

Modeling Innovation and Sustainability in Tourism via Competitive Advantage and Collaboration: Building Smart Tourism Destination on Olkhon Island in Baikal Lake

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Abstract The main aim of the chapter is to define the process of identification, creation, building and exploitation of the local competitive advantage based on internal resources and cooperation of local private and public subjects, networking and participation via creation of unique tourism local production system and its influence on sustainability and ecological awareness. On the example of being a pioneer in developing a tourism industry in a hidden corner of the world without any tourism experience, this chapter tells an inspirational story of building a tourism destination from inauspicious beginnings, almost no trust and zero support from local, regional and national authorities through the slow building of a tourism industry until a sustainable, competitive and environmentally aware tourist destination of the twenty-first century.

Keywords Competitive advantage • Internal resources • Uniqueness • Location • Cooperation

1 Introduction

Nowadays, in time of many opportunities to travel and to relax, the place, which wants to be successful on the market, has to contain some unique feature or ability. Just the unique place without added value is not enough for a demanding customer.

The Olkhon Island is called the jewel of Siberia, because of its beauty, unique climate with rare species of plants and animals, cultural, natural and historical heritage. However, just this preposition was not enough to make from the island the tourism centre visited by tourists from all over the world. The impulse for writing this chapter is own empirical experience within almost half-year research stay in Siberia related with solving of seventh FP project focused on functioning of local

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production systems. Nikita's Homestead in the Olkhon Island is one of the best examples in the field of naturally created local production systems operating in tourism in Russia.

The paper presents the results of the project APVV SK-BG-2013-0018 Functioning of the local production systems in the times of crisis, the project KEGA 007UMB – 4/2015 Marketing in regional and local development and the project of seventh Framework program FOLPSEC.

2 Competitive Advantage and Innovation in Smart Tourism Destination

The tourism destination (territory) composes of various entities as natural sources, cultural and historical sources, entrepreneurs and organizations of public and private sector provided services and goods consuming in the tourism industry (Patúš 2012). They include several specific features. According to UNWTO (2002), it is a physical space in which a visitor spends at least one overnight. It includes tourism products such as support services and attractions, and tourism resources within one day's return travel time. It has physical and administrative boundaries defining its management, images and perceptions defining its market competitiveness. Its effective development assumes to incorporate all relevant actors from the public, private and non-profit sector. All their activities should be controlled and managed from the quality, time and content point of view (Borseková and Petříková 2015). The key preposition to build successful tourism destination is an identification of competitive advantage and sustain it via innovation.

The common unit linking cooperation, innovation and territory is a cluster, and when a dominant orientation of all activities within the territory are in field of tourism, it is a tourism cluster or a tourism local production system. Tourism production system includes all economic activities that contribute to production and distribution of tourism products and services, i.e. products and services that generate tourist experiences; the social groups, cultural features, and physical elements that are incorporated into tourism products and services; and agencies for regulating the commercial behaviour and social externalities associated with such production and distribution (Britton 1991, p. 455–456). The tourism production system characterizes a high concentration of small and medium sized companies and their specialization in the tourism industry. The topic of tourism cluster is researched by many experts (inter alia Beni 2003; Ferreira 2003; Capone 2004). They agree that the tourism cluster is associated with the limited geographical area with interconnected active partners (e.g. companies, institutions, service's providers, suppliers, policy makers, universities, competitors etc.) interconnected in tourism activities. The cooperation among partners, excellent management of the network, and the coordination of the production chain can generate the original

product—a tourist destination as a competitive advantage (Beni 2003; Ferreira 2003). The role of tourism cluster is to connect SMEs in cooperation resulted in establishing the unique tourism offer. By Soteriades (2012) it can be one of the best available tools in fostering tourism development. Clusters are vital for development of regional economy, increasing the productivity, performance, innovative capacity and local businesses' critical mass (Novelli et al. 2006).

