



Eva-Maria Störmer

# **Network marketing of tourism SMEs in a cross- cultural context**

Trust establishment in a cross-cultural context or  
'when cultures collide'

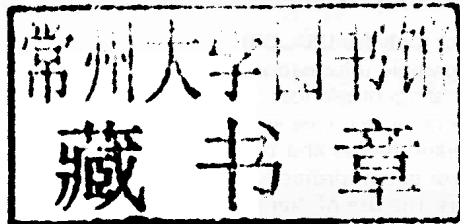


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**Table of Contents**

---

**1. Introduction ..... 9**

    1.1. *The problem analysis* ..... 9

        1.1.1. Destination competitiveness and the link to tourism SMEs..... 9

        1.1.2. An introduction to SME marketing.....12

        1.1.3. The shift towards relationship marketing.....14

        1.1.4. The 'standardization versus adaptation debate' .....16

    1.2. *The research aim*.....19

    1.3. *The research questions*.....19

    1.4. *The dissertation structure*.....21

**2. Methodology.....23**

    2.1. *The research philosophy* .....23

    2.2. *The research approach* .....24

        2.2.1. The abductive theory in relation to the inductive research .....24

        2.2.2. The qualitative approach.....25

    2.3. *The research strategy*.....26

    2.4. *The data collection procedure* .....27

        2.4.1. The sampling method .....29

    2.5. *Ethical considerations*.....29

**3. The theoretical base – a literature review .....31**

    3.1. *Networks and tourism destination management*.....31

        3.1.1. Networks and (destination) policy making.....31

        3.1.2. Destinations as networks .....32

        3.1.3. Destinations in networks with destinations.....33

    3.2. *SME marketing and the opportunities of relationship marketing*.....34

        3.2.1. The importance of marketing for SMEs.....34

        3.2.2. Characteristics and problems of SME marketing .....34

        3.2.3. SME marketing opportunities.....37

        3.2.4. Defining Relationship Marketing .....37

        3.2.5. Conditions for and characteristics of Relationship Marketing.....38

        3.2.6. Advantages and benefits of Relationship Marketing .....38

3.3. Network marketing, trust establishment and cultural influence.....	39
3.3.1. The different network forms .....	39
3.3.2. Network Marketing Defined.....	40
3.3.3. Networking advantages for SMEs.....	41
3.3.4. The underlying concepts of networking.....	42
3.3.5. Trust discussed by literature .....	43
3.3.6. Establishing inter-organizational trust .....	44
3.3.7. Trust in the cross-cultural context .....	46
3.4. Chapter summary.....	49
<b>4. The theory discussed with experts .....</b>	<b>51</b>
4.1. The interviews conducted.....	51
4.2. Networking and tourism destination management.....	52
4.3. SME marketing and the opportunity of relationship marketing .....	54
4.4. Network marketing, trust establishment and cultural influences .....	55
4.5. Chapter summary.....	61
<b>5. The case study: cultural influences on STI's network marketing and trust creation.....</b>	<b>63</b>
5.1. The company profile.....	63
5.2. STI's marketing efforts analyzed .....	64
5.3. Network marketing, trust establishment and cultural influences .....	67
5.4. Chapter summary.....	75
<b>6. Conclusion and Recommendations .....</b>	<b>77</b>
6.1. Recommendations.....	81
6.1.1. Recommendations for (tourism) SMEs .....	81
6.1.2. Recommendations for destination managers.....	84
6.1.3. Recommendations for STI .....	87
6.2. Future research recommended .....	93
<b>7. The research discussion .....</b>	<b>95</b>
7.1. The theoretical and practical relevance of the study .....	95
7.2. Critical reflections on the research approach .....	99
7.2.1. Credibility .....	100
7.2.2. Transferability .....	100
7.2.3. Dependability .....	100
7.2.4. Confirmability .....	101

