



DIGITAL INNOVATION IN GEORGIAN DMOS

The benefits and challenges of the DMO
professionals

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Author: Nino Chkhaberidze
Supervisor: Prof. Dr. Edward H. Huijbens
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Wageningen University and Research
Department of Environmental Sciences
Cultural Geography Chair Group

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Name student: Nino Chkhaberdze
Registration number: 960113157120
Student ID: 1002463
Supervisor: Prof. Dr. Edward H. Huijbens

Acknowledgements

The second year of my master studies was nothing like what I had imagined. The Covid-19 pandemic has changed everyone's plans and mine as well. The year was really hard with many uncertainties, chaos, stress and loneliness. Writing was sometimes an escape from reality and other times one of the hardest things to focus on. In September, when I started my thesis, I was still trying to find the perfect topic for my dissertation. I only knew I wanted to know more about how digital technologies and innovation change the tourism industry. So I started reading more about the concept of innovation and digitalization.

In the middle of the academic year, I was offered an internship spot at a US based marketing and destination management consulting firm Solimar International. And even though usually, one should first finish the thesis and then start the internship or vice versa, due to the weird circumstances in the world, I was given the permission to pause my thesis and switch to the practical side of the work. I must say, this was one of the best decisions for two main reasons. First, the work I was doing there led me to my thesis topic and second, I learned a huge deal about the consulting world in the tourism industry and even got a job offer. Win-win situation, I would say.

So in May, I resumed working on my dissertation and now, in July, I am happy to be able to finally show it to the world. This thesis is the end of my studies at the Wageningen University and Research as a Orange Knowledge Program fellow. I had the honor to be a board member of the tourism study association Licere and co-organizer of TEDxWageningenUniversity. I was extremely lucky to gain wonderful friends who supported me in Wageningen and later when we only could chat online. Faye, Joao, Julia and Dohun, I will forever be grateful to have you in my life and for all the crazy times we have spent together! But, going back to my thesis, a thank you is in order for professor dr. Rene van der Duim who introduced the topic of innovation and tourism to me, among many other interesting topics of course! I had many insightful conversations with him and every time I had a chance to learn something new from him. And finally, the huge reason why I have managed to achieve what I have achieved so far and was not lost in this chaos of this pandemic and difficult times is one and only Edward Huijbens. His support, approach, quick response to my every email, thorough comments, suggestions and recommendations, critical remarks and small notes like "Very good and clear" kept me going when it was very hard for me to find motivation. I hope we can meet again one day and I can express all my gratitude and appreciation in person.

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Executive Summary

This research explores how regional Destination Management Organizations (DMOs) in Georgia make use of digital tools in order to facilitate the innovation process in destination image building, communication and business model. A DMO is a strategic organisation in a destination linking public and private sector stakeholders to support tourism development in an area. DMOs in Georgia have the responsibility to create a destination image to attract visitors and inform all potential travellers with the necessary data to plan their holidays. Additionally, the DMOs care about local communities and businesses and strive to improve the industry that will benefit the destination's economic and social development. As the DMOs are governmental bodies, they also have a unique opportunity to be a liaison between the private and public sector.

Introducing ICT in the tourism industry has accelerated the product, process, managerial, institutional and marketing innovation processes and changed many aspects of the business. Digitalization has simplified many processes that required human and financial resources in the past and transformed the way people engage with technologies. However, it has also caused some major problems for the tourism industry members as well. Especially in regions and rural areas, accessibility to the internet is still a problem, people lack digital skills and competence and thus struggle to benefit from the technologies. Moreover, a lot of the communities find themselves on a fierce competitive market with businesses that manage to grasp the idea behind digitalization quite quickly. And even though, Georgian DMOs actively try to use digital tools to create destination images and conduct business, many challenges they face prevent them from fully benefiting from ICT.

The two main research questions of this dissertation are the following, both of the questions had two sub-questions each:

1. How do Georgian DMO professionals benefit from using digital tools to achieve their goals?
 - a. What are the main digital tools the DMO professionals use to create destination image?
 - b. How do Georgian DMO professionals measure the benefits of using digital tools?
2. What are the main challenges Georgian regional DMOs face using digital tools?
 - c. What are the main obstacles the regional DMO professionals face while using ICT to establish a destination image and communication methods?
 - d. How do the Georgian DMO professionals manage to identify the challenges and try to overcome them?

A conceptual model was built using the theoretical framework on the types of innovation - which was used to formulate interview questions and analyse the data. To gather and study the responses to these questions a qualitative research method was used. The sample consisted of 7 people, 4 representing each of the four Georgian regional DMOs and 3 experts working on the DMO development process in Georgia. The interviews were conducted online in June, 2021, each lasting between 40min. and 1:30h. Additionally, desk research and online research was conducted to gather other data deemed of significance.

The interviews highlighted the current situation in Georgian DMOs in terms of digitalisation and the challenges they face. It became apparent that the DMOs manage to use basic digital tools to communicate and market the destination but have only few innovative products such as digital maps, online courses and conduct online events and meetings. The current use helps them raise awareness and spread the word to a far larger audience than traditional ways would have let them to. Moving business processes to the digital world also saves extra time, money and energy, as for example DMO member municipality representatives do not have to travel to the DMO office for the meetings anymore. However, during the interviews few major challenges also were identified. Lack of skills and competence, as well as limited funds, improper organisational structure and low level of digitalisation prevent DMOs from fully integrating innovative approaches in their work.

The knowledge gap in the Georgian DMO world was a huge limitation to this research and it was only possible to touch a few important points in this study. Recommendations drawn at the end of this thesis are also only based on expert interviews and desk research. Further research is needed to fully unfold the business processes and struggles of the DMOs and then produce valuable analysis that can contribute to the development of these organisations.

Keywords: innovation, digitalization, ICT, DMO, destination image, communication.

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Abbreviations

DMO – Destination Management Organisation
ICT – Information and Communications Technology
GNTA – Georgian National Tourism Administration
UNDP – United Nations Development Programme
GIZ – The Deutsche Gesellschaft für Internationale Zusammenarbeit
3D – 3 Dimensional

NGO – Non-Government Organisation

PR – Public Relations

EU – European Union

ADA – Austrian Development Agency

GITA – Georgian Innovation and Technology Agency

MoESD – Ministry of Economy and Sustainable Development

SME – Small and Medium Enterprise

GDP – Gross Domestic Product

GII – Global Innovation Index

1. Introduction

With the rapid growth of the global tourism industry, at least before Covid-19, it became obvious that competition was growing between different destinations and between different tourism businesses. Now more than ever the sector is in need of solutions that would bring beneficial results for everyone. The topic of innovation has long been an important subject as on the most general level innovation is a source of competitive advantage, increases product value, is a way to boost marketing while also reducing production costs (Weiermair, 2006). Innovation helps firms increase productivity and is leading towards converting opportunities into practices (Lin & Ho, 2008). Hjalager's (2002) typology of innovation for the tourism industry helps define the specificities of the innovation process for tourism and will be used as a basis for the theoretical discussion of this thesis.

Digitalisation or as some prefer to say, introducing ICT to our everyday life and business practices, is considered to be a boost to innovation as using huge online data helps identify new business opportunities, analyse markets as well as customer behaviour. As Dredge et. al (2018) mention, digitalization has significant implications not only on economic, social and organisational but also innovative competitiveness. The fact that new products and services are created daily in the tourism industry, especially during the pandemic, when physical interaction is becoming even less possible, digitalisation is creating innovative solutions for customer experience, online products and possibilities to collaborate.

In 2019 four Destination Management Organisations (DMOs) were established in Georgia. The idea behind the project was to build strong entities that would facilitate tourism development and management in the region and create a dialogue space for public and private sector. DMOs by definition have power to be in the centre of destinations development and manage strategically important processes. Therefore, it is interesting to see how these organisations introduce and lead digitalization process in order to innovate and gain competitive advantage on the market, create compelling products and services and establish efficient communications with the industry members.

1.1 The research objective and the relevance of the study

The aim of this research is to explore in-depth how regional Destination Management Organisations (DMO) operate in Georgia mainly from the perspective of their capability to

use digital tools and ICT in generating destination image and stakeholder communication. In order to unfold the importance of integrating ICT in DMOs work and explore what challenges they face, few initial concepts will be presented first. Namely, how innovation processes occur through digitalization in the tourism industry and how the digitalisation process can create added value for the tourism industry. The research will study the theory of innovation, its classification and innovation processes in the tourism industry. The main purpose is then to explain how innovation is facilitated through digitalization and what kind of impact it has on the tourism industry. The research will further provide a conceptual model to research how this practice is integrated in Georgian regional DMO system.

Discussing theories of innovation in Georgian tourism context, especially in the DMO world, is highly important as the process of constant innovation and digitalization is considered to be a crucial aspect of tourism industry and destination development. Using digital tools is becoming inevitable and therefore it is worth observing how regional DMOs in Georgia are adapting to this.

1.2 Research questions

Georgia has in the past developed tourism strategy 2025 and is currently working on the Georgia Tourism Recovery Plan, however from a research perspective little is known about digitalization processes in tourism in Georgia and there is almost no research done on any of the four existing DMOs in the country. It is also noteworthy that no specific policy or research could be found around the topic of digitalization in the tourism industry in Georgia for reference.

In order to be able to build the research, two main research questions have been formulated, each followed by two sub-questions. The aim is to explore whether Georgian regional DMOs manage to integrate digital tools successfully to boost innovation and what challenges they face. A list of recommendations will be drawn later for regional DMO professionals to guide them through the process.

1. How do Georgian DMO professionals benefit from using digital tools to achieve their goals?
 - a. What are the main digital tools the DMO professionals use to create destination image?
 - b. How do Georgian DMO professionals measure the benefits of using digital tools?

2. What are the main challenges Georgian regional DMOs face using digital tools?
 - a. What are the main obstacles the regional DMO professionals face while using ICT to establish a destination image and communication methods?
 - b. How do the Georgian DMO professionals manage to identify the challenges and try to overcome them?

1.3 Research outline

Chapter one, introduction, gives a brief introduction to the study. It also defines the research objectives and the relevance of the study. Research questions and research outline are also stated in this chapter.

Chapter two of this research provides the readers with a theoretical framework and background analysis of the topics such as the concept of innovation and digitalization and how these have influenced the tourism industry over the years. The existing literature was researched for this purpose. Chapter two also unfolds the concept of Destination Management Organisation (DMO) and how these organisations benefit from digitalisation. The chapter also provides the conceptual model and a brief overview of the Georgian context. For this part a literature review was conducted. The main key words used to find relevant sources and information were: innovation, digitalization, ICT, tourism innovation, tourism digitalization, value (co-)creation, DMO, DMO development. The articles and books used for this research were mostly retrieved from scientific journals such as *Annals of Tourism Research*, *Scandinavian Journal of Hospitality and Tourism*, *International Journal of Innovation Management*, *The Service Industrial Journal*, *International Journal of Hospitality Management*, *Tourism Management*, *Current Issues in Tourism*. After gathering initial materials, the snowballing of references within the source literature was used to further explore the field.

