DEVELOPMENT OF A TOURISM DESTINATION: EXPLORING THE ROLE OF DESTINATION CAPABILITIES

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This article aims to identify the key elements underlying a destination capability (DC) and to examine what the genesis of these factors is and how they interact to foster the destination development. The article explores a specific development process—the creation of a new product in an alpine destination (Livigno, Italy)—making use of a theoretical framework structured around four major dimensions: DCs, coordination at the destination level, inter-destination bridge ties, and destination development. The results help clarify the genesis of a DC in the context of new product development. First, the dynamics underlying the creation of a DC show that coordination at the destination level constitutes the heart of the process, whereas the integration of scattered resources in the new product plays a more limited role. Second, from a dynamic perspective, the analysis has identified three patterns (scouting, implementation, and involvement).

KEYWORDS: *destination capabilities; multilevel and integrated approach; seasonality; new product development; destination development*

INTRODUCTION

Some authors relate development to integrated multilevel strategies implemented across different stakeholder levels, including the individual organizations, the destination, and the larger geographical area (Murray, Lynch, & Foley, 2016). Other studies suggest analyzing the development issue within the theoretical framework of organizational resources and capabilities, thus underlining the central role that capabilities play in enacting effective development processes (Rodríguez-Díaz & Espino-Rodríguez, 2008). According to this last perspective, the destination is seen as a set of scattered resources that are the property of different organizations—local businesses, public bodies, associations, and firms operating outside the destination (Camisón et al., 2015). In this context, destination development occurs if these resources are mobilized and

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aggregated in an original way to create value-added products that meet tourists' needs (Sainaghi & Baggio, 2017). Based on the work of Haugland, Ness, Grønseth, and Aarstad (2011), we define destination capability (DC) as the ability of destination actors to integrate, reconfigure, and release distributed resources and competencies to generate successful new products.

In the destination field, only a limited number of studies consider the concepts of capabilities at a destination level (Sainaghi & De Carlo, 2016). The current contributions may be classified along two dimensions. First, some research studies measure DC within a static perspective, with the aim of assessing the destination strategy (Rodríguez-Díaz & Espino-Rodríguez, 2008). This approach makes it possible to take a snapshot of the destination positioning at a specific time and to assess the strategy gaps. In contrast, other authors propose theoretical frameworks aimed at identifying the role of a specific DC in destination development (Lemmetyinen & Go, 2009). Baggio and Sainaghi (2011, 2016) agree to recognize that development demands the capacity to integrate numerous resources scattered throughout the area, following a strategy shared among multiple actors. However, Haugland et al. (2011, p. 285) suggest that the proposed models are theoretical in nature and "need to be further refined and empirically tested," and that it is important to gain a deeper understanding of "the mechanisms destinations rely on in developing products and services that utilize resources and competencies distributed across several firms." Similarly, Murray, Lynch, and Foley (2016) underline the lack of empirical studies.

The aim of this article is to gain an understanding of how a DC is created. To achieve this aim, two research questions are addressed:

Research Question 1: Which resources and individual competences must be mobilized?
Research Question 2: Through which mechanisms are they mobilized?

Based on the theoretical framework used (which is presented and discussed later), the first research question includes four subpoints represented by the four blocks of the model: (1) destination development, (2) destination capabilities, (3) coordination at the destination level, and (4) inter-destination ties. The second research question is discussed using a static approach (that is introduced later), which can present the different mechanisms used to mobilize the dispersed resources, and a dynamic approach, which is useful to identify patterns in the creation and implementation of the DC.

With a view to answering these questions, this article aims to explore the foundation of capabilities in order to identify the key elements underlying a DC and to examine *how* these components interact to foster destination development. To this end, the article explores a specific development process—the creation of a new product—in an alpine tourism destination (Livigno, Italy).

LITERATURE REVIEW

The Concept of Destination Capabilities

The concept of a capability takes shape within the resource-based view of the firm. Resources are the assets that the firm possesses or controls, whereas capabilities refer to the firm's skill in exploiting and combining these resources through organizational routines in order to achieve objectives (Amit & Schoemaker, 1993). In other words, a DC integrates the resources distributed among the various local actors with the aim of creating or strengthening the destination's competitive advantage (Abreu-Novais, Ruhanen, & Arcodia, 2016).

Many authors underline the importance of cooperation among the destination's actors in developing both the destinations and the firms operating in it (e.g., Saxena, 2005). The particular features of the tourism product make collaboration necessary, both within and between destinations (Fyall, Garrod, & Wang, 2012). The product comprises a broad variety of assets and services, controlled by numerous independent actors, none of which is able to single-handedly create the destination experience (Lemmetyinen & Go, 2009). Moreover, a customer assessment does not consider single products and services, but the entire supply system. Consequently, the quality of the contribution of the single actor can produce an impact on all the others.

In this context of strong interdependence, the success of tourism firms (such as hotels, B&Bs, and ski-pass businesses) depends on the degree to which each firm works with the others for the efficient coordination of resources and the integration of the products offered by each actor (Wang & Fesenmaier, 2007). This collaboration leads to the development of DC.

The importance of a DC is evident at two levels. First, to meet the customers' needs for increasingly complete solutions, destinations must increase the number of services and actors involved in the development of products (Reinhold, Laesser, & Beritelli, 2015). In this context, the ability to orchestrate value-creation systems, which go beyond the firms' boundaries and include different destination actors, is a crucial factor. Second, the fact that the customer is directly involved in the value-co-creation activities poses the problem of coordinating the interactions among all the actors involved to prevent compromising the perceived value (Camisón et al., 2015). The relevance of destination governance is well known in the tourism field and it is widely analyzed in some destination frameworks, such as lifecycle models (Butler, 1980) or, more generally, the sustainability approach (Fodness, 2017).

The discussion developed thus far in the field of destination studies postulates the importance of DCs in achieving integrated multilevel development strategies, with no reference to how these capabilities can be achieved by local actors nor how they contribute to destination development. Other authors have explored the organizational and strategic context in which DCs are achieved, underlining the importance of "networked tourism competences," which spring

from interorganizational learning mechanisms within destinations (Denicolai, Cioccarelli, & Zucchella, 2010). This last study specifically explores the relationship between interfirm collaboration and the development of DC (Denicolai et al., 2010), and shows that different network approaches lead to the development of different core competencies.

Nevertheless, the ways in which the destination actors continuously integrate and reconfigure distributed resources and competencies, in order to deliver a destination product that meets market demand, still need clarification. The mechanisms that enable the transformation of individual resources and competencies into DCs remain a black box. The present article contributes to filling this gap. Through the in-depth analysis of a single case, the study reconstructs the actions and processes of learning that generate the capability to implement a new product and generate destination development.

Haugland et al.'s Conceptual Framework

This research explored the key elements underlying a DC and examined *how* these components interact to foster destination development. It was therefore useful to have a theoretical framework to utilize to be able both to classify different destination resources and to identify relationships among them. We used the theoretical framework of Haugland et al. (2011) in order to guide the empirical analysis. The model is structured around three major concepts: (1) the DC, (2) coordination at the destination level, and (3) inter-destination bridge ties. The functioning of the model, as a whole, produces destination development.