The uniqueness and competitiveness of tourism offer in territories is created by combination of competitive advantage and innovation. The definition of competitive advantage in the tourism destination explains the approach of regional competitiveness and regional competitive advantage. Kitson et al. (2004, p. 993) considered, at the regional level, concepts of regional competitiveness and regional competitive advantage as very similar and in some aspects even as synonymous. Authors dealing with competitiveness at regional level (inter alia Martin 2002; Kitson et al. 2004; Gardiner 2003; Skokan 2004) agree that emphasize is on citizens in terms of quality of life and growth of living standards, or growth of regional product and regional employment. The concept of regional competitiveness has its origins in several theories—institutional economics, evolutionary economics and the theory of learning regions as well as in Porter's approach of strategic planning and the theory of competitive advantage. Understanding of the spatial dimension of competitiveness adds approach of a new economic geography (for detail information see for example Hudec 2007).

In the literature, it can be found several theoretical approaches to the competitive advantage on spatial level (Borseková et al. 2012). As two basic approaches can be considered market-oriented approach (Porter 1999; Kotler et al. 2005; Vaňová 2006; O'Leary 2000, etc.) and approach to competitive advantage based on resources (Grant 1991; Ulrich and Lake 1991; Powel 1992; Hall 1993; Pfeffer 1994; Barney 1997; West et al. 2010, etc.).

Despite several differences in these approaches, generally authors agree that competitive advantage is a certain higher value compared to the competition. Several authors, inter alia Ansoff (1965), Solomon et al. (2006) or Vaňová (2006) associate it with the term uniqueness, others agree that it is related to profit (Porter 1999; Barney 2002; Besanko et al. 2000 and others).

First, market orientated approach, focuses mainly on external factors—opportunities, threats and sectoral competition. In this approach, market and environment identify subjects that are non-effective or offer products for consumers not willing to pay required price.

Second approach, competitive advantage based on resources focuses on the resources of the territory and the competitive advantage is created through internal resources. Unique resources help to create a unique position in the market.

A compromise between these two approaches is an approach based on value networks (Barney 1997; Kotler and Armstrong 1992; Porter 1999; Solomon et al. 2006) combining modern approaches to spatial development, like marketing places (Kotler 1982; Hanuláková 2004; Vaňová 2006), strategic marketing planning (Vaňová 2006) and smart specialization. According to this approach, building a sustainable competitive advantage is based on the positioning of subjects in value

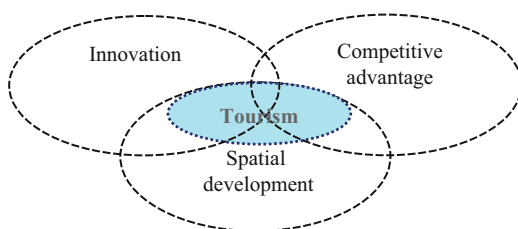
networks (Hollensen 2010; Mcphee and Wheeler 2006). This approach to competitive advantage involves a balanced mix of modern and innovative approaches to spatial development based on an efficient and sustainable exploitation of internal resources, using opportunities and eliminating threats originating from the external environment by respecting the demand of the market. It can be explained as a smart approach aimed at building a sustainable competitive advantage for a spatial unit, with the goal of assuring not only smart growth but also smart development. Innovation is the crucial essence in this approach as innovation can act as a vital tool for building a competitive advantage and as a driver of development (Borseková et al. 2017). To sustain the competitive advantage in territory, it is necessary to innovate the territorial offer based on uniqueness. In other words, to sustain a competitive advantage means constantly beating the competition through “shifting the target” or through constant improvement and innovation.

The innovation should be seen as a source of higher competitive ability. It means also an incorporation of new knowledge about supply and demand into the production. In the tourism, there are several definitions of innovation, but, generally the following types of innovation in tourism sector appears to be useful—product or service innovation; process innovation; organisational and managerial innovation. Product or service innovations refer to changes directly observed by the customer and regarded as new. It can be a completely new product or service or new for a particular enterprise or destination. Process innovations are aimed at escalating efficiency, increasing productivity and flow (Hjalager 2010). Organisational innovations deal with new approaches to internal collaboration, motivating and empowering staff, building careers and compensating workers with extra pay and benefits (Ottenbacher and Gnoth 2005). Management innovations are aimed at new management and marketing approaches targeting changes in communication between service providers, customers, and building their positive relationship (Hankinton 2004).