Chapter three, methodology, explains the research design, research sample and selection methods. In this chapter data collection methods are also explained as well as how the semi-structured interview guide was developed (See appendix 1). Details about in-depth interviews and online research is also showcased here. Next, a data analysis approach is given and the limitations of this study.

Chapter four, results start with an overview of the DMOs in Georgia, the history, structure, funding and current situation. Later, the current digitalization level in Georgian DMOs is explained. The chapter also gives a clear overview of the challenges associated with the digitalization process and how the DMO team members try to make use of digital tools. The results are given in accordance to the conceptual model developed in chapter two.

Chapter five, covers recommendations for the Georgian DMOs. Six suggestions are formulated according to the results of the research conducted. The ideas expressed in chapter five are based on the data provided by the DMO team members, advice from the experts and desk research.

Chapter six is the last chapter of this dissertation and concludes the study. All the final thoughts are expressed here along with a short summary of the whole research.

2. Theoretical Framework

2.1 The idea behind innovation

Today the economic conditions are more competitive than ever which is a call for innovation. The idea that innovation is a process exclusively performed by gifted people, an accident of inspiration or the work of a lone genius is most certainly on the scrap heaps of innovation theory. Innovation comes as a result of hard work and networked activity (Drucker, 2002). Buijtendijk, et al (2016) refer to the complexity of innovation saying that “any innovation process is a quest to mobilize new sources of value” (p.2). Moreover, innovation is not only the act of introducing something new or improving existing processes, but needs to become widely adopted as well. Thereby innovation is considered as a process that converts opportunities into practices (Lin & Ho, 2008).

“Innovation refers to the process of bringing any new, problem solving idea into use. Ideas for reorganizing, cutting cost, putting in new budgetary systems, improving communication or assembling products in teams are also innovations. Innovation is the generation, acceptance and implementation of new ideas, processes, products or services. Acceptance and implementation is central to this definition; it involves the capacity to change and adapt” (Kanter, as cited in Hjalager 2010, p.2)

The innovation process is a collection of sometimes confusing and diverse decisions that are made by a number of people who are usually different by nature and not likely able to fully assess the power of their choices in the moment (Akrich et al, 2002a). According to the *Oslo Manual*, a shorthand for a set of ‘Guidelines for collecting and interpreting innovation data’, developed by the Organisation for economic co-operation and development (OECD) and Statistical office of the European communities (Eurostat), innovation is “the implementation of a new or significantly improved product, a process, a new marketing method or a new organizational method in business practices, workplace organization or external relations” (Mortensen and Bloch, 2005, p.46).

Joseph Schumpeter is usually acclaimed as the first author who introduced innovation theory and discussed it through the lens of economic development. Schumpeter’s theory of innovation is, in fact, a starting point for a major debate about innovation (Alsos et al., 2014). He described innovation as the development of new products, new processes, new markets and new sources of raw materials that shaped a particular industry. Innovation is considered to be a source of competitive advantage for firms as it is the means to reduce

costs of production, boost marketing and increase product value (Weiermair, 2006). It is also a major driver of productivity and economic growth playing an important role in encouraging competitiveness among firms, profitability and sustainability (Australian Treasury, 2009; OECD, 2015a). Schumpeter considered innovation to be a break in the economic cycle and it changed the attitude towards new products, processes, marketplace or even the whole sector. Schumpeter also focused on large innovative companies as they were mostly financially resourceful to promote innovation throughout different industries (Metcalf, 2011).

According to Schumpeter, innovation is not limited to technological innovation and should have disruptive or creative characteristics. He coined the term 'creative destruction' as the source to link innovation with economic growth. In his words, creative destruction is occurring when the old economic structure is destroyed and revolutionized from within due to a significant industrial change and a new one is created. So, the idea behind it is dismantling long-standing and well established practices in order to enhance innovation and improve methods of production. The long standing arrangements should be destroyed to free up energy and resources that can be channelled to innovation. Fortuin et, al. (2007) also argue that innovation should have a force of creative destruction. The adoption however should also be followed by successful commercialization and integration of the product or service. Innovation is usually not a single act but a total process from the idea generation to the final launch of the product on the market.

2.1.1 Classification of innovation

The concept innovation is uniting different processes and several different stages. In order to explain each of them better and make a clear distinction Schumpeter (1982) made a classification of five types of innovation. Then building on Schumpeter's work the third edition of Oslo manual classified innovation in four groups (Mortensen and Bloch, 2005). For the benefit of tourism, Hjalager (2002) then developed a typology of innovation for the tourism industry that also originated from Schumpeter's work. Table 1 summarizes the classification according to each author to better understand each aspect of it.

Table 1: Classification of innovation

Schumpeterian classification	The Oslo Manual classification	Hjalager's classification
Manufacturing of new products (product innovation)	Product innovation	Product or service innovation
Introduction of a new production method (process innovation)	Process innovation	Process innovation
Opening of new outlet (new marketplace)	Marketing innovation	Marketing innovation
Conquest of new sources of raw materials and New form of work organization (organizational innovation)	Organizational innovation	Managerial innovation
Mergers & divestments		Institutional innovation

Each aspect of innovation named in table 1 is equally important and meaningful for the final result and has specific influence on the outcome. Product innovation for Schumpeter is the introduction of a new good or of a new quality of a good with which consumers were not yet familiar. It has to be new, still unknown in the sphere of consumption. The Oslo Manual explains product innovation further as an innovative strategy that enables growth, sustainability and ability to be competitive on the market by creating new products or improving features. Hjalager also added “service innovation” to the product innovation part explaining that this process is a completely new or changed product or service that can be placed on the market for the consumers, suppliers or competitors. For example adding summer season offers to winter sport destinations, or a new concept by Accor hotel offering low-price service with high quality service. All of these add value for the customers and expand experience options. Product innovation is important in order to improve the intended use of products before placing them on the market (Hjalager, 2002).

The introduction of a new method of production is called process innovation by Schumpeter (table 1). In the Oslo Manual a novel or considerably upgraded production and/or distribution method can be seen as process innovation (Mortensen & Bloch, 2005). This can combine modifications that are implemented to reduce unit production and distribution costs, also creating and delivering value- added products. This type of innovation is characterized by the process of generation of new ideas in order to solve existing problems. It can also be used for reducing costs and increasing productivity in the company. Process innovation is usually happening during the entire production to efficiently deliver goods or services to the market

(Ottenbacher and Gnoth, 2005). For Hjalager the backstage actions that concern work operations are the factors that can increase efficiency, productivity and flow by using existing technologies. Information and Communication Technology (ICT) has proven most useful in this part. As an example, the application of food service technologies helps develop faster and better preparation methods, save energy and labour, and reduce waste (Rogers 2007 as cited in Hjalager, 2010). The evolution of airline online reservation systems can be considered as a good example as well. Developments in technology led to saving costs and greater productivity. The consumers are now able to book travels on their own which resulted in improved revenue as it became an additional source for income (Alamdari & Mason, 2006).

The opening of a new market into which the particular branch has not previously entered and reorganization of production, leading to the change of already established monopoly is new marketplace innovation by Schumpeter (table 1). The Oslo Manual also considers that innovation in marketing is usually creating a novel marketing strategy that is characterized by big improvements in product conception, advertising or valuing of a product (Mortensen & Bloch, 2005). The aim of such innovations is to either meet the needs of the already existing consumers or reach new markets. Positioning a product in a new way in order to increase the sales of the company might also be considered as marketing innovation. The important thing to realize is that marketing innovation can concern old as well as new products offered by the company. Even though such kind of innovation might involve alterations in product wrapping, placement areas, or target customers, it usually does not change or transform the working characteristics of the product or alter them in any way. Typically, the changes made seasonally or regularly are not considered as innovations rather the bigger changes for example in marketing strategies, placement or approach the company has never used before. Hjalager went further with adding that marketing innovations can be the reorganization of external commercial linkages as well. Identifying new segments or strengthening brand awareness is an important aspect of marketing innovation. For instance, in gastronomy tourism, marketing of wine is often linked to a destination marketing which creates a new package for a customer (Carlsen, 2006 as cited in Hjalager, 2010). Additionally, co-creation is also considered as an important part of this aspect. The travellers are involved in their travel planning process more and more every day and this creates room for more innovative solutions. An example cited in Hjalager et al. (2008), the Icelandic whale watching company's Nordursigling market analysis has led it to be one of the successful innovators and placed them on global map of whale watching opportunities but moreover helped them create additional services such as Husavik Whaling Museum and restaurants to serve an increased number of tourists in town. The main attraction of the tours – whales cannot be guaranteed,

thus the importance to create strategic “augmentations” were essential. Consequently this led to putting more emphasis on the wildlife in general, especially birds, and offering museum experiences and tours on the sites connected to the whaling economy (Hjalager et al., 2008). Another example for marketing innovation is the case of using short films for digital marketing in Northern Norway. Apparently, if used properly, the films were a useful marketing tool for experience-based tourism businesses. They were meant to convey an experience in a way that just words and pictures could not do, which was important for experience providers (Wiggen et al., 2014).

Next, Schumpeter describes organizational innovation which is a conquest of a new source of supply of raw materials of half manufactured goods, whether this source already exists or it has first to be created (table 1). Thus, this is a process of a discovery of new sources of raw materials or semi-finished products. The Oslo Manual takes a slightly different approach to organizational innovation and puts more emphasis on the importance of developing a company’s productivity by minimizing various expenses (Mortensen & Bloch, 2005). In this case in order for a transformation to be categorized as an innovation it needs to be novel practice or technique that has not been used previously and is meant to improve work procedures and/or actions. Organizational innovations might also implicate using new or improved ways and tools for task distribution and decision making process. Organizational innovation is most applicable to improve sustainability of company and external relations. As Armbruster et al. (2008) argue, organizational innovation is not a technical process, rather it is linked to the activities changing business structure (OECD, 2005). Hjalager also draws the same conclusions about organizational innovation as it being various organizational processes, arrangements and approaches to develop new organizational structures. Organizational innovation also concerns administrative systems in order to provide workplace satisfaction, support the staff and give the opportunity to grow. Retaining staff in the tourism industry is especially hard due to seasonal work schedules, thus innovation in this area is considered also highly important.

Finally, Schumpeter mentions mergers & divestments (table 1). The carrying out of the new organization of any industry, like the creation of a monopoly position or the breaking up of a monopoly position. Mergers and divestments thereby entail a new, more efficient method of production that is not associated with scientific discovery or novelty per se. The Oslo Manual does not have this fifth classification of the innovation, however Hjalager brings in institutional innovation that can be discussed together with mergers and divestments. According to Hjalager this is a collaborative and regulatory structure and adaptation of new

organizational structures. In tourism, it is a new approach that tries to enhance certain directions of the industry. This can for example include working with new legal and financial frameworks.

Each of these five aspects show clearly the depth of the concept of innovation. While Schumpeter was more focusing on production and manufacturing, The Oslo Manual clearly broadened the approach and introduced new meaning to each aspect. This makes the distinctions more suitable for general business processes. Finally, Hjalager introduced innovation classification to the tourism industry and therefore, the explanation the author is giving is better explaining the aspects with accordance to tourism and making it more relevant to the tourism industry.