Regarding the first concept (DCs), Haugland et al. (2011) identify two main DCs. One relates to the use of distributed resources and competences for the creation or renewal of new products, which is defined in this article as a *new product development* (NPD) capability. The second one relates to the destination image and brand (Murray et al., 2016).

The second variable of the model (*coordination at destination level*) arises from the fragmented structure of the local supply whose integration demands mechanisms that differ according to the type of destination, its maturity, and strategic objectives (d'Angella, De Carlo, & Sainaghi, 2010). According to the literature, some types of coordination may be identified, along a continuum, ranging from the absence of structured forms to administered contractual forms and hierarchy (d'Angella & Go, 2009). The four types of coordination do not exclude each other, but are different tools that may exist side by side.

Inter-destination bridge ties focus on the relations existing among destinations. They contribute to the creation of a DC in two ways: imitation and innovation (Sainaghi & Baggio, 2014). The two actions seem to mutually exclude each other: an imitative strategy does not generate innovation, while an innovative strategy is different from imitation. However, in the destination context, a close relationship exists between the two actions (Larson, 2011). It is difficult to achieve an imitative strategy in the presence of different resources.

Last, *destination development* indicates the presence of a DC. Indeed, a destination uses its capabilities to "create and integrate value-added products that sustain its resources while maintaining market position relative to competitors" (D'Hauteserre, 2000, p. 23); that is, a DC is antecedent to destination competitiveness, and its long-term sustainable exploitation is acknowledged in business and destination literature (Mendola & Volo, 2017; Zehrer, Smeral, & Hallmann, 2017). Based on these insights, we find the outcome of DC creation in the presence of long-term results is superior to that achieved by other destinations.

METHODOLOGY

Research Strategy

To answer the research questions underlying this study, we carried out a preliminary study based on an inductive single-case study (Eisenhardt, 1989). As suggested by Yin (2009), it is appropriate to use this method when investigating the "how" of a given phenomenon. A single-case study is a widely used methodology in destination research (Pavlovich, 2014) because of its ability to develop "an empirical enquiry about a contemporary phenomenon (e.g., a 'case') set within its real-world context and especially when the boundaries between phenomenon and context are not clearly evident" (Yin, 2009, p. 18).

Data Collection

The data collection in this study relied on different sources of evidence: (1) in-depth interviews, (2) documentation, (3) archival records, and (4) structured interviews. It is thus possible to employ different sources of information and mix qualitative and quantitative data to achieve triangulation (Olsen, 2004).

In-depth interviews were carried out with key players involved in the Skipassfree project during 2013. In order to identify the relevant key actors, the research team used both official documentation about Skipassfree (e.g., minutes of meetings) and a snowballing technique (Bregoli, Hingley, Del Chiappa, & Sodano, 2016). Ten executives were identified, belonging to the Destination Management Organisation (DMO), the Ski-Pass Association (Associazione Ski Pass Livigno), the local municipality (Comune di Livigno), the hoteliers' association (Associazione Albergatori Livigno), the incoming agencies, and the hospitality sector (apartments and hotels). The number of actors was in line with a previous study focused on DC (Murray et al., 2016). These individuals were involved in the Skipassfree Committee (eight executives), along with two others who were indicated, by those interviewed, to be particularly important in the informal process preceding and accompanying the creation of Skipassfree. All interviews were semistructured and explored the four variables of the theoretical framework. The length of the interviews was set at a minimum of 45 minutes and maximum of 120 minutes, depending on the background of the respondent

and the flow of conversation. All the interviews were recorded and transcribed verbatim, which generated approximately 200 pages of text.

The *documentation* included a wide range of public and confidential documents (minutes of meetings, a presentation on the Skipassfree project, letters sent to the actors involved, and administrative documents concerning municipality resolutions), and generated approximately 100 pages of text.

Interviews and documentation were mainly used to operationalize the framework (Figure 2) and to understand relationships among variables (Figures 4, 5, and 6).

The *archival records* included 30 years of monthly data from the hotel sector, including arrivals and overnights, from domestic and international markets. The research team received data for 15 years from the ski-company sector. The records included both the number of skiers and revenue. These data were used, first, to objectively measure the Skipassfree results and, second, to verify if this new product created a "discontinuity" in the Livigno destination's performance trend.

The data were analyzed by the authors, using Nvivo 9, through the various coding stages. To facilitate the data analysis, tables or graphs of synthesis or schematization were used (Miles & Huberman, 1994). During the analysis, the team made use of documentary sources and follow-ups with the destination actors, through informal e-mail and telephone communication, to clarify any unclear points and corroborate the emerging process of the theoretical development. These documents made it possible to carry out cross-controls on the interviews and checks on possible errors appearing during the analyzes. The intercoder reliability (Tinsley &Weiss, 2000), measured using Nvivo 9, is 99.01%.

The *structured interviews* were used at the end of the research process to collect information from the Livigno companies involved in the Skipassfree project. The questionnaire (given in Table 3) was previously tested with a small group of firms, subsequently revised and re-tested, and, finally, sent to all the local firms, with the support of local associations (hotel and ski pass). We used a 5-point Likert-type scale, which was later reduced to 3 points (see Table 3), in order to simplify the outputs into a negative, neutral, and positive evaluation, as used in some previous studies (e.g., Ma, Luo, Yao, Cheng, & Chen, 2016). A total of 124 completed and usable questionnaires were collected that represent all the analyzed sectors (Table 1). The last column in the table reports the representativeness of our sample for each sector and shows at least 50% of Livigno capacity. For example, the 44 hotels and B&B for which responses were collected account for 2,944 beds, representing 58% of the total number of beds in Livigno (5,072).

The answers reported in Table 3 are discussed in the findings section. This source of evidence was primarily used to verify the relevance of some codes (see Figure 2) and the relationships among them (Figures 4, 5, 6), and also to measure subjectively the effects generated by the Skipassfree product on firm performance.

Table 1
Sample (Structured Questionnaire)

	Questionnaires		Representativeness			
Sectors	Number	%	Physical Measure	Livigno	Sample	%
Hotels, B&B	44	35%	# of beds	5.072	2.944	58%
Apartments (private and managed by incoming agencies)	70	56%	# of beds	6.345	3.145	50%
Ski companies	10	8%	# of firms	13	10	77%
Total	124	100%				

Performance Measurement

As expressed in the literature review, we can find indications of DC creation in the presence of long-term results that are higher than those achieved by other destinations. In order to operationalize this concept, it is important to clarify what kind of performance indicators are used in the present article and what kind of benchmark is developed.

Concerning the first point, performance can be measured using objective or subjective values. Objective performance uses secondary data (such as accounting and sales data), while subjective results (also called perceptual or self-reported results) are measured using information collected via questionnaires. Researchers usually agree that objective data are preferable to subjective, given the possible biases (Alonso-Almeida & Bremser, 2013) or conflicts of interest (Sun & Kim, 2013).