<b>8. List of references .....</b>	<b>102</b>
<b>9. Appendices.....</b>	<b>109</b>
Appendix 1 – The shift in marketing definitions .....	109
Appendix 2 - The research onion by Saunders applied to the project .....	110
Appendix 3 – Belief systems attached to the interpretive paradigm .....	111
Appendix 4 - The deductive versus the inductive research approach .....	112
Appendix 5 – A detailed overview of the interviews conducted .....	113
Appendix 6 – The top-down versus the bottom-up marketing approach .....	115
Appendix 7 – Levels of relationships with customers as indicated by Kotler.....	116
Appendix 8 - The triangular Lewis model of cultural types .....	117
Appendix 9 – Attributes of the three cultural groups according to Lewis .....	118
Appendix 10 – STI's marketing efforts in comparison to literature .....	119
Appendix 11 – The UK/USA comparison: the interview findings summarized.....	121

## **Acknowledgements**

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A presentation was held on cultural differences and as students from all over the world attended the *Future Leaders Forum*, it became visible that networking behavior differed amongst the attendants. During the breaks and in discussions with other attendants notion was supported and this awoke my interest in the topic.

The relevance in the field of SME marketing only became evident after first conversations I had with experts from the tourism field. It soon became clear, that looking into the networking attempts of the company *Sustainable Travel International* in form of a case study, would benefit both sides: the company as well as the quality of this dissertation and its value to the tourism industry.

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## **List of Abbreviations**

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AMA	American Marketing Association
A&K	Abercrombie & Kent (Luxury Tour Operator)
BPC	Business Partner City Network
B2B	Business to business
B2C	Business to consumer
CVBs	Convention and Visitors Bureau
DMC	Destination Management Company
DMO	Destination Management Organization
GDP	Gross Domestic Product
IMP Group	Industrial Marketing and Purchasing Group
LTCs	Large Tourism Companies
MNCs	Multinational Corporations
NM	Network Marketing
PCN	Personal Contact Networks
P2P	Peer-to-Peer networks
RM	Relationship Marketing
SME	Small to medium enterprises
STI	Sustainable Travel International
STSC	Sustainable Tourism Stewardship Council
TO	Tour Operator
UNWTO	World Tourism Organization

## **List of Figures**

---

### **Chapter 1: Introduction**

- Figure 1: Modeling the role of SMEs in destination marketing
- Figure 2: EU definitions of SMEs
- Figure 3: The problem analysis summarized

### **Chapter 2: Methodology**

- Figure 4: Number and type of the interviews conducted

### **Chapter 3: The theoretical base – literature discussion**

- Figure 5: Marketing classification
- Figure 6: Variables playing a role when establishing networks
- Figure 7: Important components in inter--organizational trust
- Figure 8: Trust creation over time
- Figure 9: High- and Low-Trust countries

### **Chapter 4: The theory discussed with experts**

- Figure 10: The different expert interviews conducted

### **Chapter 5: The case study: cultural influences on STI's network marketing and trust creation**

- Figure 11: STI's position in the stages of the marketing development process
- Figure 12: The two-fold relevance of trust in the network marketing process of STI
- Figure 13: Similarities and differences in network- and trust establishment in the UK and USA

### **Chapter 6: Conclusion and Recommendations**

- Figure 14: Trust variance in different cultural categories

## **Chapter 9: Appendices**

- Figure 15: The shift in marketing definitions over the years
- Figure 16: The research onion by Saunders applied to the project
- Figure 17: The belief systems attached to the interpretive paradigm
- Figure 18: The deductive versus the inductive research approach
- Figures 19-21: The interviews conducted
- Figure 22: The top-down marketing approach
- Figure 23: The bottom-up marketing approach
- Figure 24: The levels of relationships with customers as indicated by Kotler
- Figure 25: The triangular Lewis model of cultural types
- Figure 26: Attributes of the three cultural groups according to Lewis
- Figure 27: STI's marketing in comparison to SME marketing in literature
- Figure 28: The UK/USA comparison: the interview findings summarized