2.1.2 Innovation in the tourism industry

New products and services emerge daily in the tourism industry. The urge to survive on the competitive market is fuelling continuous innovation where collaborative actions by suppliers, employees, consumers and other stakeholders are undertaken (Hjalager et al., 2008). Service innovation has gained considerable attention over the past twenty-five years in particular with the growth of the global tourism industry and recognition of its economic relevance (Carlborg et al., 2013). This kind of innovation can enhance customer experience while providing new or improved services such as using the phone as a key card, enabling mobile check-ins or bookings, providing electronic luggage tags, sending boarding passes on the phone and many more (Wang et al., 2014). Remaining competitive is vital for the companies and businesses in the tourism industry. Thus the significance of the digital transformation leads the companies to put more emphasis on innovation in order to ensure continuous improvement of the visitor experience.

In order to start discussing innovation in the tourism industry, it is important to distinguish two important aspects of tourism that differentiates the sector from other production processes. Firstly, co-creation is a considerable part of tourism experiences as part of the tourism products are experiences, in essence consumed while being produced (Alsos et al., 2014). Prebensen (chapter 5 as cited in Alsos et al. 2014) also noted that usually the value that is created in tourism experiences is dependent on the customer's involvement as well as a co-creator and a participant of the process. Consequently, firms are required to incorporate innovative ways to motivate customers to participate/contribute. Secondly, it can be especially difficult to

differentiate between the product and the process in case of tourism as, again, the services are produced when they are actually consumed as well (Rønningen & Lien, 2010). Additionally, making the distinction between different types of innovation, classification, becomes another challenge as tourism industry products are usually packages that consist of multiple services or products offered by various firms in a complex value chain. Thus the debate can continue whether the innovative individual products make the whole package also an innovation or grouping old products in a novel way can be considered as an innovation. Additionally, tourism output usually does not have a physical existence and thus service innovation can almost go invisible (Rønningen, 2010).

2.1.3 Challenges associated with innovation in tourism

Rønningen (2010) argues that the innovation capability in the tourism industry is rather low and the industry slow to act. This can be explained by several different factors. Firstly, it is no news that the tourism industry includes many medium, small and even micro sized enterprises and innovation capability is positively correlated with business size (Mohnen, Mairesse, & Dagenais, 2006; Salte, 2007 as cited in Rønningen, 2010). Secondly, also related to the size of the company is a lack of skilled managerial systems to support innovation. Thirdly, many employees have low competence as the tourism sector has low entry barriers, a high turnover rate of staff and is mostly offering seasonal jobs. Educated and skilled employees are more likely to empower innovative environments and boost technological or organizational changes and these are mainly found at the helm of the bigger tourism firms like e.g. airlines or hotel chains. Furthermore, micro, small and medium sized tourism enterprises tend not to be involved in any kind of networks or do collaborative work beyond potential regional collaborations on marketing and branding, which is another barrier to work knowledge transfer (Hjalager, 2002). Hjalager (2002) also mentions that the determinants of innovation can be found outside the tourism sector as well. Thus it is highly recommended to have strong links with outside actors not directly related to the tourism industry. And finally, in many cases, tourism policies at regional, national or even transnational levels do not focus on innovation in the industry (Hjalager et al., 2008). Unfortunately, this is the case in Georgia as well where there is only a national tourism development plan with no reference to the innovation processes in the industry (GNTA, 2019).

Moreover, as Furseth et al. (2013) discuss, an important aspect is also that in service, oftentimes there is a lack of intellectual property rights while those are always present in manufacturing. “When a service company innovates, it will not be long before others copy.

When a product company innovates, it will take a while and then someone is sued.” (Furseth, 2013 p.160). Thus, it is a problematic subject how a company can protect an innovative service and can make sure no other firm can copy the method directly.

The tourism innovation process might be slower compared to other industries and have more challenges but this does not mean there is no sign of innovation at all. Hjalager (2010) showcases several examples representing a significant shift in the sector. The examples range from creating travel opportunities for completely new segments by Thomas Cook as an example of marketing innovation, creating themed parks such as DisneyLand and changing the entire catering industry by founding McDonald’s to serve innovative products, offering extremely low fares for air travel with help of Ryanair by tapping into operational innovation processes and many more. These innovations show how tourism can be in effect a broad industry, encompassing many firms that not necessarily see themselves as catering to tourists only.

2.2 Digitalization as a way to innovate

The integration of digital tools and information communication technologies (ICT) into daily life is referred to as digitalization (Gray & Rumpe, 2015; Khan, 2016) and can vary between different levels of intensity such as using a website, integrating technologies into sales and communication or even transforming business processes and introducing virtual products or services. Digitalization leverages technologies and data to influence business transformation, market expansion and production processes and has significant implications on economic, social, organizational and innovative competitiveness (Dredge et al., 2018).

Attaining and sustaining competitive advantage is lately considered to be dependent on incorporating digital tools in products, services and operations. The traditional industry views and strategic models might lack validity in today’s environment which is in the process of digitalization (Koch & Windsperger, 2017). Over the years, the infrastructure for information communication technologies (ICT) have also evolved and become faster, smaller and smarter. The tools are embedded in the user’s everyday environment and require only low resources in terms of energy, storage capacity, computing power and much more (Atzori et al. 2010; Gama et al. 2012; Qin and Gu 2011 as cited in Lamfus et al., 2015).

Digital tools are usually used to change business models and create new ways for revenue and

value- production and are also characterized by the opportunity to move towards a digital business. Gray & Rumpe (2015) argue, digitalization is based on a large amount of external and internal data from various sources that are incorporated in decision-making processes. This eventually helps with identifying new business opportunities and predicting the future of market or customer behavior. Digitalization also offers new possibilities to acquire clients from global markets. For instance, using web page traffic analytics that allows for the establishment of wider and faster international relations and develop new networks (McKinsey, 2016 as cited in Neubert, 2018).

2.2.1 Digitalization tools and processes in tourism

The rapid development of digital innovations has deeply affected the tourism and hospitality industry (Leung, Law, 2007). Introducing digital technologies to tourism has shifted the industry and transformed the enterprises, products and services. The traditional roles in the value chain of tourism have also been altered and new types of relationships have been established between tourism stakeholders. The tourism product has become more diverse and the speed of transactions have been accelerated. These transformations have led to new opportunities but also new challenges to the companies who need to meet their new and more demanding customers' needs (Dredge et al., 2018). And now, thanks to the application of ICT, tourism companies have more opportunities and flexibility to offer diverse products and services to a global market and in a shorter period of time (Chaffey, 2009). Digitalization in tourism presents opportunities to reach new markets, increase growth, improve operational efficiencies and become more competitive (Dredge et al., 2018). Thus, digitalization can be considered as a solid source of innovation in the tourism industry.

Building on the classification method of Hjalager (2002) table 2 summarizes which types of digital tools and ICT affect product and service, process, managerial, marketing and institutional innovation processes in tourism. Table 2 makes a clear distinction between the tools and provides a clear image of each innovation type in tourism.

Table 2: Digital tools for innovation in tourism

Product & Service Innovation	Process Innovation	Managerial Innovation	Marketing Innovation	Institutional Innovation
Multimedia content	Online booking	Data collection	Digital channels websites	Online banking
Interactive maps	Online data storage	Digital analytics	Use of integrated images and videos	
User-generated content	Digital supply chain management	Online banking and cash register	Social media	
Gamification	Integrated QR codes	Internal communication email	Short films	
Mobile apps			CRM systems	
			Online recommendations	

The integration of ICT has cascaded a series of innovative decisions in the service industry and throughout the entire value chain of tourism. Some examples based on table 2 are elaborated on below.

ICT is helping tourism firms provide the customers with constantly relevant information, assist in decision-making and ultimately create an enjoyable tourism experience which is ultimately considered as product and service innovation. Extensive use of integrated images and videos, multimedia content and user generated content help destinations create trustworthy digital libraries and share the information (Yoo & Gretzel, 2011). On top of that, the internet has changed the way travellers communicate with each other. Exchanging views, asking for recommendations, interacting with service providers and sharing experiences have become an inevitable part of travel. User-generated content is of great importance in this area and this practice is becoming increasingly popular for travel planning among consumers (Yoo & Gretzel, 2011). Things like gamification, integrated QR codes, interactive maps (Mistilis et al., 2014), mobile applications, short films about the destination or tourism products (Wiggen and Lexhagen, 2014) provide digital assistance to the travellers and amplify the travel experience

as well.

Stamboulis and Skayannis (2003) mention that digitalization has accelerated process innovation by introducing booking systems, back office operations, supply chain management and production. Consumers are increasingly choosing online channels for bookings and travel arrangements. Hence, the organisations need to use accurate ICT tools to satisfy customer needs instantly (Buhalis & Law, 2008).

The tourism industry in itself always requires a huge range of information. Therefore, ICT is playing a big part in changing the industry and therefore encouraging managerial innovation. ICT is offering a diverse source for multimedia content, communication opportunities and information systems (Buhalis & Deimezi, 2004). Online data storage, analytics, CRM systems and digital supply chain management help the companies handle huge amounts of data (Dredge et al., 2018). Additionally, ICT has been essential in the tourism industry to connect various stakeholders such as firms, suppliers, customers and policy makers who add value to the final tourist experience (Gretzel et al., 2015). Buhalis and Amaranggana (2014) also emphasize the importance of stakeholder interconnectedness as it also helps collect, create and exchange the information that can eventually enrich tourism experiences and services.

The use of digital channels, websites, mobiles apps and/or social media is regarded as an effective way for cost reduction, promoting destinations and attracting new visitors (Mariani et al., 2014) and pushing towards marketing innovation. The internet in particular is supporting the interactions between tourism enterprises and consumers during the entire process of managing tourism products and destinations. It is perceived as a powerful tool for marketing in tourism. It is one of the most effective ways to distribute information across a large number of people worldwide and maintain brand awareness, customer relationships and eventually capture larger market segments (Law et al., 2010). The internet is offering the customers not only commercial websites that contain travel information, but also social media. And lately, social networks are increasing in popularity and are an additional source for tourism information (Sigala et al. 2012). Social media generally represents online platforms where users can virtually socialize, chat, discuss (Facebook, Instagram, LinkedIn, Youtube). Those platforms are often also used to search for travel information and share their experiences with other people. This process enables consumers to provide each other with a huge amount of details and latest news (Jakobsen & Munar, 2012). Buhalis and O'Connor (2005) identified that these changes might revolutionize the whole industry. They predicted that tourism in the future might be solely consumer-centric and the firms will have the challenge to face the new, sophisticated and experienced consumers.

Institutional innovation which is the most dependent on outside factors and other stakeholders even outside the tourism industry has great significance for the digital transformation. Dredge et al., (2018) also mention that internet banking and cash registers have become an inevitable part for tourism.

Consequently, digitalization has become a backbone for tourism innovation spreading the information and knowledge through the whole network of consumers, product and experience providers and other stakeholders (Buhalis and Law, 2008).