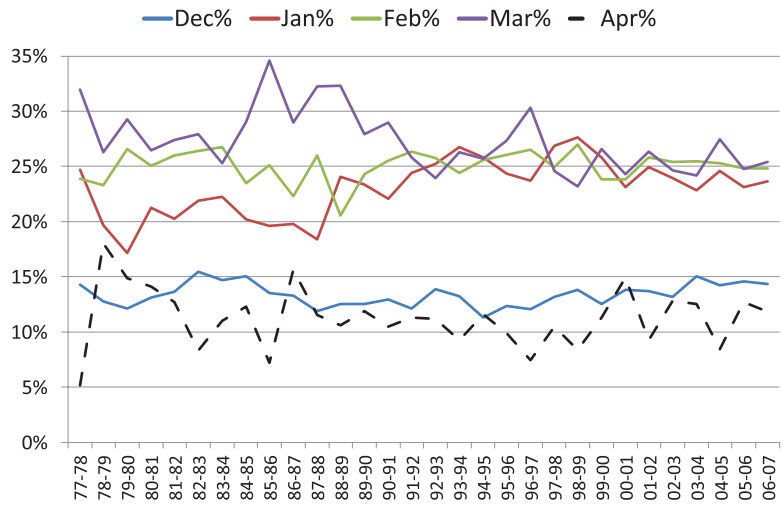
This study developed a mixed approach. As suggested by previous studies (Sainaghi, 2010; Sainaghi, Phillips, & Zavarrone, 2017), results are measured using an objective approach, based on secondary data related to sales (Sainaghi, 2011). In particular, tourist flows were used to evaluate the effects generated by the new product (Skipassfree) for Livigno companies, with the addition of revenues for ski companies (this was not available for hotels and apartments). This objective approach is integrated with the subjective data.

Finally, a benchmarking process was applied to the neighboring winter destinations. These include a small group of four relatively homogeneous municipalities (Valdidentro, Bormio, Valdisotto, and Valfurva) grouped in the Alta Valtellina destination. Monthly tourist flows (objective data) related to the hotel sector were used to compare Livigno's performance to that of Alta Valtellina.

The Livigno Context

Livigno is an alpine destination that generates around one million overnights per year, mainly in the winter period. In fact, its altitude (1,816 meters above sea

Figure 1
Livigno: Monthly Seasonality (Before Skipassfree): Monthly Winter Hotel Overnights



level) ensures abundant snowfall and a potentially long winter season. Moreover, the town (about 6,000 inhabitants) is a duty-free area.

The winter supply hinges on the operation of the cable railway and the work of the hospitality firms. While the cable-railway business shows a high concentration (3 out of 13 companies generate about 90% of the passes), the accommodation offer is fragmented, including 109 hotel structures offering a total of 5,072 beds (at the beginning of 2017). In addition to the hotels, numerous apartments owned by the residents are rented by the week and there are some campgrounds, enabling the town to accommodate up to 12,000 visitors. The private apartments account for approximately 6,000 beds (as reported in the archival records received by the DMO). However, despite this fragmentation, a few local incoming agencies manage roughly 30% of the apartment beds.

About 70% of annual tourists visit the destination during the winter season, revealing a seasonality issue: at the beginning (December) and the end (April) of the winter period, in spite of good weather conditions, the amount of tourism overnights is lower than the volumes generates during the central months (Figure 1).

The Skipassfree Package

In the course of winter 2007/2008, jointly with the ski-pass and hoteliers' associations, the local DMO offered a package comprising a ski pass and lodging (hotel or apartment). This package was named Skipassfree, since it provides the ski pass free of charge to the end clients. About 50% of the cost was

paid by accommodation firms and the remaining 50% by ski companies. The package was sold just in seasonal tails; these "seasonal tails" are two periods, one at the beginning of the season, which is from the opening of the winter season until Christmas (approximately 3 weeks), and another at the end of winter, which is from after Easter until the end of the winter season in April. As a result of the differing dates of Easter, the end of season can be a very long period (such as 37 days in 2011/2012) or only rather short one (e.g., 16 days in 2009/2010 and 2010/2011).

DESTINATION CAPABILITY CREATION: EXPLORING THE BUILDING BLOCKS

In order to explore how a DC that fosters destination development is created, our article proposes a two-step analysis: in this section, we develop a static perspective, while in the next section, we propose a dynamic perspective. The static perspective aims to map the single components that create the DC; to use a metaphor, we wish to identify the pieces in a mosaic. The dynamic approach describes the main relationships linking these pieces together in order to create the mosaic.

The *static approach* is centered on the coding activities, and is mainly based on in-depth interviews and documentation; each code represents a variable used to create the DC. Table 2 clarifies the meaning of each code, while Figure 2 contains the descriptive information (the frequency of each code, both as the absolute value and percentage). The use of frequencies in the content analysis (in-depth interviews) is adopted in many studies and research papers, such as those in the literature review (i.e., Kwok, Xie, & Richards, 2017; Sainaghi, Baggio, Phillips, & Mauri, 2018; Sainaghi, Phillips, Baggio, & Mauri, 2018). Concerning the latter, the research stream of online reviews widely applies content analysis and measures the relevance of independent variables mainly by counting the frequencies (e.g., Phillips, Barnes, Zigan, & Schegg, 2017). Frequencies are also applied to studies based on documentation and semi-structured interviews (e.g., Heslinga, Groote, & Vanclay, 2018).

The first finding that emerged from our results is the high complexity of the DC creation process (29 codes), despite the apparent simplicity of the new product. The frequencies show the relevance of the DC dimension (37%), but the highest score is related to coordination at a destination level (48%), revealing the complexity of cooperation in the field of tourism destinations. In the following sections, we propose an analysis of each block. We preferred to avoid giving a pedantic description of each code, which can sometimes take away from the general work done. Therefore, we simply present the most relevant codes at the beginning and then we present a synthetic analysis of each block.

This section addresses the first research question (Which resources and individual competences must be mobilized?) and section "Coordination at the Destination Level" proposes a static approach to address the second research question (Through which mechanisms are they mobilized?).