We can conclude that the key to tourist destinations competitiveness and sustainable competitive advantage as well as attraction new or repeat customers, is innovation. Figure 1 illustrates the interconnections between innovation, competitive advantage, tourism and spatial development.

In the next part of the paper, we present a case study of Olkhon Island in Baikal Lake, building its competitive advantage in a smart way based on innovation, partnership and ecological awareness.

Fig. 1 Interconnection among innovation, competitive advantage, tourism and spatial development (Source: Borseková et al. 2017, p. 41)



3 Building of Smart Tourism Destination on Olkhon Island in Baikal Lake (Case Study)

The case study presents the results of own empirical research realised in Russia, Siberia. Empirical research and data collection were realised in 2014, in the form of structured and unstructured interviews with employees of Nikitas Homestad—the biggest tourist base in Olkhon Island in Baikal Lake and additional questionnaire with one of co-owners of Nikitas Homestead, which is a main contact point for Olkhon destination. The primary data are supplemented by the secondary data, e.g. website of tourism operators, tripadvisor.com, lonelyplanet.com, etc.

Olkhon Island is located in Lake Baikal, situated in south-east Siberia in Russian Federation and from 1995 enlisted on UNESCO World Heritage List. Lake Baikal is the oldest (25 million years) and deepest (1700 m) lake in the world. It contains 20% of the world's total freshwater reserve. Known as the 'Galapagos of Russia', its age and isolation have produced one of the world's richest and most unusual freshwater ecosystem, which is of exceptional value to evolutionary science (UNESCO, for more information see <http://whc.unesco.org/en/list/754>).

Olkhon Island, according to many resources, is the most amazing place in Lake Baikal area. Olkhon is the biggest island inside the Baikal Lake, only one inhabited, with an area of 730 km² and the fourth largest lake-bound island in the world. The island is 72 km long and 15 km wide with population around 1500 people, consists mostly from aboriginal inhabitants—Buryats. The most of island population (around 1200 people) live in the capital Khuzir, which is the main village of island. There are four other settlements in the island; most of inhabitants are fishers, farmers and cattle-ranchers. Due to an increasing number of tourists from all over the world, many residents work in this sector as well, and tourism has become an important part of the economy in Olkhon.

Olkhon is located approximately 8 hours drive (300 km) from the city Irkutsk, which is the important transport hub. Irkutsk is located on the Trans-Siberian route. From Irkutsk, you can reach two important destinations—by using Trans-Siberian route to Vladivostok or Ulan-Ude route through Ulaanbaatar to Beijing. Although Olkhon is located only 300 km from Irkutsk, the route shall take 8 hours, as from the half way there is dirty road only.

As a potential competitive advantage of the island can be identified the landscape, special climate conditions and relating fauna and flora on the island. Scientists still debate whether "Olkhon" translates as "little forest" or "dry" as both names fit well. The amount of precipitation is extremely low here, about 200 mm per year, which corresponds to biotope of semi-desert.

The second potential competitive advantage is Olkhon richness in archaeological landmarks. Olkhon is a geographical, historical and sacred centre of Baikal, the heart of many legends and fairy tales and it is believed to be the home of many Baikal spirits. Legends say that Khan Gutababai came here and was sent by high spirits from the Heavens. He was the head of all khans. His son Shubunkua still lives here as a white eagle. The indigenous Buryats, adherents of shamanism,



Fig. 2 Richness of Olkhon Island

believe the island to be a spiritual place; one of the groups of deities' adhered to in Buryati yellow shamanism is called the "thirteen lords of Olkhon". On the western coast, close to Khuzhir, is Baikal's most famous landmark, the Shamanka, or Shaman's Rock located on the Burkhan cape. Natives believe that Burkhan, a modern religious cult figure of the Altai peoples, lives in the cave in this rock. Burkhan Cape (Shaman Rock)—known as one of the palaces of Heaven's gods, tengrii, and one of nine Asia's most sacred places. This is the most famous of Olkhon's capes. Here, many testimonies of ancient people's lives were found. The strongest of heavenly tengriies (gods) chose Shaman Rock to be his home, and people were not allowed to go there. Many years ago, people used to cover hooves of their horses so as not to disturb the Great Spirit and master of the rock. Now people are not supposed to think negatively or behave badly here. Figure 2 shows the natural and cultural richness of Olkhon Island.