2.2.2 Benefits to using digital tools and ICT in tourism

The sector of tourism that takes advantage of information technologies is more likely to create, manage and deliver more sophisticated touristic services and experience. Collecting, processing and exchanging tourist behaviour data and intensive information sharing can be an added value for the co-creation process (Zhang, 2012 as cited in Gretzel et al., 2015). ICT offers great benefits, however the industry needs to base the usage of the technology on the knowledge and skills of tourism domain experts. Their experience is crucial since they are the ones who know each stakeholder's needs and can create quality information for consumption (Lamsfus et al., 2015).

Dredge et al. (2018, p.3) argue that digitalization in tourism can have positive impact on several different aspects of the sector as it:

- Leads to creativity and innovation in tourism
- Facilitates increased customisation of visitor experiences
- Enhances visitor satisfaction
- Contributes to new destination configurations
- Inspires new business models, new value chains, new business ecosystems
- Opens up new roles for consumers and producers (i.e. prosumers)
- Prompts new roles for DMOs to support SMEs

The results of innovative transformation are impacting business processes on many different levels and cause new configurations and business models (Dredge et al., 2018). First, new destination types are established. Digitalisations allows visitor experience customization and therefore new greater customized destinations emerge. Second, new business models, value chains and ecosystems are formed. Online platforms act as information mediators and data

source (e.g. Tripadvisor, Expedia, etc.) and offer services that were previously brought to the market by tourism agencies. Additionally, digital platforms such as Airbnb and Uber are changing the landscape for accommodation and transport sector, coordinating the processes and facilitating experiences in a particular destination. Third, the roles of consumers and producers have dramatically changed. Visitors are now actively involved in producing their own experience as well while taking different roles in booking, guiding, sharing and reviewing process. Fourth, tourism organizations are no longer actively involved in destination development, innovation, and marketing. They transitioned to facilitating capacity building roles. Fifth, disruption has become one of the main characteristics for digitalization process in tourism. Management systems have changed and improved using big data that also has introduced new opportunities for global value chains to emerge. Moreover, platform economies have replaced many traditional business approaches and allowed new value creation processes to occur.

On the other hand it is important to realize the potential downside of shared control over product and service creation processes. Small developing countries like Georgia might suffer due to the loss of concentration of revenues in the country as small local tourism businesses face the challenge to compete with huge global digital platforms. Moving to using global tools like shared economy platforms, online bookings or social media platforms directs travellers funds towards different providers and consequently leads to poorer revenues for small local products and service providers.

There are at least four barriers to the digitalization processes in the tourism industry. These are financial risk, time constraints, external environment and lack of IT expertise and strategy (Styven and Wallstrom, 2017). Chaffrey (2009) presents the financial risks that include set-up costs and running costs. Time constraints are usually linked to the seasonal character of tourism businesses as their operations are highly dependent on specific time of the year according to their destinations. Poor reliability issues and security problems caused by a generally uncertain environment for the industry can be presented as an external environmental barrier. And, reluctant staff, lack of skills and lack of IT knowledge can be considered as lack of IT expertise and strategy that is also vital to the digitalization process in the sector (Styven and Wallstrom, 2017). Another important issue, according to Buhalis and Deimezi (2004) is the difficulty to persuade partners to use the internet for communication and other various processes as the exact return on hardware and net investment is also still questionable.

2.2.3 Value co-creation practices in tourism

The empowerment of consumers through digital technology has caused direct involvement in product and value creation as earlier elaborated on. The content produced by the consumers is becoming more and more influential and is considered as a credible source of information (Vargo and Lush, 2013 as cited in Wigger et al., 2014). About a decade ago, it became obvious that customers no longer wish to be treated as entities, rather they aspire to be involved in co-creating the value and be part of the production process as well. The process of value co-creation and the feeling of involvement brings strong emotional bonds to the product. Consequently, the brand becomes more valuable to the customer (Kandampully et al., 2015). Value co-creation is considered as a high level collaboration for the purpose of joint value creation by the company and the customer which leads to product or service innovation (Prahalad and Ramaswamy, 2004, Chathoth et al. 2013). Ultimately, the value creation is a goal for any firm, however sustainable value creation requires high involvement from everyone: the customer, the service provider, the supplier, and other stakeholders. And this is especially true in service innovation where the interrelationships play a tremendous role in the production process (Furseth et al., 2013). Normally, the value co-creation between travel professionals and customers results in higher customer satisfaction.

Co-creation of experience puts the consumer in an active position and gives the opportunity to participate in value production (Prebensen and Foss, 2011). With the new digital tools customers see themselves as the ones defining the context and wish to add personal touch to the tourism product. Buonincontri & Micera (2016) state, tourists nowadays are more oriented to collaborate actively and be involved in the planning process. In fact, they want to interact directly with product and service suppliers to find the best fit for their needs. Therefore, each tourism product needs to be created as a set of very specific experiences. Tourists' needs become a starting point for product creation and marketing strategies. For successful operations it is important to build overall tourist satisfaction which then influences the destination selection process and the decision to return (Yoon and Uysal 2005). Consequently, the companies aim to develop engaging relationships, tailored offers and personalized services. The digital tools are enabling travellers as well as firms to support these kinds of collaborations during the whole process and influence the successful experience.

The value co-creation has few specific characteristics in the tourism industry. Grisseemann and Stokburger-Sauer (2012, 1483) indicate three main aspects: 1) cooperation among tourists and travel professionals in creating travel arrangements helps tourists to create a unique experience, 2) co-creation activities help travel professionals to regain tourists as they help

them get travel arrangements tailored to their individual needs, 3) tourists, through online sharing of travel experiences, create value also for other companies included in travel arrangements and for the community. By sharing their travel experiences through online social networks, tourists help to shape the future behaviour of other online community members.

Integrating ICT and tourism has enabled tourists to search for destinations worldwide more easily without depending on travel agencies. Consumers have the possibility to look for the information and inspiration for travel on their own. The tourism firms have already recognized this new role of tourists as co-creator of their own experiences and also encourage the transformation. They build the systems and environment where tourists can actively contribute to the whole experience and thus intervene with planning as well (Buonincontri & Micera, 2016).

2.3 The importance of a Destination Management Organisation (DMO)

By the definition of UNWTO (2019) a destination management organization (DMO) is “the leading organizational entity which may encompass the various authorities, stakeholders and professionals and facilitates partnerships towards a collective destination vision”. The DMO is considered to be an important player in the development and management of tourism destinations. Moreover, it is one of the main organizations to have the ability to assess the destination’s current situation, formulate the strategy accordingly and use the destination’s natural, cultural and human capital effectively. The DMO is to develop and also deliver high quality ethically produced products and offer innovative solutions in order to ensure sustainable development of the destination. Additionally, the DMO is responsible for defining vision and strategic goals to increase added value and create a beneficial environment and sustainable perspectives for both tourists and local communities (UNWTO, 2019).

With rapid growth of the tourism industry and increasing number of new travel locations emerging, the competition between the destinations intensifies and destinations require all available resources to stay relevant, create a powerful destination image and attract visitors. DMOs being important strategic players on the field of tourism, now become one of the main pillars to ensure future sustainable growth of the destination in the globalised and competitive environment (UNWTO, 2011). Already in 1994, Gartrell has identified five main activities every DMO should excel:

1. **Coordination** is essential to create a single and clear voice for the destination and build a

defined destination image.

2. **Leadership and advocacy** should be a priority for DMO to support the local community and draw attention to tourism so the local residents understand the importance of the industry.
3. **Product development** is a vital part to offer attractive tourism facilities and activities to visitors and promote the destination as one of the best among its competitors.
4. **Visitor service development** ensures the enjoyable travel experience for the visitors as the DMO is partially responsible to create pre-visit information and also provide the travellers with additional information they might seek.
5. **Serving as a liaison** is also considered as one of the main duties of a DMO. Initiating, planning, organizing and assisting the network creation process between the destination members and external organisations such as tour operators, travel agents and/or media representatives can help bring new visitors to the destination.

Therefore the roles of a DMO should include enhancing the well-being of the residents as well as creating a strong destination image and providing effective destination management and stewardship (Bornhorst et al., 2010).

One of the main communication channels for DMOs has been the internet ever since ICT has started to transform the tourism industry (Buhalis and Spada, 2000). DMOs websites and social media platforms in addition to promoting the destinations, are loaded with functional features such as mapping, booking, search engine, travel itineraries, etc. Consumer's habits during the pre-trip planning phase which usually include decision-making about destination, budget and transportation is where DMOs have the most influence among other stages over the final decisions (Choi et al., 2007). Thus, it is essential for the DMOs to master their digital skills and consequently improve their competitiveness to best engage with customers.

By making their websites generally appealing, easily usable and accessible to tourists, the DMOs can successfully manage the use digital tools to develop brand image, promote their products and impact the overall image of the destination itself (Molinillo et al., 2017).

However, a website is not the only source to reach the target audience. Therefore, the DMOs also benefit greatly from social media platforms where their content can be far more engaging, interactive and constantly updated. User generated content such as text, status updates, photos and videos (Smith, Fischer, & Chen, 2012) play a huge role in managing DMO social media accounts as well. Social media content is generally more trusted by travellers as it gives a diverse source options and more realistic image of the destination (Molinillo et al., 2017). Chung et al., (2015) argue that people's intention to visit a specific destination is indirectly affected by the quality of the information published on the DMO websites. DMO professionals

have long realised the power of user-generated content and thus often recruit influencers, travel bloggers and other media representatives to spread the word through their social media channels as well.

Yet, the challenges the DMOs face during the integration of ICT in their management and marketing strategies cannot stay unmentioned. The internet is bursting at the seams with the huge amount of data that is one, regularly updated, two, might be fake and three, can influence the visitors' perception in a way that cannot be changed later. DMOs often struggle to update the information on their websites due to the amount of work and time it takes. Moreover, consumers develop more sophisticated needs over time and catering to their needs becomes harder with time (Buhalis, 2000, Inversini, 2014).

2.4 Conceptual model

In order to get a better sense of how Georgian regional DMOs benefit from digitalization in order to innovate, each context: product or service innovation, process innovation, managerial innovation, marketing innovation and institutional innovation will be defined and identified as added value emerging through digitalization, explaining how digital tools act as vehicles to catalyse innovation to create new value propositions and strategies for the regional DMOs which translates into creating appealing destination image and effective stakeholder communication strategies.

This conceptual model guides the interviews for this research and subsequent data analysis as well as results, conclusion and discussion.