Table 2
List of Used Codes and Their Significance

Codes	Meaning
0. Destination development	
0.1. Objectives	Describes the main objectives of the SF project
0.2. Performance	Describes the main results achieved by the SF project
1. Destination capabilities	
New product development	
1.1. Concept	Describes the key elements of the SF package
1.1. Skipass	Describes the cable car services included in SF
1.1. Hotels	Describes the hotel facilities included in SF
1.1. Apartments	Describes the hospitality services of private apartments included in SF
1.1. Incoming agencies	Describes the hospitality services of the apartments managed by incoming agencies included in SF
1.1. Extra	Describes some additional services usually bought by SF clients
1.1. Product scope	Describes some extra services added to expand the SF product, especially for non-skiers
Image and branding	
1.2. Target	Describes the SF clients' profile
1.2. Image communicated	Describes the communicated image of SF
1.2. Local channels	Describes local distribution channels, such as hotels and apartments, incoming agencies, DMO, Ski Pass Association contacts
1.2. Tour operators	Describes commercial relationships with tour operators
1.2. Marketing plan	Describes the marketing plan and investments made by DMO to promote SF
2. Coordination at the destination level	
Informal	
2.1. Informal	Describes informal relationships among local actors outside the Skipassfree Committee
Skipassfree Committee	
2.2. Actors involved	Describes actors involved in the SFC
2.2. Relevance	Describes the relevance of the SFC and its members to the SF project
2.2. Organizational mechanisms	Describes the organizational mechanisms used by the SFC
2.2. Data analysis	Describes the quantitative analysis used to support decisions
2.2. Internal marketing	Describes activities to communicate SF to local actors
2.2. Conflicts	Describes disagreements among actors regarding SF within the destination

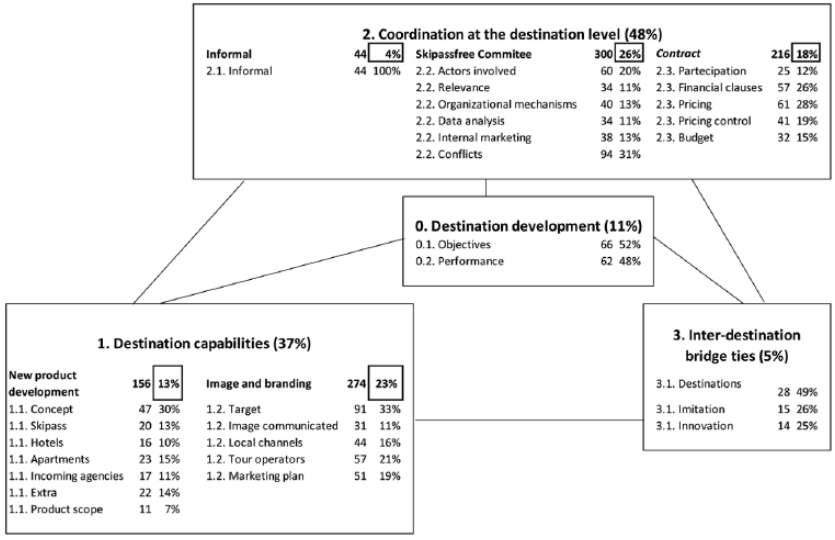
(continued)

Table 2 (continued)

Codes	Meaning
Contract	
2.3. Participation	Describes the rules for local firms to participate in SF
2.3. Financial clauses	Describes the rules used to manage financial aspects of SF
2.3. Pricing	Describes the price policies implemented by local firms
2.3. Pricing control	Describes the organizational mechanisms used to control the price policies implemented by local firms
2.3. Budget	Describes how the SF marketing plan was financed
3. Inter-destination bridge ties	
3.1. Destinations	Identifies destinations with which Livigno competes
3.1. Imitation	Describes imitations of other destinations which were influenced by SF
3.1. Innovation	Identifies innovative elements of SF compared to packages implemented by other destinations

Note: SF = Skipassfree; SFC = Skipassfree Committee.

Figure 2
Relevance of Used Codes



Tourism Destination Development

Destination development (128 quotations or 11%) is defined using two codes: the first (0.1.Obj_SF) focuses on the Skipassfree goals, while the second (0.2.Perf_SF) centers on the results achieved by the package.

The respondents indicated two main reasons for launching the Skipassfree initiative: (1) the desire to enhance the number of tourists during the seasonal tails and (2) the interest in increasing the average price rates of hotels and apartments. Given the 50% price discount offered by the cable-railway and lodging sectors, it is necessary to double the number of skiers to preserve profitability. Given the 50% rule, Skipassfree has a clear, quantitative, and challenging objective: to increase tourist flows by at least 100%. The second objective concerns raising price rates in the hospitality sector and, in particular, apartments. The low occupancy rates before Skipassfree had, in fact, favored a progressive reduction in prices during the seasonal tails.

The respondents confirmed the positive effect of Skipassfree on ski-pass sales and lodging results. As explained in the methodology section, objective and subjective data were collected and analyzed.

Regarding the *objective performance*, three analyzes were conducted and are briefly discussed in the article, without reporting the analytical details (due to space constraints). The number of clients attracted by the promotion shows strong growth for both hotels and ski companies. In particular, in December (the beginning of the season) the increase was 174% (from 2016/2017 to 2006/2007, which was the last year without Skipassfree) for ski companies and 135% for hotels. In April (the end of the season) the growth was impressive: the number of skiers increased 4 times (+426%), while overnights increased 3.5 times. In contrast, in the high season, when Skipassfree was not sold, hotels (+29%) and ski companies (+2%) registered a modest increase. A second analysis compares the Livigno hotels' performance with those in the neighboring destinations in the Alta Valtellina. The data reveal that, in the seasonal tails, the neighboring destinations show a modest increase. In fact, in December, Alta Valtellina rose by 4.8%, while Livigno grew by 41.7% (8.6 times more). The gap is confirmed for April: Alta Valtellina +14.4% and Livigno +63.0% (4.4 times more).

Finally, it is interesting to verify whether the NPD also generated an impact on revenues. At the beginning of the season, ski-pass turnover increased by 239%, while during the non-Skipassfree period (high season) the growth was considerably lower (+42%). At the end of winter, Skipassfree generated a rise of 85%.

The *subjective performance* findings are reported in Table 3. The percentages for answers that refer to "agree" and "completely agree" are reported in parentheses; the higher the values, the higher the consensus. The answers clearly confirm the ability of Skipassfree to increase both the number of clients (86%) and cash flows (73%). Furthermore, the interviewees suggest there was an effect on rates (45%) and margins (53%).

Destination Capabilities

As described in the literature review, DCs comprise two blocks: one related to NPD and one to image and branding.