Nikita Bencharov, owner of Nikita's Homestead was in the role of strategic planner and manager of tourism development of an entire area. Gradually, he implemented his vision and strategy by necessary steps that significantly influenced the territorial development on the Olkhon Island in positive way.

Nikita's Homestead is located only 5 min walk from Burkhan cape and Shaman Rock and also runs the tourist information office outside its premises. Nikita's Homestead is family-run tourist base, offering wide range of tourist services, including accommodation, traditional homemade food and beverages, sport services, culture events, excursion and trips, bike rental, horse riding, tourist information services, souvenirs etc.

Nikita Bencharov was former very good and successful Russian representative in table tennis, and he is first person who started to work with tourists in Khuzhir. He is a pioneer of tourist industry and he used to say that Olkhon is the point where

people can get rid of problems. When he moved to Khuzhir in 1989, nobody thought that it's a good opportunity to run tourist business there. After 25 years, it seems that his tourist base is the most famous among foreign tourists heading to Olkhon or even to Lake Baikal. One of the reasons is that Nikita's place has own, well processed web site including accommodation reservation system in four languages—Russian, English, German and French. Natalia, his wife, moved to Olkhon 18 years ago from Moscow. She worked at the Mars CIS Company as a financial manager. They both are very good in English, which is not usual in tourist destinations in Russia. Their tourist base looks like Siberian wooden estate with log cabins for guests, brick stoves, Russian banya and large dining room. They host foreigners as well as Russian tourists. They also invite foreign volunteers, who teach languages at local school, provide them with free accommodation and meals.

There are many internet resources with information about Olkhon Island. The most of them are mentioning also Nikita's Homestead, usually as the option number one in Olkhon Island, including resources as wikitravel.com,¹ lonelyplanet.com,² tripadvisor.com,³ hostelworld.com,⁴ waytorussia.net,⁵ lakebaikaltravel.com,⁶ grandbaikal.com,⁷ baikalnature.com,⁸ baikalex.com,⁹ etc. We can conclude that all these web resources highly recommend this place to stay and reviews of tourists are mostly positive or very positive.

As an example, we can mention probably the most famous Lonely Planet tour guide. It includes seven facilities in Olkhon Island, Nikita's is recommended as a top choice. Trip advisor presents 51 facilities on Baikal Lake and Nikita's has the most reviews—overall 215 reviewers from all over the world, from more than 30 countries from Europe, Asia, Australia and New Zealand, North, South and Middle America. Figure 3 shows ratings on TripAdvisor for Nikita's Homestead. It is the second best evaluated facility in the Baikal lake and has the certificate of excellence from Trip advisor.

Olkhon is visited by about 50,000 people every year (mostly in summer), most of them (80%) are just campers, the rest approx. 10,000 stay at the tour basis, guesthouses, yurt camps. Overall, there are 35 facilities in Olkhon Island that offer accommodation or services for tourists. The most of them are guesthouses or homesteads (usadba). Three facilities have character of hotel, few camp places and tourist cottages. Prices start at 600 rubbles per night (approx. 13 euros), the

¹<http://wikitravel.org/en/Olkhon>

²<http://www.lonelyplanet.com/russia/siberia/olkhon-island/hotels>

³http://www.tripadvisor.com/Tourism-g304562-Olkhon_Irkutsk_Oblast_Siberian_District-Vacations.html

⁴<http://www.hostelworld.com/hosteldetails.php/Nikita-s/Olkhon-Island/28961>

⁵<http://www.waytorussia.net/Baikal/Destinations/Olkhon.html>

⁶http://www.lakebaikaltravel.com/trip_planner/tour_baikal/159-olkhon-island-guide.html