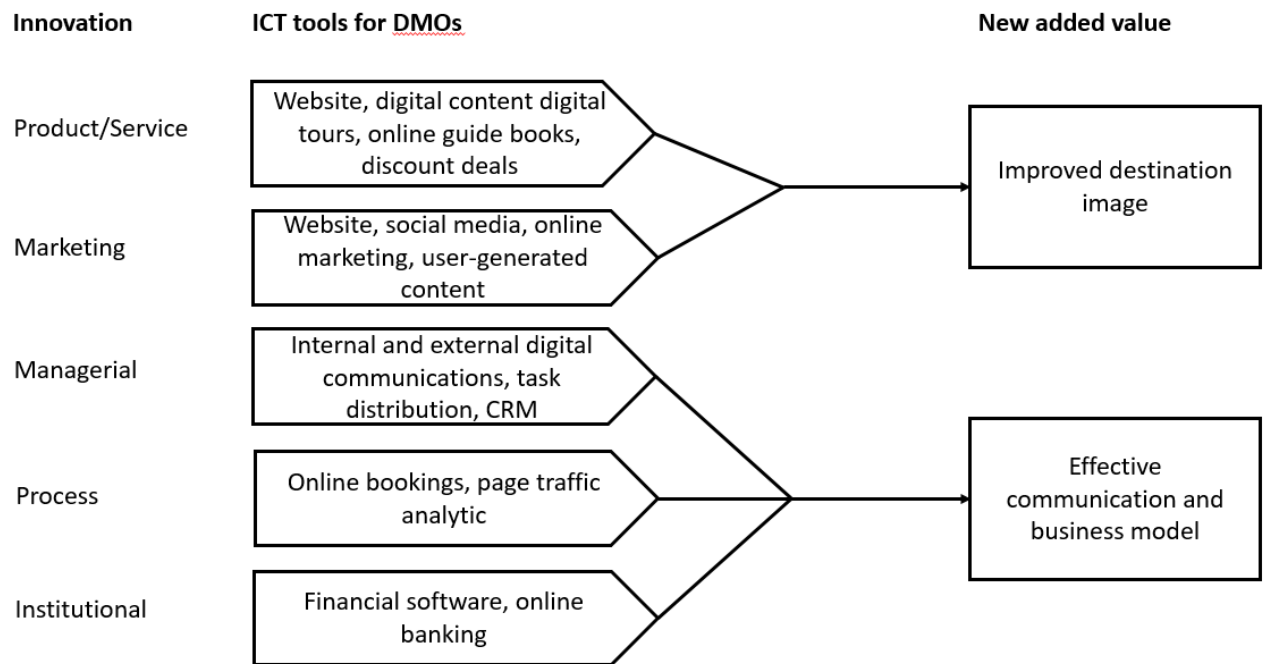


Figure 1: Conceptual model

3. Georgia: The country context

3.1 A short overview of the tourism industry in Georgia

Georgia's geographical location, biodiversity, history and cultural heritage opens almost unlimited resources for development of tourism in the country. BBC, National Geographic, Lonely Planet, Forbes, Le Monde, The Independent, The Guardian, Elle, Observer, Birdwatching Magazine UK, etc. have all published articles about Georgia as a new undiscovered destination. Tourists all over the world find this place a hidden gem and start to slowly discover the country. Nowadays the tourism sector is a major contributor to Georgia's GDP, export and employment.

During the Soviet rule, Georgia was one of the most popular tourism hubs (Frederiksen & Gotfredsen, 2017) as the country was loved by many officials from neighbouring countries. Few initial Western investments began during the Soviet times in the late 1980s. One of the first was the Gudauri Ski Resort in northern Georgia, which was developed by Austrian tourism enterprises (Voll and Mosedale, 2015). However, in the early 1990s, after the fall of the Soviet Union, Georgia faced a civil war and economic crisis which affected the tourism industry as well. Tourist accommodations such as hotels and resorts were quickly turned into refugee asylums (Adeishvili et al. 2011). Tourism only started to emerge slowly in the late 1990s.

In the early 2000s, the government implemented incentive programs like "Invest in Georgia", the Free Trade Zone on the Black Sea coast, and visa liberation policies. The old abandoned Soviet hotels started to reopen as international brands (Papava, 2016). This was then followed by a significant tourism development in several directions such as rural tourism, agro-tourism, adventure tourism.



Figure 2: International traveller trips (inbound travellers registered at 21 border checkpoints)

Source: The Ministry of Internal Affairs of Georgia

As from 2012 international traveler trips started to increase steadily. Numbers jumped from 4.7 million to more than 9 million in 2019 (Figure 2) and the tourism industry generated more than 3.3 billion US dollars in 2019. The share in GDP also grew to 8.1% (GNTA, 2019) (Figure 3).

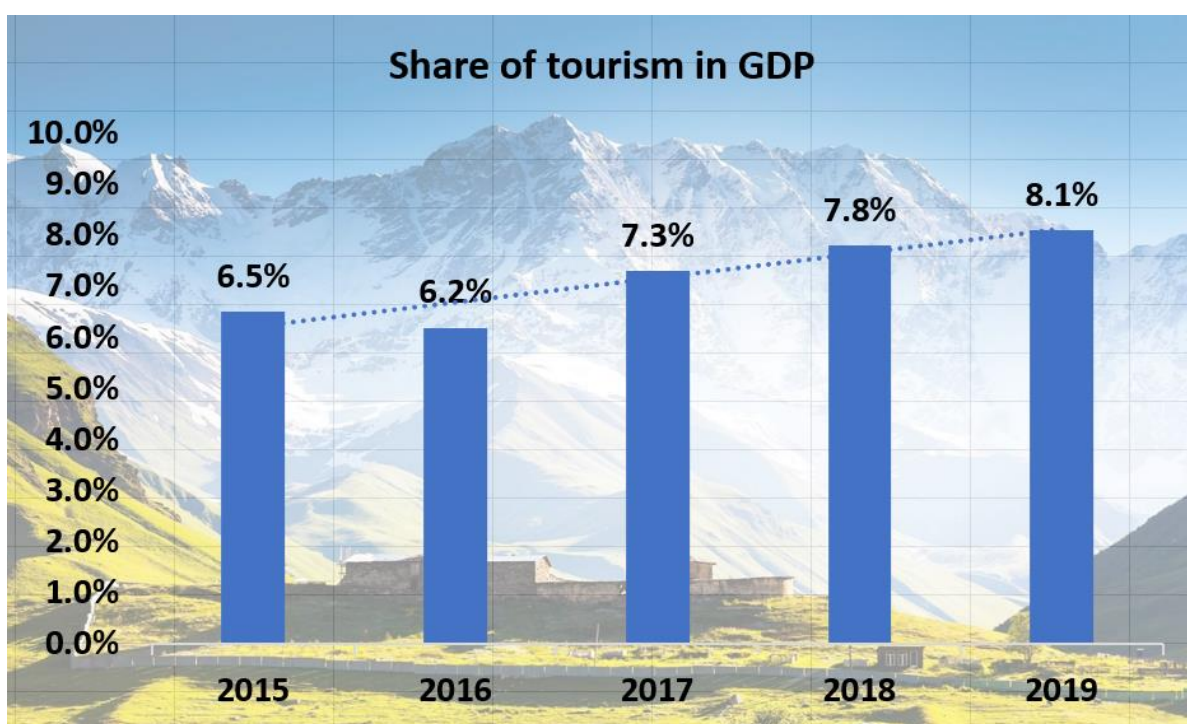


Figure 3: Share of tourism in GDP

Source: National Statistics Office of Georgia

However, as the World Bank Group (2018, p.72) explains: “Many natural and cultural assets are located in the rural areas and remain underutilized due to insufficient marketing efforts, poor connectivity, unsatisfactory customer services or accommodations, or limited industry specific knowledge on how to develop the promising segments of the sector considering emerging global megatrends in the industry. The latter includes the rise of technology mediated experience, growing demand for local authentic travel, the rise of millennial and third age travel. These trends will catalyse significant changes in demand and competition dynamics.”

3.1.1 Innovation processes in Georgia

Currently Georgia fails to keep up with other low-and-middle income countries on few of the indicators of innovation. In the 2015-2016 Global Competitiveness Index, Georgia’s lowest score of all 12 pillars of the index is on innovation, ranking 123 out of 140 (World Economic Forum, 2015). According to the Global Innovation Index (GII) 2020, which ranks world economies according to their innovation capabilities, Georgia ranks between 59 and 67. The country also produces less innovation outputs relative to its level of innovation investments. However, it is important to note that relative to GDP, Georgia is performing above expectations for its level of development (GII, 2020). Until this point, the capacity of SMEs to innovate and move up the value chain has been constrained as there is a low “innovation-readiness” of workforce and firms and entrepreneurial education is almost non-existent (World Bank, 2013). This means that the companies have difficulty succeeding in managerial and operational innovation processes. In terms of ICT, the use of it is still limited and its competitive benefits are not properly understood by many firms. And even though internet access has been growing, rural areas are still poorly connected which is an important factor in the competitiveness of tourism for bookings, advertisement and payments (World bank group, 2018). This leads to poor product, service and marketing innovation which is subsequently negatively affecting tourism product development. The World Bank in 2016 has also identified 7 obstacles the innovative firms in Georgia face in the business environment (figure 4). The report has shown that those obstacles are political instability (for 39.3% of the companies), access to finance (19.8%), practices of competitors (16.3%), corruption (7.8%), inadequately educated workforce (6.5%), tax rates (6%) and electricity (3.5%).

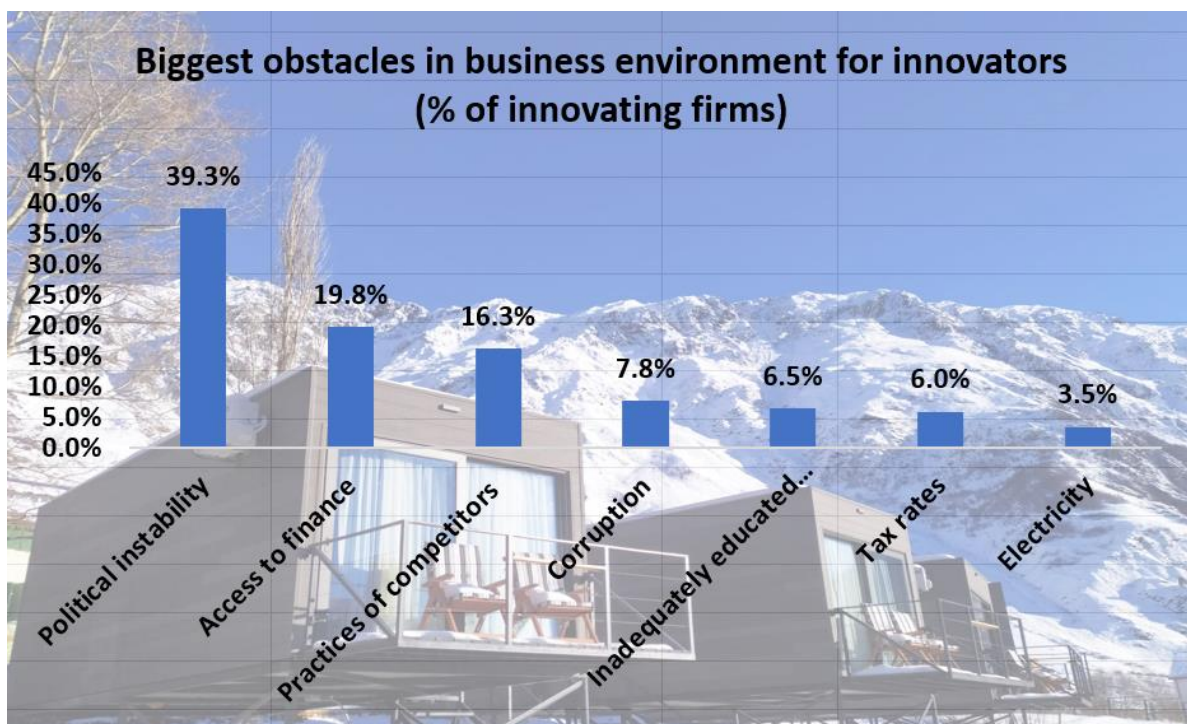


Figure 4: Biggest obstacles in business environment for innovators

Source: *The World Bank, 2016*

Lately, the government has started to promote innovation-driven and knowledge-based economies. The strategy includes strengthening human capital, improving private sector competitiveness and productivity through a focus on small and medium enterprises, increasing access to finance, and strengthening the investment opportunities. The government is working to develop capacity, services and infrastructure to encourage innovation processes. Organisations such as Tech Park GITA, University of Business and Technology, MediaLab and international donors including EU and USAID all contribute to improving innovation by offering educational courses, trainings, funding for startups, networking possibilities and more. Georgia's Innovation and Technology Agency (GITA) was created in March 2014 under the Ministry of Economy and Sustainable Development (MoESD) to develop and coordinate the innovation ecosystem. In addition, Enterprise Georgia was established in April 2014 under the MoESD to support SME development, promote entrepreneurship and development of an entrepreneurial culture, and nurture growth and sustainability of export products and services.