Table 3
Structured Questionnaire: Evidence

	Theoretical Blocks	Completely Disagree or Disagree		Neutral		Completely Agree or Agree	
		#	%	#	%	#	%
	0. Performance						
1	SF has increased the number of clients	5	4%	12	10%	107	86%
2	SF has increased cash flows	11	9%	23	19%	90	73%
3	SF has increased the rates	37	30%	31	25%	56	45%
4	SF has increased the economic margins	29	23%	29	23%	66	53%
5	SF has generated effects on apartments	19	15%	27	22%	78	63%
6	SF has generated effects on hotels	43	35%	43	35%	38	31%
7	SF has generated effects on Livigno agencies	4	3%	35	28%	85	69%
8	SF has generated effects on ski companies	2	2%	38	31%	84	68%
9	Firms have participated in SF due to the immediate increase in reservations	9	7%	15	12%	100	81%
10	Without this short-term result, firms' participation would be lower	12	10%	9	7%	103	83%
	1. Destination capabilities						
	1.A New Product Development (NPD)						
11	The decision to give a free ski pass was successful	22	18%	27	22%	75	60%
12	The scope of the SF product should be enlarged	38	31%	16	13%	70	56%
13	The involvement of incoming agencies was successful	13	10%	58	47%	53	43%
14	The involvement of private apartments was successful	6	5%	34	27%	84	68%
15	The involvement of international tour operators was successful	43	35%	43	35%	38	31%
16	The SF client origins important extra	47	38%	20	16%	57	46%
17	SF is an original product, different from those offered by other destinations	37	30%	19	15%	68	55%
18	SF has introduced an important commercial innovation	13	10%	18	15%	93	75%
	1.B Image and branding						
19	The SF client is loyal	19	15%	26	21%	79	64%
20	The SF length of stay (days for hotels, for apartments) is correct	13	10%	6	5%	105	85%
21	Given the SF target, it would be better not to reshape the promotion	98	79%	9	7%	17	14%
22	SF loses the winter image of Livigno	89	72%	17	14%	18	15%
23	The communication strategy to promote SF was successful	11	9%	14	11%	99	80%
24	The inclusion of "free" in the promotion name was successful	11	9%	5	4%	108	87%
	2. Coordination at the destination level						
	2.A Informal						
25	The SF Committee (SFC) has shared the project to some relevant local actors, reducing counter positions	13	10%	24	19%	87	70%

(continued)

Table 3 (continued)

	Theoretical Blocks	Completely Disagree or Disagree		Neutral		Completely Agree or Agree	
		#	%	#	%	#	%
	2.B Skipassfree Committee (SFC)						
26	The collaboration between DMO and associations was a key factor in the success of SF	8	6%	11	9%	105	85%
27	The communication about the SF product to local firms was good (internal marketing)	4	3%	8	6%	112	90%
28	The presence of DMO has increased the number of firms involved in SF	8	6%	32	26%	84	68%
29	Promotion periods were identified by analyzing Livigno's seasonality. This approach has reduced conflicts	34	27%	34	27%	56	45%
30	The work developed by the SFC has created a more collaborative atmosphere	23	19%	46	37%	55	44%
31	The method used by the SFC has created the premises for other shared projects	11	9%	37	30%	76	61%
32	The collaboration between DMO and associations favored the SF launch	13	10%	15	12%	96	77%
	2.C Contract mechanisms						
33	The cost-sharing mechanisms (% lodging operators, % ski companies) are correct	27	22%	9	7%	88	71%
34	The recent revision of the cost-sharing mechanisms (also considering weekly seasonality) is correct	60	48%	22	18%	42	34%
35	It should reduce the length of stay for hotels	103	83%	9	7%	12	10%
36	It should reduce the length of stay for apartments	93	75%	12	10%	19	15%
37	The Ski Pass Association pays an excessive amount of marketing costs	95	77%	20	16%	9	7%
38	The rate paid by the SF client is too low	51	41%	32	26%	41	33%
39	The rate increase was too high, requiring price-control mechanisms	73	59%	16	13%	35	28%
40	How do you evaluate the recent price-control mechanisms?	77	62%	11	9%	36	29%
41	The rate increase was too high, reducing the economic value for clients	69	56%	17	14%	38	31%
42	The communication budget in the first editions was adequate	7	6%	45	36%	72	58%
43	The marketing competence of DMO was related to the success of SF	5	4%	33	27%	86	69%
	Conflicts						
44	The SF start-up generated high tension with lodging operators as they had communicated their rates without including the cost of the free ski pass	16	13%	22	18%	86	69%
45	The decision to involve TO in the SF generated tensions with lodging operators	23	19%	36	29%	65	52%
46	The SF was launched too late (timing problem)	9	7%	19	15%	96	77%
47	Conflicts were overcome due to the ability of SF to generate reservations	7	6%	23	19%	94	76%

Note: SF = Skipassfree.

New Product Development

NPD (13%) reveals the relevance of the product concept (30%), the involvement of several dispersed resources such as ski passes (13%) and accommodation (hotels, apartments, and incoming agencies) (36%), the role played by additional services (extra; 14%), and the product scope (7%).

"The Skipassfree is simple because it joins two essential services for the winter customer (skiing and hospitality) and it is innovative because, instead of offering discounted services or products, it offers a core service free of charge" (Interview 2). The structured interviews (Table 3) confirmed the commercial innovation introduced by Skipassfree (75%), its originality (55%), and the importance of giving the ski pass free of charge (60%). The Livigno companies (Table 3) confirmed the relevance of involving private apartments (68%) and extras are described as "relevant" for 46% of the firms.

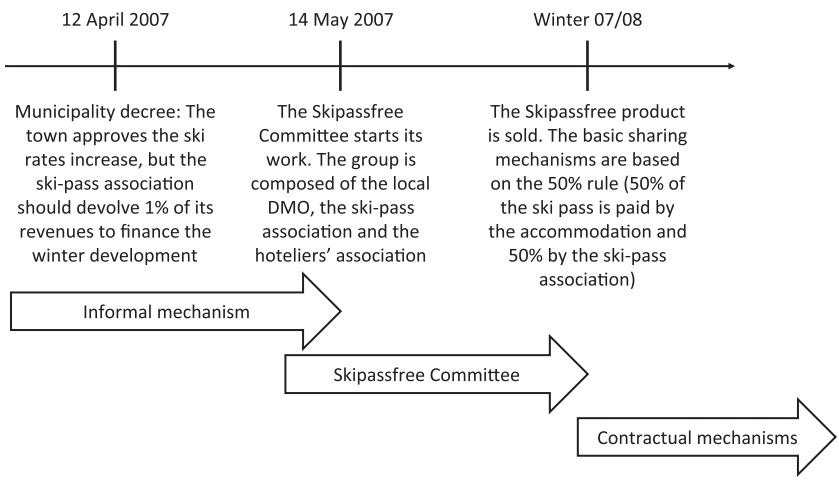
Concerning the product scope, "offers were made to provide free access to spas, wine and food products, and discounts in shops. The results, however, were not outstanding, since the products almost entirely attract the interest of skiers" (Interview 1). The structured interviews (Table 3), in contrast, suggest the desire of local firms to enlarge the Skipassfree package (56%).

Image and Branding

The second group of codes, for *image and branding*, received a considerably higher proportion (23%) than NPD (13%; Figure 2). This result suggests that the mobilization of dispersed resources is relevant, but is not sufficient for destination development, which requires image and branding capabilities at destination level. Four main points were identified by our respondents: a clear definition of the *target* (33%), the *image* (11%), the choice of the channels to be used (*local channels* at 16% and external *tour operators* at 21%), and, finally, the awareness of the need for a *marketing plan* (19%).