⁷<http://www.grandbaikal.com/qa/1057.html>

⁸<http://www.baikalnature.com/hotels/57872>

⁹<http://www.baikalex.com/travel/olkhon.html>

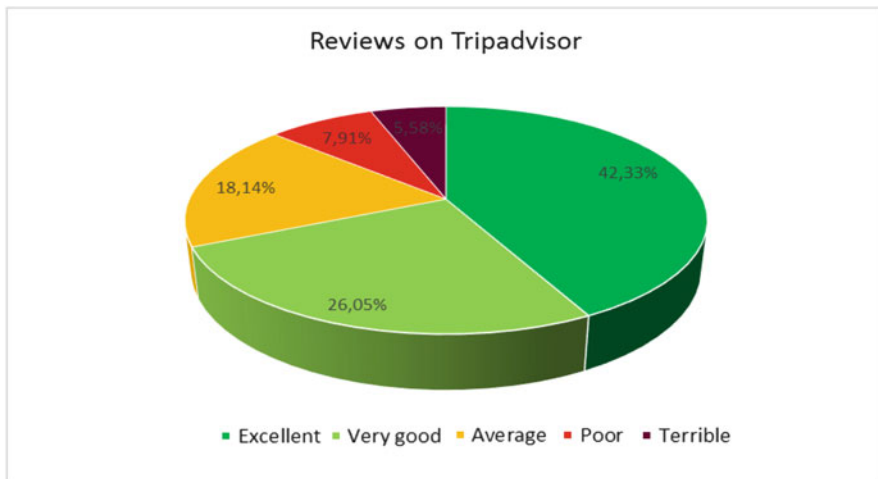


Fig. 3 Reviews of Nikita's Homestead on TripAdvisor (Source: https://www.tripadvisor.sk/Hotel_Review-g304562-d1151987-Reviews-Nikita_s_HomesteadOlkhon_Irkutsk_Oblast_Siberian_District.html)

most common price is around 1000 rubbles (21 euros), included meals in some cases. The most expensive facility in Olkhon is Baikal View Hotel where the price for one night is 3600 rubbles (77 euros) including breakfast. Prices in Nikita's Homestead are between 1000 (21 euros) rubbles and 1500 rubbles per night per person and including full board or half board—differences are influenced by the season. Price for tourist accommodated in neighbourhood is 950 rubbles (20 euros), including full board served in Nikita's Homestead. According to information from Natalia Bencharova, they are accommodating approx. 2500 tourist yearly (which is almost two times more that the whole island population). With the overall capacity 113 persons + tens of other accommodation possibilities in neighbourhood, Nikita's Homestead is the biggest tourist facility in the Olkhon Island and with the share of approximately 25% of overall accommodates tourists is a leader on the market. Booking in the high season (July and August) is needed to be done very much in advance, sometimes even year before. During the summer, the demand highly exceeds supply. Due to this reason owners start to cooperate with their neighbours in Khuzir village and in case of need they are able to accommodate tourists in neighbour houses and offer all services within their tourist base. Nikita's Homestead cooperates with 18 subjects in neighbourhood who provide accommodation for tourists and 22 local households that are food suppliers (milk, fish, meat, vegetables). Suppliers initiate this cooperation as they come to Nikita's Homestead and offer their services. According to owners of Nikita's Homestead, the cooperation with local suppliers helps them to cover the demand from tourists more effectively and local suppliers are thankful for the opportunity to work and have stable income at least during the summer season. During the peak season (July, August) there is 70 employees, the rest of the year requires 12 stable employees.