4. Methodology

4.1 Research Design

The methodology used to research the topic of this dissertation is an explorative qualitative research design. According to Boeije (2010) qualitative research is a widely accepted method and often applied to research in fields that have not yet been extensively studied. It can provide in-depth insight of behaviours, experiences, attitudes and directs the researcher to explore the aspects of social life. Moreover, qualitative research interviews create the possibility to ask follow-up questions and thus go in-depth into specific topics. The aim was to unfold the digitalization process in Georgian regional DMOs. Qualitative methods are most effective to capture the depth of the subject and meaning associated with the topic.

4.2 Research Sample and selection method

For the purpose of studying the digitalization process of Georgian regional DMOs, all four regional DMOs were invited to the interviews - Samegrelo DMO, Samtskhe-Javakheti DMO, Imereti DMO and Kakheti DMO.



Figure 5: Map of Georgia, Regions covered by the DMOs in green
(note: Abkhazia and South Ossetia are currently occupied by Russia)

Each of the DMOs are functioning no longer than 3 years and demonstrate relatively the same

level of digitalization. All 4 of abovementioned DMOs have online presence in terms of websites, Facebook and Instagram accounts and Youtube channels. These regional DMOs are representing the whole region and most of the businesses and destinations in their areas. One key personnel was chosen from each DMO, all local professionals – director and communication and marketing manager as those two are mostly responsible for destination image creation and stakeholder communication. Each DMO has around 4 employees and they do not have strictly defined roles and are involved in all of the organizational tasks. Therefore it was unnecessary to conduct individual interviews with each DMO employee.

Additionally, three experts were chosen to discuss the DMO formation, funding and development model to have a better understanding of the history of these organizations in the country. The reason behind choosing these three people is that they all were involved in the first stages of DMO formation in Georgia, were facilitating dialogues between the Government of Georgia and various large donor organisations, working on implementing the project and establishing the organisation itself. They are still actively working on supporting the DMOs through various working stages. I had a possibility to reach them through personal contacts.

4.3 Data Collection

4.3.1 Semi-structured interview guide and in-depth interviews

The conceptual model presented in figure 1 was used to formulate open-ended interview questions categorizing each question into different types of innovation to identify how Georgian regional DMOs achieve successful destination image creation and stakeholder communication through digitalization (See the interview guide in Appendix 1). All seven interviews were conducted online using ZOOM platform. The interviews were conducted in Georgian, transcribed and analysed. Every interviewee was informed of interview topics in advance and signed the interview consent form (Appendix 2). Each interview took between 40 and 60 minutes, with an exception of 1 interview lasting 1h 30min. The interviews were recorded for analysing purposes. The interview guide was divided into 4 parts: general questions, destination image, stakeholder communication and effective business model and closing questions.

Table 3: Topics of semi-structured interview guide

General Topic	Sub-Topics
Introduction	General questions
Destination image formation	Product and service innovation
	Marketing innovation
Stakeholder communication and effective business model	Managerial innovation
	Process innovation
	Institutional innovation
Closing questions	Personal experience

General questions sought the information about the DMOs and their area of work in general. Destination image combined six questions to gather data about product and service, marketing and managerial innovation. Stakeholder communication and effective business model part had five questions about process and institutional innovation. Closing questions go deeper in the topic of digitalization challenges and personal recommendations from the interviewees. Additional questions were asked during the interview to go deeper into the topics.

The interviews conducted with three experts working on DMO formation in Georgia were informal conducted as conversations and were unstructured. Only the main conversation topics such as “the first stages of DMO creation”, “DMO organisational structure”, “DMO funding model”, “the reason for establishing DMOs in Georgia”, “challenges of establishing the DMOs in Georgia” and “current situation in DMOs” were defined prior to the meeting. The questions were open-ended and additional questions were developed during the interview. Each interview took approximately 60min. The purpose of the unstructured interviews were to research the formation process of the regional DMOs, discuss their structure and challenges. Considering the lack of written research about DMOs in Georgia, the abovementioned interviews had a huge significance to explore the history of the DMOs in the country.

4.3.2 Online research

To gather more detailed information about Georgian regional DMO digital presence, the DMO websites and their social media accounts were researched. The list below is a full list of the web sites and social media accounts of all four Georgian DMOs.

Web Sites:

<http://www.visitkakheti.org/>

<https://kutaishi.travel/>

<http://visitsj.ge/en>

<http://visitsamegrelo.ge/en>

Social Media Accounts:

<https://www.facebook.com/dmovisitkakheti/>

<https://www.facebook.com/kutaishi.travel/>

<https://www.facebook.com/SamtskheJavakhetiDMO>

<https://www.facebook.com/visitsamtskhejavakheti/>

<https://www.facebook.com/SamegreloDMO/>

<https://www.facebook.com/VisitSamegrelo/>

https://www.instagram.com/dmo_visitkakheti/

<https://www.instagram.com/visitsamtskhejavakheti/>

<https://www.instagram.com/visitsamegrelo/>

4.4 Data analysis

The aim of the data analysis process was to understand structures and patterns of the digitalization process in the Georgian regional DMOs. Following the qualitative research methodology (Boeije, 2010), the data was segmented and later reassembled to find some patterns and similarities through codes generated. The conceptual model has shaped the framework for interview guides and provided an outline for coding as well. Different themes were identified from the collected data. As a first step, all the interviews were separated according to the conceptual model topics. The texts were then coded using innovation classification (Figure 1: Conceptual model). Some additional codes were also created, as the interviews revealed further valuable topics to the research. In total 14 codes were developed, 4 of them corresponding to the topic of destination image and 3 corresponding to stakeholder communication and effective business model, 3 explaining the history and structure of the DMOs and 4 to challenges and recommendations.

Next to the interview analysis, visual data analysis was conducted. The DMO websites were analysed to reveal the quality of the written content, visual representation and the user-friendliness of the web pages. The social media accounts were analysed using the same indicators with addition of also measuring the audience reach, likes, follows and social media

appearance. Unfortunately the DMOs do not have any digital targets set to be achieved yearly or quarterly and simply post all the interesting information that they have. This made it impossible to make assumptions about how they perform and whether they have relevant KPIs or not.

5. Results

5.1 DMOs in Georgia

It is important to give information about the structure, funding model and experience of the DMOs in order to then fully understand their work methods, challenges and opportunities.

In 2009 under the European Union instrument named the Twinning project, Georgia started the first phase of the DMO development process in Georgia. As it reads on the official website of the European Union, “Twinning is a European Union instrument for institutional cooperation between Public Administrations of EU Member States and of beneficiary or partner countries. Twinning projects bring together public sector expertise from EU Member States and beneficiary countries with the aim of achieving concrete mandatory operational results through peer to peer activities.” The project strives to use institutional cooperation to share good practices developed in the EU. The goal is for the beneficiary countries to create long-term relationships with EU Member State public administrations and acquire the skills and expertise. The aim of the first and second phases of the Twinning project in Georgia was to develop and strengthen the regional private sector, raise awareness, create public-private dialogue and establish important connections. During phase three, which was conducted with World Bank funding in 2011, the DMO strategies and establishment plans were created for Georgia. The plan was then put on hold until 2019. As the experts mentioned, the reasons for this were few, namely change of local governments, lack of will to proceed with the project, other priorities from the government, etc. Since 2019 large organizations like USAID ZRDA Activity in Georgia, USAID Economic Security Program, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), United Nations Development Programme (UNPD) as well as several different smaller local NGOs have worked to establish the DMOs, carried out capacity building activities and funded trainings, workshops and online courses for Georgian DMOs employees.

One example for the public-private collaboration was Georgian Tabla, a cookbook that has recipes of each region. USAID ZRDA Activity in Georgia funded the project which brought different stakeholders such as famous cooks, local gastronomy businesses, writers, books editors and most importantly DMOs together to work on the publishing process. Later the book was gifted to the DMOs who can now sell the book and receive income. This was one of the first steps to teach DMO employees to collaborate and create joint products, demonstrate the benefits of collaboration and profit from the final product.

All the DMOs in Georgia are regional DMOs and are non-profit legal entities funded and managed by the government. The organization is answering to the Supervisory Board, Advisory Council and Initiative Group. The Supervisory Board consists of DMO founders and in the case of Georgian DMOs – the municipality mayors. They have the power to make important decisions and are approving annual plans, managing funding. The Advisory Board consists of the same group of people but in this case the private sector can join the board upon the payment of a requested sum. Initiative Group is where most of the stakeholders can gather to discuss various matters related to DMO development in the region. Each Georgian DMO currently has between 4 and 7 employees, some of them full time, some part-time. The group mainly consists of an executive director, PR and marketing manager, product development manager and an accountant.

At the moment, DMOs are funded by the municipalities they cover, each donating approximately 30,000 GEL yearly (~8,000 EUR). Another main source for DMO income is grant money from large international funding organizations or some Georgian NGOs. According to their financial model, they should be receiving money from the private sector as well, but this is not the case now. Most of the income is currently spent on employee salaries, minor marketing campaigns and smaller infrastructure projects such as trail marking. There are two reasons for that. First, the amount is really small and is not sufficient for the bigger development projects, second funds are allocated by the Supervisory Board according to their priorities. The only case when the DMO is fully in charge of the money is when the organization receives a grant.

5.2 Current digitalization situation in DMOs

No doubt Georgian DMOs realize the importance of digital innovation and wish to fully benefit from the tools available. It is very clear to them that travelers can now independently explore travel opportunities, plan their holidays online and travel without tour guides. Using digital tools help them be on their own from the very start of their journey till the final step. Therefore the online world is where DMOs also need to meet their tourists. Georgian DMOs are just now figuring out how to integrate their work methods to the new trend of digitalization to stay up-to-date and still useful not only to the travelers but to the local tourism businesses as well. Considering money and human resource constraints DMOs face huge challenges on the path of digitalization. Those challenges will be discussed in detail later, but one thing that should be clear from the very beginning is that there are multiple factors that slow down the digitalization process. This can be easily understood from the fact that putting more effort into

introducing digital tools into DMO work is barely on the priority list at the moment. Even though all the interviewees I talked to intuitively understand the importance of using digital tools, only few of them actively try to incorporate digital practices in their everyday work and improve the current situation.