The target to be attracted is described by our respondents as someone who is a ski lover, a foreigner (coming mainly from eastern and continental Europe), sensitive to the price of basic services but with good overall capacity for spending, not interested in a short holiday and reasonably flexible in choosing the holiday period, and is mainly represented by individual guests. Table 3 adds some further elements. The Skipassfree client is described as loyal (64%); furthermore, local firms suggest that the actual orientation to a relatively long stay (minimum of 4 days for hotels and 7 for apartments) is correct (85%). Coherently, with respect to this target, the image centers on two elements: "ski" and "free," as identified by the name "Skipassfree." The name was indicated by many operators to be one of critical success factors for Skipassfree. The structured interviews confirmed the relevance of "free" (87%). To attract these new clients to Livigno, the Skipassfree Committee invested considerable financial resources in a marketing plan and favored the creation of direct relationships between Livigno firms and the Skipassfree target. Not surprisingly, Table 3 confirms the relevance of the marketing plan (80%).

Figure 3
Coordination Mechanisms: Informal, Formal, and Contractual Rules

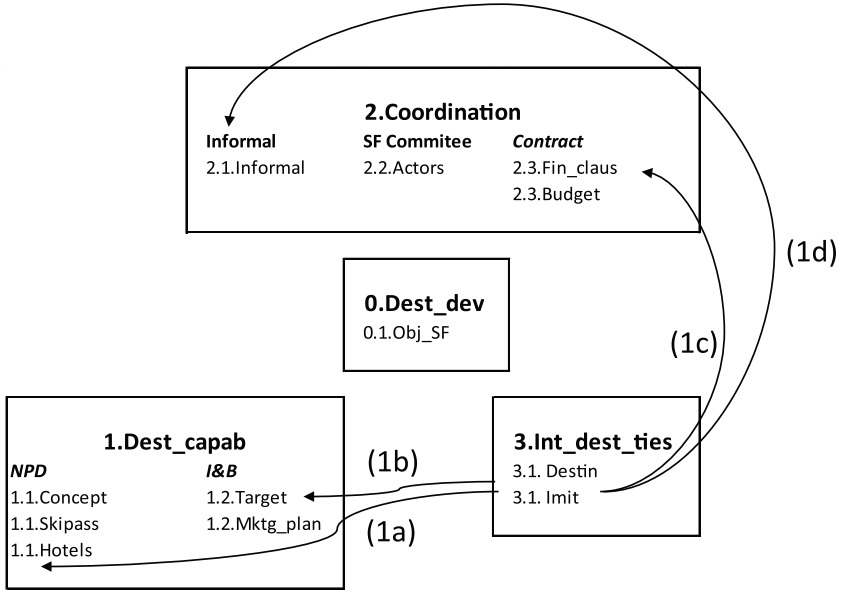


Coordination at the Destination Level

The third dimension of the model considers the coordination forms used to mobilize resources and create a DC, ensuring the Skipassfree initiative has adequate governance. Around 48% of the quotations fall into this section of the model and are coded according to three variables: informal mechanisms (4%), Skipassfree Committee activities (25%), and contract mechanisms (18%). As reported in Figure 3, these three steps clearly emerge from the documentation and in-depth interviews. In fact, on April 12, 2007, the municipality decided to approve a price rate increase for ski companies (they operate under a concession regulated by the municipality), but the municipality asked for 1% of ski-pass revenues to be devolved to the local DMO to finance promotional programs able to support the development of Livigno's tourism activities. This official deliberation followed "informal" work done by some local actors (as reported in many in-depth interviews, including by the mayor of Livigno). On May 14, 2007, the Skipassfree Committee had its first meeting; therefore, this is when work formally started. Finally, the Skipassfree package was sold during the winter season of 2007/2008; therefore, a contract mechanism for sharing revenues and costs was created and accepted by local firms and associations.

The *informal mechanisms* include personal dialogue among the relevant local actors that generated the idea for the project, the design for the contracting mechanisms, and the NPD process management. "This informal mechanism accompanied the entire process of NPD and often made it possible to avoid counter-positions, delays in decision-making, and breakdowns among the stakeholders" (Interview 8). The local companies (Table 3) confirmed the relevance of this informal work (70%).

Figure 4
Dynamic Approach to Develop a DC: Phase 1 (Scouting)



The *Skipassfree Committee* is the formal coordination mechanism used to operationalize the NPD. Our data show (1) the involvement of key actors operating in the hospitality and ski sector, and the support of the DMO; (2) the working method was based on simple organizational mechanisms, with the use of quantitative data to support decisions and internal marketing initiatives to stimulate a dialogue with local firms; and (3) the presence of conflicts.

There were eight actors involved in the Skipassfree Committee, belonging to three organizations. The Skipassfree Committee played an important part in the development of the initial business idea, the formalization of the initiative already focused on by informal work, and in sharing and communicating it to local actors. The structured interviews add some important insights (Table 3): 85% of local actors indicate that the Skipassfree Committee was a key success factor, the presence of the DMO increased the local firms' participation (68%), and the collaboration between DMO and associations favored the Skipassfree launch (77%).

The organizational mechanisms behind the functioning of the Skipassfree Committee were inspired mainly by concrete proposals and respect for timing; the DMO assumed a role of *primus inter pares*, calling the meetings, writing up the minutes, checking progress, and drawing up the agenda. The Skipassfree Committee undertook an intense internal marketing activity to communicate the

idea within the destination. The structured interviews confirmed the relevance and the good work done by internal marketing (90%), which is the highest percentage reported in Table 3.

Concerning conflicts, two main tensions emerged that will be discussed in the next section: (1) the problem of apartment rates and (2) the timing of the operation. The structured interviews clearly confirmed both problems—with percentages of 69% for rates and 77% for timing.

Contract mechanisms are designed in order to facilitate the participation of all local firms. The Skipassfree Committee decided "not to fix a deadline and to not to ask for any fixed costs for the business's participation in the initiative" (Interview 4). The large number of requests and bookings after the launch of Skipassfree generated positive word of mouth, which stimulated an increase in the number of local businesses asking to take part in Skipassfree. The financial clauses include some basic economic conditions: the subdivision of the ski-pass cost, with 50% financed by the hospitality sector and 50% by the ski-pass association; a minimum length of stay (4 days for the hotels and a week for apartments); a complimentary service for each guest (including children), also for the apartments; the absence of commission for the DMO; and free use of the Skipassfree logo. The price rate was not included among the financial clauses since it had already been established and communicated by the hospitality firms before the launch of Skipassfree. It was noted that "In the first edition, the price rate policy gave rise to tensions, above all with the management of apartments, who had to bear an important reduction in prices" (Interview 7). In the following years, a significant rise in rates was seen, driven by the increase in skiers and mention began to be made of price-control mechanisms. The new product required a budget for communication, needed to cover the cost of the plan drawn up by the DMO. The investment (200,000 Euros) was financed by the ski-pass association, according to the municipality's decree (Figure 3).

The structured interviews (Table 3) mainly confirmed these findings. The financial sharing mechanisms (50% and 50% rule) work well (71%). Concerning the length of stays, firms will not reduce the minimum number of days for both hotels (10%) and apartments (15%).