They also provide a tourist information office. Besides, it was established a local museum and cooperation with two bike rentals. On requirement, it is possible to provide horseback riding as well. They also cooperate with Buryat village with aim to show the way of life of aborigines people—Buryats and their religion—shamanism. Thanks to the boom of tourism and cooperation, the Olkhon Island was reconnected to the electricity grid in 2005 and mobile phones now work in Khuzhir.¹⁰

Owners of Nikita's Homestead highlight the level and importance of cooperation. All their business activities are based on building smooth and partner relationships in their team, with guests and locals. Their rule is that the guest is not just a person who paid money and left. The good relations resulted in various kinds of activities, e.g. humanitarian projects,¹¹ promotion of island Olkhon and Nikita Homestead, and cooperation in expeditions. In 1997 Nikita Homestead hosted Jacques-Yves Cousteau team in winter time; they shot a documentary about Baikal Lake. It helped (amongst others) the following on several occasions with their projects: ZDF television company (Germany), shootings for reality-show "Whisper of the stars", Channel 1 (Germany), with their set of documentary movies about Baikal, by Klaus Bernaz awarded in Germany as "The best documentary of the year". It provided accommodation for movies and magazine teams: panoramic shooting for movies *Silk* (2007, Director—François Girard) and *Serko* (2006, Director—Joël Farges), photo sessions for ELLE magazine. In March 2010 Jim Denevan made his art work at Lake Baikal ice. In 2014 the German TV station ZDF recorded two series of document here. It also hosted different professional symposiums for physicists, psychologists, doctors, sociologists and others.

Besides being pioneer in tourism industry, owners of Nikita's Homestead started to be active in the development of culture and ecological awareness. In 2001, with the initiation of owners of Nikita's Homestead, the Olkhon children's organization 'Berkut—A New Baikal Generation' was established. As a part of the organization's 'New Generation' initiative, several artistic and environmental projects were implemented. Organized clean-ups on the island have been taking place for many years now, alongside related regional competitions and hiking trips. In 2004, a grant was awarded to fund "Clean Olkhon", a project that focused on clearing up the rubbish dumps surrounding the village of Khuzhir. A significant number of local people got involved in this project, especially youngsters and teachers from the village's high school. Together, they took part in the litter pick on the island, whilst also helping to organize games, competitions and hiking trips, all with the goal of drawing attention to the wider problem of waste management on the island. Later, the group "New Generation" became a partner in the "Clean Baikal" initiative, a project that was successful in installing litterbins across the island. On the ferry that connects Olkhon with the mainland, a ridgepole was installed where the winners of the children's poster competition "We want to live pure" had their works exhibited.

¹⁰<http://www.lonelyplanet.com/russia/siberia/olkhon-island#ixzz34Sb02GZW>

¹¹<http://askbaikal.com/2011/05/love-story-olkhon-island-and-nikitanatalia-bencharovs/>

The aim being to draw tourists' attention to the problem of garbage collection in remote areas.

The project succeeded in removing the rubbish dumps, whilst a separate collection of waste glass was also successfully organized. During first year, around ten lorry-loads of refuse left the island, whilst seven lorry-loads of glass bottles were recycled. The project was developed and supported by the local administration. Until these days, this cooperation persists in the form of activities with the national park and volunteers to carry out clean-up operations on the island. By considering the enormous importance of Lake Baikal as the biggest reservoir of drinking water in the world, these activities are extremely important and smart.

Nikita's Homestead was over time active in organizing cultural events for guests and local community. Over the years many artistic events including theatres, concerts and art exhibitions were organized. In addition, many trips for local children to travel abroad, for example to China, France, Germany, Poland and Mongolia were organized as well. In 2012, in partnership with the district administration, Nikita's Homestead opened up a new music academy in Khuzhir. In the last few years, the music scholars have won numerous awards, including the regional piano duet competition "Olkhon Lyra" twice. Children from the academy also took second and third place in the recent 2014 regional competition for young composers.¹²

4 The Impact of Local Production System with Dominant Subject on Building a Smart and Sustainable Tourism Destination

In the previous case study, we analysed unique and smart local production system—Nikita's Homestead. Local production system should be defined as territorial union or network of different subjects or actors, whose focus their effort on interconnected activities and have a common goal or set of goals. Cooperation and interaction among subjects within an LPS play a critical role in the development and competitiveness of an LPS as a whole (Garcia 2006; La Rovere 2003). As the most common type of LPS should be regarded a cluster. There are several different definitions of clusters, but the most influential is undoubtedly that of Michael Porter. Porter (1998) defines a cluster as a geographic concentration of interconnected companies, specialized suppliers, service providers, associated institutions and firms in related industries. The subjects networked with each other and operating in close proximity are seen to have a competitive advantage. Following Fig. 4 shows Nikita's Homestead as a local production system.