**Table of Contents**

---

**1. Introduction ..... 9**

    1.1. *The problem analysis* ..... 9

        1.1.1. Destination competitiveness and the link to tourism SMEs..... 9

        1.1.2. An introduction to SME marketing.....12

        1.1.3. The shift towards relationship marketing.....14

        1.1.4. The 'standardization versus adaptation debate' .....16

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    1.3. *The research questions*.....19

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        3.2.4. Defining Relationship Marketing .....37

        3.2.5. Conditions for and characteristics of Relationship Marketing.....38

        3.2.6. Advantages and benefits of Relationship Marketing .....38

3.3. <i>Network marketing, trust establishment and cultural influence</i> .....	39
3.3.1. The different network forms .....	39
3.3.2. Network Marketing Defined.....	40
3.3.3. Networking advantages for SMEs.....	41
3.3.4. The underlying concepts of networking.....	42
3.3.5. Trust discussed by literature .....	43
3.3.6. Establishing inter-organizational trust .....	44
3.3.7. Trust in the cross-cultural context .....	46
3.4. Chapter summary.....	49
<b>4. The theory discussed with experts .....</b>	<b>51</b>
4.1. <i>The interviews conducted</i> .....	51
4.2. <i>Networking and tourism destination management</i> .....	52
4.3. <i>SME marketing and the opportunity of relationship marketing</i> .....	54
4.4. <i>Network marketing, trust establishment and cultural influences</i> .....	55
4.5. Chapter summary.....	61
<b>5. The case study: cultural influences on STI's network marketing and trust creation</b> .....	<b>63</b>
5.1. <i>The company profile</i> .....	63
5.2. <i>STI's marketing efforts analyzed</i> .....	64
5.3. <i>Network marketing, trust establishment and cultural influences</i> .....	67
5.4. Chapter summary.....	75
<b>6. Conclusion and Recommendations .....</b>	<b>77</b>
6.1. <i>Recommendations</i> .....	81
6.1.1. Recommendations for (tourism) SMEs .....	81
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7.1. <i>The theoretical and practical relevance of the study</i> .....	95
7.2. <i>Critical reflections on the research approach</i> .....	99
7.2.1. Credibility .....	100
7.2.2. Transferability .....	100
7.2.3. Dependability .....	100
7.2.4. Confirmability .....	101

<b>8. List of references .....</b>	<b>102</b>
<b>9. Appendices.....</b>	<b>109</b>
Appendix 1 – The shift in marketing definitions .....	109
Appendix 2 - The research onion by Saunders applied to the project .....	110
Appendix 3 – Belief systems attached to the interpretive paradigm .....	111
Appendix 4 - The deductive versus the inductive research approach .....	112
Appendix 5 – A detailed overview of the interviews conducted .....	113
Appendix 6 – The top-down versus the bottom-up marketing approach .....	115
Appendix 7 – Levels of relationships with customers as indicated by Kotler.....	116
Appendix 8 - The triangular Lewis model of cultural types .....	117
Appendix 9 – Attributes of the three cultural groups according to Lewis .....	118
Appendix 10 – STI's marketing efforts in comparison to literature .....	119
Appendix 11 – The UK/USA comparison: the interview findings summarized.....	121

## 1. Introduction

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"Well begun is half done"

Philosopher Aristotle quoting an old proverb (Quotationspage,  
Quotationspage, 2007)

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Tourism is often considered to be the world's largest industry and there is no doubt that tourism plays a key role in the economies of both developed and developing countries. In some countries and especially for some island nations such as the Maldives, tourism can even account for up to 90% of the GDP (Partnershipwebpage, 2007).

Tourism is therefore truly a motor for economic development and in order to keep that motor running any city, island, region or country –any destination for that matter- needs to be competitive. How destination competitiveness can be reached according to literature will be discussed next, in the problem analysis introducing this dissertation.