5.3 Digitally driven innovations in Georgian DMOs

There are few reasons why DMOs are generally created and one of them and arguably the most important is to create their destination image. In Georgia every DMO is responsible not only for a specific destination but the whole region and all the municipalities in it. The municipalities pay equal contribution and thus expect the DMOs to deliver equal quality for all. Representing the whole region is a challenge in itself as they usually combine multiple very different destinations and have significantly different needs.

5.3.1 Product/service innovation

As already mentioned, DMOs in Georgia are non-profit legal entities, which means they can sell products or services but all the profit should be put back into the organization. All the DMO members mentioned during the interviews that they do not intend to conduct large tourism businesses such as building a hotel, café or any other tourist activities. This would mean competing with local businesses and potentially taking their customers. One of the respondents mentioned: *“We do not want and cannot start a business. We are not here to compete with the businesses in our regions. We need to work with them, support, promote and help develop.”* In general DMOs in Georgia struggle to actively work on creating new products or services. The reasons for that are several, one being lack of competence and skills, second – lack of finances and third, lack of interest from the businesses.

The most common digital product that almost every DMO has created so far is a digital map of the region and a few digital trails. The maps should be published on DMO websites, but are not yet. Because of Covid-19 regulations DMOs have also organized few events and conferences online, as well as training, master classes and learning courses. The courses mostly cover topics like digital marketing, capacity building, introducing COVID-19 regulations and training to meet the travelers with all the regulations. They also try to provide support for managing online platforms such as www.booking.com, www.airbnb.com and other e-commerce web sites. For instance, DMO Kakheti has developed an online Wine and Guide course which is the first distance learning course in the field of wine tourism in Georgian and

is also provided in English. The course has 14 lessons each with 2 videos – theory and practice and reading materials. The course helps family winemakers turn their small wineries into a successful business and/or learn how to be a professional wine guide. The course is partly free and some additional services cost extra.

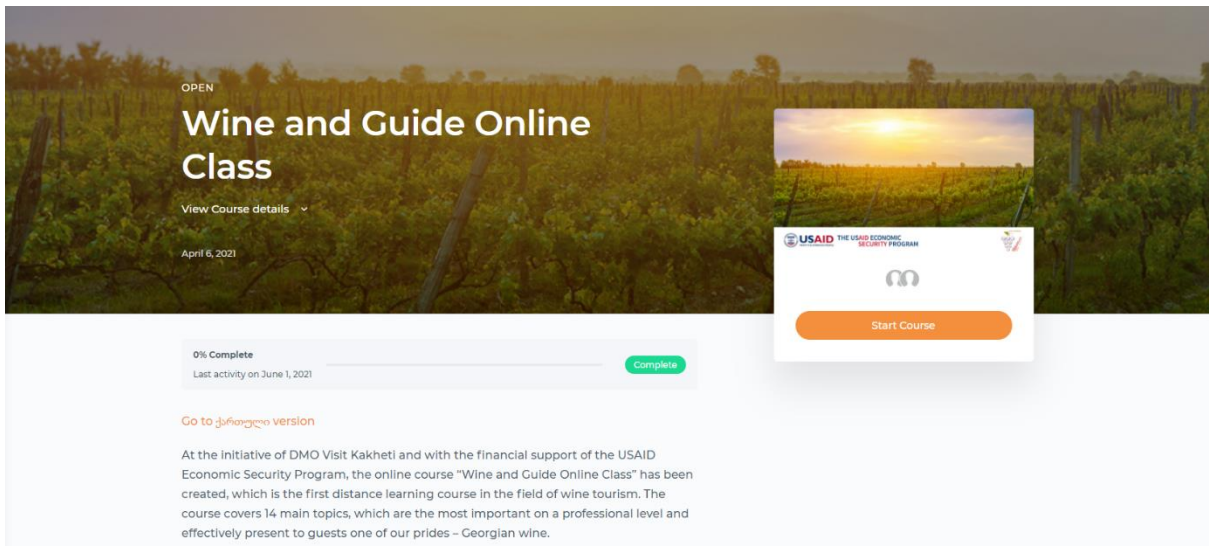


Figure 6: Wine and Guide course by Kakheti DMO

Source: www.insitute.solimarinternationa.com

DMOs also actively produce promotional short videos for their website and social media platforms. The videos aim to either introduce different destinations, historical sites, local businesses or share a story about the history of the region, cultural events, etc. The videos are published on Youtube and Facebook mostly, not yet on the websites.

Considering the low level of digitalization in product and service innovation, surprisingly, one of the DMOs has 3D virtual tours of several bigger touristic cities in its region. They also plan to reduce flayers and replace them with QR codes which will lead to the information on the website. Sadly, there is no exact timeline for this product as the DMO still does not have all the funds necessary to finance the project.

In the very far future, some of the DMOs consider adding a booking system to their web sites, while others are strictly opposed to this idea not to compete with local businesses. Creating a mobile application for the destination is another plan that one of the interviewees has shared with me. The DMO team member working on this idea said: *“having a mobile application is very trendy thing right now but it is way too expensive in Georgia. We really want to develop*

one. But maintaining a good quality, updating and managing the app is problem, we really love the idea but think it might be too risky.” The idea is to have all the necessary data about the region on your phone in one app. However, this is related to very large funds and challenges with maintenance. Therefore, the idea is still in a very early phase.

Considering the fact that the DMOs have a very limited number of products and services to offer it is very difficult for the DMO team members to discuss what kind of benefits they see from digital products or services. It is also important to mention that they are not receiving any income from these products yet as their creation processes are funded by different organizations and DMO do not sell them. All the products – maps, courses, 3D tours are free for customers. The one significant benefit that DMO members mention, is that those products and services help them raise awareness about the DMOs in the region. Still not a lot of people know the purpose of those organizations and this helps spread the word.

5.3.2 Marketing innovation

Digital marketing is an inevitable part of almost every organization now. DMOs in Georgia also realize the unlimited possibilities the internet gives to reach the desired audience, attract tourists, spread the word about their work and in general raise awareness. Digital tools are thus most widely used in marketing practices. All of the four DMOs have their own websites and at least one Facebook page, if not two. Three out of four have an Instagram account as well. They all also have email to communicate with travelers, business sectors in the region and public bodies.

Websites are an important source for information. DMOs try to have constantly updated information and visual content on their pages. This helps travellers be informed about the destination and easily find contacts of local authorities. Storytelling takes a huge part of the websites as well. On the web pages people can find a description of a destination, practical information such as opening hours, facilities nearby, exact location, prices, etc. and images. All the information on the websites are both in Georgian and in English. The websites for all 4 DMOs have similar structures. The travellers can find content about the history of the region, purpose of the DMO, things to do, places to visit, events, activities, places to stay and eat, maps, discounts, deals, etc. The texts are usually short with a photo showcasing the location. If the information is about a business, then their contact information is on the website as well. None of the DMO websites has e-commerce built in, meaning they do not provide online bookings, sell discount cards, different services or products. Even though DMO representatives

expressed the desire to develop the web sites in this direction, the exact plan for doing that is still unclear.

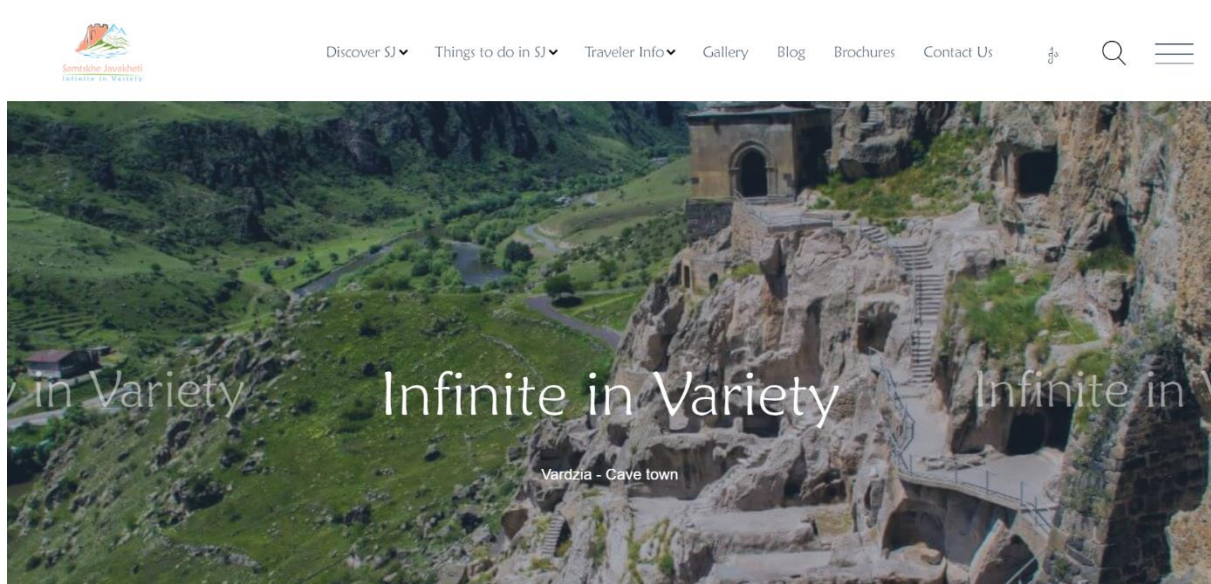


Figure 7: Website of Samtskhe-Javakheti DMO

Source: www.visitsj.ge/en

Facebook is the most popular social network for DMOs. Travellers and businesses can find the most updated news on the Facebook pages and receive quick responses via Facebook Messenger chat. One of the DMO team member said: “*we often chat with our customers on Facebook messenger, they send us questions, requests, ask for recommendations and we are always happy to reply.*” In the cases where DMOs have two Facebook pages, one is designated for sharing organizational news and spreading a word about training, new courses, grant opportunities and what has been done by the DMO. The other is usually for travellers to find information about destinations, hotels, cafes, activities, etc. Currently, Facebook is the main communication channel for the DMOs and it helps raise awareness about the organization and the destination with a wide audience. Currently the language used on Facebook page is Georgian only. This prevents the DMOs to reach international audience as well and thus the pages are only used to inform domestic travellers and tourism businesses. Facebook posts are occasionally advertised as well to better reach the target audience. The case of using Instagram is more problematic. All of the four DMOs have very few followers and thus the post reach is not significant. Additionally, this platform requires a huge amount of high quality photo and video material which is still a challenge for DMOs. Lack of finances and digital marketing skills prevent the organization from building successful Instagram profiles.

As one of the DMO representatives also mentioned, prior to COVID-19 pandemic they were issuing an online newsletter, but it was stopped rather soon as there were few to none activities

and events planned in the region. The organization decided there was no use anymore for sending newsletters out.

Digital marketing mostly helps DMOs raise awareness at this point and communicate with travellers and business stakeholders. Few of the interviewees said the DMOs still struggle with explaining what their purpose is and why the industry should trust the organization. Therefore, using social media platforms has become the main tool to share the information about their projects, connect with travelers and build the destination image for their regions. Having a high quality representation on the social media accounts also increases customer trust and confidence in the organization.