We analysed internal and external environment, market and competition and we can define competitive advantage of Nikita's Homestead. The local competitive advantage is based on the very unique location, close to one of the nine most sacred

¹²<http://www.olkhon.info/en/news/social-initiatives.html>

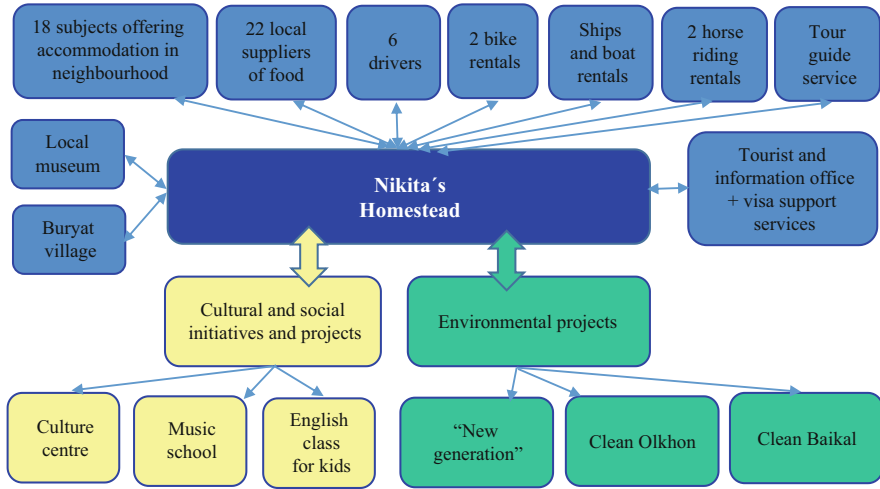


Fig. 4 Local production system Nikita's Homestead

places in Asia, and high level of developed cooperation. Even Nikita's Homestead covering only small local area in the Baikal region, we can say, based on the theoretical and empirical analysis, that Nikita's Homestead has not only local but also regional competitive advantage. The factors that influence shift from local to regional competitive advantage can be divided into three categories: natural, obtained and market.

The natural factors are especially a unique location, a unique natural environment of Olkhon Island, an interesting history of the Olkhon Island and religious, a cultural and spiritual richness of the place. The obtained competitive advantage factors are a great image of the Nikita's Homestead among the tourists from all over the world confirmed also by the most prestigious tour guides and tourist information web sites, well developed cooperation with local suppliers that resulted into formation of the unique local production system.

The market factors are still increasing number of tourists coming to Olkhon, demand that exceeds supply, new trends in travelling including spiritual trips and finding inner peace of people. At last, but not the least, we have to highlight smart approach to building the tourism industry in Olkhon Island with high level of ecological awareness and sense for sustainability and preservation this unique heritage for future generations.

5 Conclusions

According to the theoretical knowledge and empirical research results, we can define Nikita's Homestead as an effective and smart functioning local production system. Local production system includes several local suppliers and subjects and

two own established subjects—a tourist information office and a local museum. It includes unique Buryat village and provides support in the matter of visa procedure. Positively evaluated can be the bottom-up approach of creating local production system and the demand of tourists that still exceeds supply. High demand exceeding supply creates space for the growth of tourism sector in the future. Partnership and involvement of local people and relevant stakeholders is an important ingredient in the smart and sustainable tourist development. The local production system with dominant subject—Nikita's Homestead became an important development impulse not only in tourism industry but in overall smart spatial development. Much emphasis is placed on sustainability of tourism, ecological awareness and respecting roots and culture of this unique place with aim to keep it unaffected for future generations. In the current time of mass tourism development, we should consider it as a sustainable and smart approach in building tourism destination of a future.

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