### **1.1. The problem analysis**

#### **1.1.1. Destination competitiveness and the link to tourism SMEs**

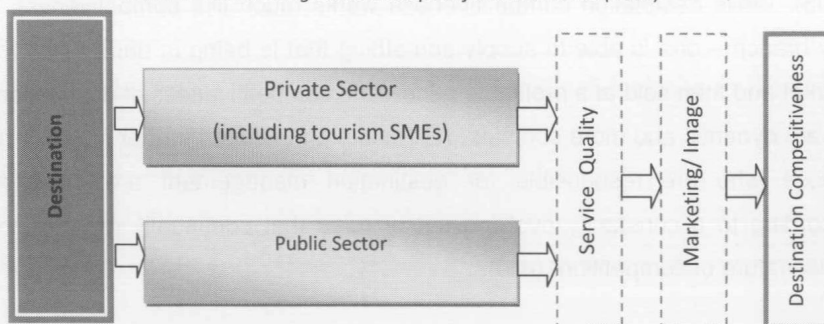
***Destination competitiveness defined by literature*** - Ritchie and Crouch (2003) suggest that "what makes a tourism destination truly competitive is its ability to increase tourism expenditure (and) to increasingly attract visitors while providing them with satisfying memorable experiences [...]" (Eleri Jones, 2005). While destination competitiveness works much like competitiveness in any branch – one is able to supply something that is being in demand by the market and then sold at a profitable price – the competitiveness of destinations is very dynamic and more complex. As Ritchie and Crouch further emphasize: "Those who are responsible for destination management are operating according to a constantly evolving set of rules that continually redefine the exact nature of competition" (ibid).

Poon (1993) suggests that destinations should follow some key principles in order to remain competitive, in order to keep the engine running. One of those principles is to build a dynamic private sector (ibid). The private sector, representing the businesses that provide an extensive part of the 'memorable experience' previously mentioned, exists of both large companies and chains on the one hand and small to medium sized enterprises on the other hand. "Yet, the backbone of the tourism industry comprises a plethora of private-sector small and medium-sized companies (SMEs) dominated by micro businesses, often employing fewer than ten people" (ibid).

**Tourism SMEs in destination competitiveness** - Small enterprises not only deliver a substantial part of the products and services tied to a destination, their 'own' marketing efforts also have impact on the marketing and the perceived image of the destination – thus on destination competitiveness.

A destination can be considered to be a hierarchy of entities (private sector) which together with the public sector should project a coherent image to potential customers (ibid). In general it can therefore be said that the more successful SMEs are in their own marketing attempts, given that those are in line with the destination image or brand, the more successful a destination will be. Successful operations and marketing strategies of tourism SMEs can contribute to the competitiveness of a destination. Figure 1 on the following page summarizes this idea.

**Figure 1:** Modeling the role of SMEs in destination marketing and competitiveness  
**Source:** Researching student adapted from Eleri Jones (2005)



It can be summarized that

- a) Competitiveness in tourism is equally important as in any other industry. Therefore, tourism destinations need to be competitive
- b) SMEs are considered the backbone of tourism as they provide many of the products and services that make the tourist's experience
- c) SMEs market their own services but at the same time the destination and thereby contribute to its competitiveness

Hence, two things can be concluded: First of all, management is needed from the destination's side to deal with the private sector and those many SMEs. There has been growing consensus that in order to increase a destination's competitiveness the public sector needs to work closely with the private sector stakeholders to manage the marketing, planning, control and development of tourism (Page, *Tourism management: managing for change*, 3rd edition, 2009). Secondly, it is in the best interest of destination managers for SME entrepreneurs to succeed in marketing their business (internationally) and by doing so the destination they operate in. Learning about tourism SMEs, their marketing efforts, characteristics and limitations will therefore have beneficial consequences for destination marketing and/or management. In this dissertation research will be conducted at the micro level of tourism analysis, considering organizations as highly dynamic entities and discussing the decision-making within those. This is done in order to draw conclusions about and to contribute knowledge on the macro level, that of the destination management (Jafari, 2003).

Three major concepts are believed to be underlying to the topic at hand and will be combined and discussed hereafter. Those concepts are

- I) SME marketing
- II) *Relationship marketing* and in particular: *network marketing*
- III) The influence of national culture and connected to that the standardization versus adaption of marketing strategies