Inter-Destination Bridge Ties

This variable has the lowest number of quotations (6%; Figure 2). Our respondents identified the *destinations* that Livigno competes with (49%) or explicitly referred to similar products developed by other destinations (26%).

This imitation relates to two main aspects: the chance to work in seasonal tails and the idea of bringing together, in one package, the essential components of the winter product (skiing and hospitality). The interviews underlined the innovation of the Livigno experience: the simplicity of the product, the free pass, the timing (the product was launched in a pre-recession economy), the high involvement of the local actors, and the name of the initiative. The structured

interviews (Table 3) confirmed the commercial innovation introduced by Skipassfree (Question 18, with 75%) and its originality compared with other destinations (Question 17, with 55%).

DESTINATION CAPABILITY CREATION: PORTRAYING THE BUILDING PROCESS

In this section, we present the dynamic relations emerging from the empirical work which link the four blocks of the model. This chapter develops the dynamic approach of the second research question (Through which mechanisms are they mobilized?). Here, "dynamic" refers to the activities that create the DC. The process described follows three development patterns: scouting, implementation, and involvement. These three steps are not sequential, but they are part of a wider process (the NPD capability creation). The dynamic relationships were identified by triangulating all the information sources used (in-depth interviews, documentation, structured interviews, archival data). The scouting pattern corresponds to the informal work previously described in Figure 3, while the implementation pattern focuses on the Skipassfree Committee and the development of a contractual approach. Finally, the involvement phase basically presents some conflicts that emerged during the implementation of the NPD. They represent an obstacle for moving from the Skipassfree Committee to the contractual mechanism.

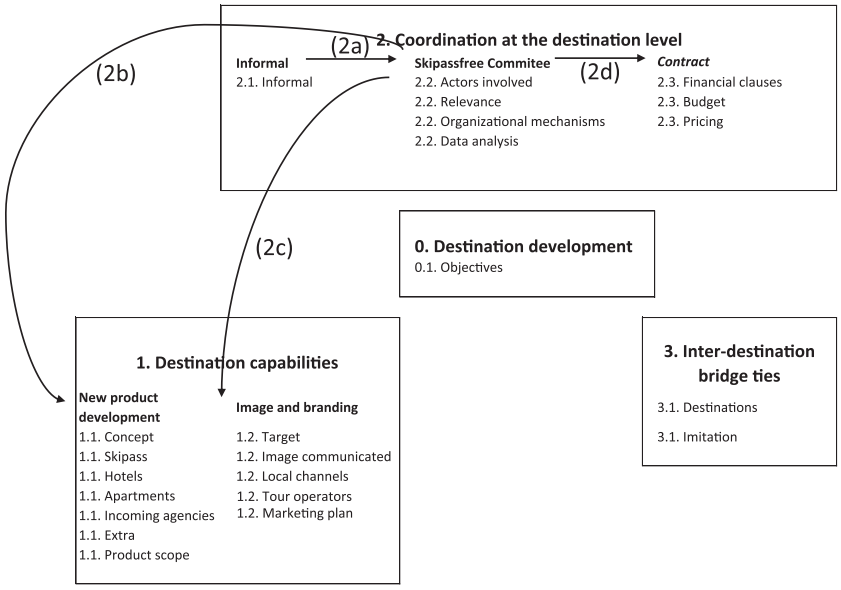
The first pattern (Figure 4), called *scouting*, arises from the inter-destination bridge ties. Structured benchmarking activities and existing relations with other destinations revealed the initiatives already successfully developed in other places. Benchmarking makes it possible to gather information on the product concept, to identify key resources (1a) and to gain an initial general idea of the target (1b). Imitation may also provide some first indications of the financial coordination mechanisms (1c) regulating the new product, and, especially, the need to develop structured links between hospitality and the ski sector. These reflections create stable, informal relationships among a small group of local actors (1d).

Some quotations from the in-depth interviews confirm the centrality of the proposed relationships:

> The Skipassfree Committee has benchmarked some Alpine destinations. We have found some competitors offering a product devoted to increase tourists during the seasonal tails. Their products were different from our Skipassfree, however they were able to help us focusing on the basic idea of Skipassfree: joining the ski pass and lodging. (Interview 2)

The mobilized resources (ski pass and lodging) helped us to identified the target, mainly defined as an international ski lover, interested to a weekly stay in Livigno. (Interview 3)

Figure 5
Dynamic Approach to Develop a DC: Phase 2 (Implementation)

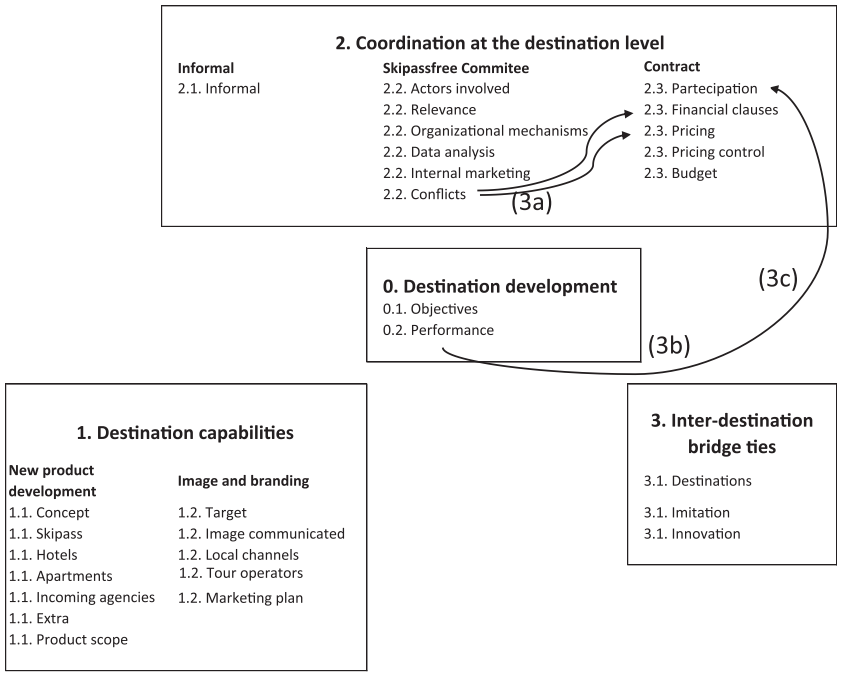


The basic financial mechanism is proposed in the first Skipassfree Committee summary (50% paid by the lodging sector, 50% by the skiing companies). The scouting pattern creates the preliminary conditions to develop an NPD capability at a destination and, in particular, the municipality decree previously discussed (Figure 3). Around 70% of structured interviews (Table 3) agree that the informal work was able to reduce the number of counter-positions.

The complex picture that has gradually taken shape from the informal work suggests the need to shift from informal coordination mechanisms to a new formal coordination body (Skipassfree Committee; 2a). The creation of the Skipassfree Committee introduced the *implementation* pattern (Figure 5).

