchi**, paragraph 4 and Conclusions to **Carlo Giannetto**.

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