The new process hinged on the flexible formal coordination body, the Skipassfree Committee, which carries out fine-tuning of the previously defined rough idea. The new form of coordination favors a progressive narrowing down of the product development capabilities (NPD), and defines the image and the brand. From this new body emerged the idea of extending the resources to mobilize (2b), involving not only hotels but also all private apartments and those managed by incoming agencies. This point was discussed during some Skipassfree Committee meetings (included in their documentation). This choice is more consistent to the quantitative goal (to double the number of skiers). Concerning brand and image (2c), the expected target is described in greater

Figure 6
Dynamic Approach to Develop a DC: Phase 3 (Involvement)



detail. Given the increased complexity of the new product, a more structured contractual form was introduced by the Skipassfree Committee (2d) to involve the fragmented sectors, to govern the value-sharing mechanisms and to attract the resources to finance the marketing plan.

In the third pattern, *involvement* (Figure 6), the NPD capability is fulfilled. The new product is communicated to local firms and external stakeholders to acquire acceptance: the contractual approach started. In this pattern, the Skipassfree Committee has to manage both constraints and conflicts that arise. In the previous section, we introduced two main tensions that emerged during the NPD process: (1) the problem of apartment price rates and (2) timing. Figure 6 shows how these tensions are managed.

> The communication of Skipassfree created a strong opposition from private apartments, primarily due to the price rate reduction associated with this initiative. In fact, all the hospitality firms communicated their official price rates *before* the creation of Skipassfree. Therefore, the decision to shift 50% of the ski-pass cost to the lodging business reduces the per-client margin. (Interview 7)

The Skipassfree Committee determined that this constraint could be an opportunity to increase the price rates for apartments in the following version of Skipassfree. For the first edition, they opted for a weak control on lodging price rates (3a). The conflict with apartment owners was overcome thanks to the good short-term results of the new product, which favored the broad participation of private apartments (3b).

The second tension is linked to the timing constraint; in fact, the first version of Skipassfree was communicated at the end of summer in 2007. "The first year, our work began in June 2007, and so the entire process was somewhat a struggle against time" (Interview 1).

Many firms suggested postponing the project for one year and to define the official rate, including the additional cost of the 50% free ski pass. The Skipassfree Committee, knowing the project complexity and the need to avoid counter-positions, did not postpone the project. Furthermore, some informal contacts with incoming agencies verified the intention of this hospitality segment to participate in the project. Finally, the short-term results created positive word of mouth, thereby reducing this tension (3c).

LIMITATIONS

The main limitation of the study relates to the use of a single case study. Although this choice enables rich and insightful analysis, it reduces the generalizability of the outputs. As clarified in the Introduction, no previous study has explored how a DC is created. This required the adoption of an exploratory case study approach. These limitations open the following areas of inquiry. Are the proposed codes (Figure 2) case-based or also relevant for other destinations? Do the percentages reported in Figure 2 reflect the specificities of Skipassfree or do they account similar values in other contexts? Are the three phases generalizable for other destination contexts?

CONCLUSION

The aim of this article is to gain an understanding of how a DC is created through an empirical research based on two research questions. Focusing on the first one (which resources and individual competences must be mobilized?), the analysis highlighted two key elements. First, through the identification of the foundations of an NPD using the four building blocks of the theoretical model (static analysis), the study has validated the assumption that the process of creating a DC demands a multilevel and integrated approach (Haugland et al., 2011). In particular, the multilevel feature clearly emerges, both in the genesis of Skipassfree—an imitation of products from other destinations—and in the several sectors and coordination bodies involved in the product development process. The integration feature is equally important: Skipassfree grew out of the joint collaboration of an interconnected set of resources relating to tourism operators inside and outside the destination, through complex coordination mechanisms.

Second, the methodological approach adopted in this study, based on the analysis of a specific initiative, made it possible to examine, in depth, the dynamics underlying the creation of a DC, and the relation between the DC and the destination's development. Concerning the first aspect, the study has made it possible to examine in greater detail the variables constituting the construction process for a DC. The frequencies identified in Figure 2 show that coordination constitutes the heart of the process, while the integration of scattered resources (NPD) plays a much more limited role. This conclusion is extremely important since it confirms the relevance of governance in the construction of capabilities (Beritelli, 2011; d'Angella & Go, 2009; Sainaghi, 2006). The role played by the image and branding construction processes is no less important: In a highly competitive, globalized sector such as tourism, the capacity to communicate new products effectively is increasingly crucial (Murray et al., 2016). The links with other destinations play a quantitatively marginal role, but one that is qualitatively decisive, since they provide the initial spark that sets off the DC construction process. These findings suggest some additional features of the DC.

DC Feature 1: The "building blocks" of DC generation are focused more on coordination mechanisms than on scattered resources, requires a strong focus on brand and image, and can be started by an imitative strategy.

Focusing on the second research question (through which mechanisms are they mobilized?), the analysis has identified some patterns (scouting, implementation, and involvement) that constitute crucial steps in the generation of DCs. If we accept some simplification, the first pattern relates the inter-destination bridge ties to some resources to mobilize, and, with an idea of a product to position in markets, coalescing an informal group of actors involved in the NPD. The second pattern translates the initial idea into operational terms, focuses elements of originality, and favors the process toward administered forms of coordination (Skipassfree Committee). Last, the third pattern lays down the bases for the creation of the DC, achieving an integrated, multilevel strategy.

DC Feature 2: DC governance evolves during the process, from informal to more formal mechanisms, in order to manage complexity and conflicts.

Concerning the second aspect, the research results reveal a relationship of mutual influence between the DC and destination development. The empirical analysis shows that some initial choices immediately generated an impact on performance, which, in turn, affected the entire process. The relevance of short-term results is confirmed in other destination cases (Sainaghi & Mauri, 2018; Sainaghi, Mauri, Ivanov, & D'Angella, 2018). Again, the short-term results also played a decisive role in overcoming some conflicts, as previously discussed (Sainaghi, Phillips, & d'Angella, 2018).

DC Feature 3: The short-term results play a decisive role in overcoming conflicts, while the presence of long-term superior performance (compared with both actual results and the results achieved by competitors) confirms the DC's development.

Last, the study highlights the value of an analytic approach based on single activities instead of an analysis of the destination as a whole. The empirical analysis revealed the complexity taken on by the creation process, based on 29 relevant variables (codes). This result has major implications, above all for research methodologies, as it highlights that a deeper understanding of the analytic factors building a DC may be achieved with an approach focusing on micro-foundations through the qualitative analysis of single in-depth cases.

The analysis illustrates some implications for destination managers. First, the static approach reveals the complexity of the DC creation; therefore, the failure probability is high. Second, the dynamic approach shows some phases (scouting, implementation, and development) that require different resources and competencies. Third, the entire process (static and dynamic) is influenced by the destination positioning; therefore, the DC creation should be deeply involved in the specific destination context, avoiding purely imitation strategies. Fourth, the experience analyzed in this article depicts the centrality of the coordination at the destination level; in other words, destination managers should invest energy in managing the relationships with local stakeholders.

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