5.3.3 Managerial innovation

Covid-19 pandemic has accelerated the use of digital tools in DMOs as well. As an example, the ZOOM platform was used to organize a meeting with 12 municipality representatives. This would have happened live in a conference room earlier. As one respondent mentioned, this practice saved time, money, energy and made the meeting more efficient.

In order to measure the success of digital marketing activities, Facebook Analytics is most widely used. The DMOs that have websites also have Google Analytics to measure website activity but it does not seem to have gained popularity among DMO employees yet. Digital reporting was done only in one DMO after the audit specifically asked for it.

Email is used to communicate with municipality representatives, businesses and other interested parties. However, considering the fact that communication via email is not popular in regions, next to sending an email, DMOs have to call or visit the organization for a meeting in person. Internal communication system is also not benefiting from the digital services. *“we all (DMO employees) sit in the same room, not very far from each other and can talk about anything, our discussions are live and we do not need digital space to have a conversation”* – said one DMO team member. Same comments were made by all of the DMO members as well. Emails are mostly sent to share formal information, otherwise Facebook Messenger and Whatapp chat are more popular.

Even though most of the trainings and courses are still held live, DMOs use social media networks to spread the word, register people and communicate with potential course members about the benefits as well as technical aspects of the classes

5.3.4 Process innovation

As discussed above, the DMOs have a very limited number of products and services to sell. The web sites do not have e-commerce tools built-in yet. Therefore, digitalization in terms of process innovation is barely happening. However, it is worth mentioning that the Wine and Guide course Kakheti DMO has developed is available online via www.institute.solimarinternational.com. The participants can register for the course and attend classes online.

Even though most of the DMO members aspire to use digital tools to create different products and sell online, no other DMO has such a product at this point.

5.3.5 Institutional innovation

The use of digital technologies is also very low in the institutional side of the work. In terms of finances, as every DMO is a government entity, the budget is bound to the Georgia State Treasury. This automatically means that they have to conduct all the financial matters via the website www.etreasury.ge. Any purchase the DMO initiates should also be conducted through an online tender system via www.tenders.procurement.gov.ge. However, as the interviewers mentioned, the organizations do not use any additional financial software and internal budgeting and calculations are done manually. The organizations use online banking systems to manage grant money.

5.4 The main challenges the DMOs face while trying to innovate

Georgian DMOs face mainly three types of challenges not only in the process of digitalization but I would say, in general. First being lack of skills and competence, second – lack of finances and poor organizational structure and third, lack of digital skills in the rural areas. In this chapter I will try to discuss all three challenges in detail.

5.4.1 Lack of skills and competence

The DMO executive director is appointed by the Supervisory Board, all other members are

hired based on an open-call. I did not have a chance to see the job description and requirement for the personnel but only one or two DMO employees have tourism background as they have mentioned in the interviews. As one of the experts also mentioned: *“because the private sector is not involved in the management, the DMOs are not trustworthy for the businesses. DMOs are political entities now and people do not fully trust them.”* The DMO team members come from different backgrounds not related to tourism. For example, one of the DMO executive directors is a former police head. Sadly, I did not have a chance to personally talk to him as he declined my request for an interview twice. Even though the projects the DMO teams are trying to implement have more or less positive impact on the tourism sector, the priorities are sometimes set inappropriately and results in lack of trust from other industry members. All the DMO team members have completed a 14 week long DMO development course by an US based destination management and marketing consulting firm Solimar International. Yet the reality shows that the Georgian DMOs now have all the resources provided during the course but barely manage to use them properly.

Also, considering the fact that the DMOs have around 4 employees, each of them have to do extra work and in many cases, work that they are not fully competent to do. In one case, a DMO executive director was managing all social media accounts. She expressed some worries as she only knew so much in the field and had to learn how to navigate on her own. A DMO team member expressed her concern: *“I manage our DMO Facebook account, we do not have additional budget for that. I have written digital strategy myself using examples from other DMOs. I have also learned some things during the trainings. I also use my personal observations – now I know that the most popular posts are photos and videos with one or two sentences with it.”* This prevents the team to product high quality materials and fully benefit from the digital tools.

It would be very wrong not to mention the enthusiasm and will these people have to engage actively and develop the industry. Each one of them shared some amazing ideas and projects to implement, had great vision and passion. Few examples include building a community center/multifunctional touristic area, organize a local crafts festival, develop rural and sustainable tourism, work on diversification of tourist products, achieve high quality service, etc. Even though DMOs very actively use digital marketing tools, they still reach very few people, struggle to make an impact and create memorable content. This ultimately leads the DMOs to be less trustworthy.

5.4.2 Lack of finances and poor organizational structure

As discussed in the beginning of this chapter, currently regional DMOs in Georgia cover the whole region and not a specific destination. It is important to mention here that the Austrian model of DMO Tirol that was used in the beginning, is a destination DMO. The DMO in Tyrol only coordinates the destinations in the area of Tyrol. According to the experts I talked to, the Georgian version is the structure that is almost certainly set to fail or at least create multiple problems and conflicts. One of the experts mentioned: *“The decision to create DMOs in Georgia was government-driven, meaning the government wanted to do something that would have reflected well on their team and this structure was also easier to manage from the capital. But this regional DMO structure was the reason why the business sector lost the interest. The organisation was not close to them, it was on a different level, further from the sector.”* First of all, the regions have several extremely different destinations. For example Samtskhe-Javakheti DMO has to cover skiing resorts in Bakuriani, Cave Town in Vardzia, Megaliths in Meskheti, etc – all being completely different products for the tourists. This creates a challenge in terms of marketing as well as budget allocation, development strategies and capacity building. Each area needs a very unique approach and cannot be united under the same umbrella. It is almost absurd to believe that a DMO run by only 4 people can cater to the needs of all these different businesses, tourists with greatly different needs and municipality members.

Additionally, since regional DMOs are government entities and are receiving finances from municipal budgets. Every municipality in the region (11 municipalities in Imereti, 8 municipalities in Kakheti, 8 Municipalities in Samegrelo and 6 municipalities in Samtskhe-Javakheti) is responsible to give the organization the same amount of money yearly, consequently has a vote in budget planning. No matter how big or rich the municipality is, also no matter how touristic it is. This results in multiple problems. First, the amount that is given to the DMOs is very small and only sufficient to cover employee salaries and several small projects yearly. The budget is too low to attract qualified personnel and offer them good conditions and benefits to take the offer. Second, the municipalities with no tourist attractions feel unfair that they have to finance projects in other municipalities to develop tourism. This is understandable as smaller and poorer municipalities already struggle with small budgets and now have to contribute to tourism development that is not beneficial for them at all. On the other hand, since every municipality is paying the same amount they all make it their priority to push for projects in their areas. This is not so easy since not every municipality has the same touristic potential and the DMOs end up with small infrastructural projects. Those are the most approved since the municipality representatives can then easily measure the success and demonstrate what has been done in their areas.

In theory, DMOs have two other options to receive income – one by selling products or services and second, gathering membership fees from the private sector. None of the DMOs are selling any products or services at the moment, reason being also lack of finances to produce anything. However, considering how generously grant organizations are supporting the DMOs, this topic is still to be discussed. Moreover, none of the four DMOs have business members – this means they do not have income from this source either. Covid-19 pandemic has made tourism businesses extra careful with spending money. Especially for small family owned businesses, the situation has become rather hard. An interviewee shared the following statement from their own small research: *“Many of the private sector members are interested in joining our DMO, but they say, if it was 2019 they would have paid the membership fee, but things are different now – the tourism sector is afraid.”* At the same time, bigger businesses, who survived and are receiving guests even now, do not see the benefit of being part of the DMOs. One of the DMO employee said: *“The private sector is very weak now and cannot spend money, especially if they cannot see the benefits. Businesses are always counting how much they spend and what they receive in return. We need to spend our municipality budgets now to gain their trust.”* I had a chance to check out the DMO membership document. The offers the DMOs make are quite appealing and for a very low price. The offers include services such as marketing assistance, branding, space on the website and promotion on the social media platforms, training, invitation to member-only events, etc. But the DMOs have not yet provided any of these services to anyone in their regions. This makes it harder to attract members. Even though DMO has a huge potential to develop the region, be a liaison between the private and public sector and execute large tourism related development projects, businesses still hesitate to engage.

This lack of finances and very improper organizational structure leads the DMOs to struggle greatly. First, they are unable to create new digital products or services which can be a source of additional income. Second, they have difficulties marketing the region and this prevents them from fully using the digital marketing potential. Process innovation is also almost non-existent since there are very few products to produce and sell.

5.4.3 Lack of digital knowledge in the rural areas

Using ICT in everyday life and business processes has become an inevitable part of the tourism industry in Georgia. However, the situation is dramatically different in the rural areas of Georgia. The introduction of digital tools in our everyday life has not been so easy for everyone. People struggle to develop all the skills necessary, understand the benefits of the

internet and use the technology to their advantage. USAID ZRDA Activity in Georgia had multiple projects to support the digitalization process in rural touristic areas. They have financed to create social media accounts for tourism businesses and train local communities, offered co-financing of social media advertisement, helped create business accounts on Google and mark their businesses on Google Maps. However, as the interviewees mentioned, the interest from the business sector has always been very low and thus the situation is still not ideal: *“People do not understand why is it important to use digital platforms, it is time consuming, people have a lot of things to do and do not want to spend time on learning new things like that.”* There are of course few of the business owners who managed to benefit from every training and project, now have successful business and use all the digital tools but this is just the minority.

This overall level of digitalization in the regions creates extra challenges for the DMOs to offer digital services and products and market the destination. The interviewees have mentioned multiple times, they all have to call after sending an email to make sure the receiver opens the email and reads it. They have to train business owners to have appealing social media, or www.booking.com accounts and teach them how to take nice pictures and write descriptive texts about their properties. The photos posted online are often very poor quality, show unnecessary parts of property or for example, do not show the bedrooms at all. The DMO team member said: *“it is almost impossible to find detailed information on the smaller hotels or cafes online. They have very limited descriptions, and poor quality photos, rarely post photos of menus or working hours. They do not post much to gain trust of their potential customers.”* In short, the business sector that the DMO is catering to is not fully ready to use the digital tools available to them. Therefore the DMOs are not actively trying to vouch for digital transformation, rather try to use old ways to communicate and conduct business.

6. Discussion

The DMOs in Georgia were established in 2019, right before the Covid-19 pandemic hit. In every single conversation I had, the interviewees were expressing the same sadness about the plans that they had developed only to be put on the shelves. We can never judge what would have happened if... but what we can observe is the reality now. This chapter aims to reflect on the findings above using the literature and the theoretical framework presented in this dissertation.

DMOs ideally should be a strategic leader in the tourism industry, linking private to public sector and at the same time building a desirable destination for the travellers. According to UNWTO (2019) this organisation should be capable of assessing the current situation at the destination and developing effective strategies to create beneficial circumstances for all the stakeholders. One of the DMO directors also said almost the exact words while describing the DMO: *“a DMO should know exactly what is happening in its region at a highest level, should have the finger on the pulse of the region, constantly conduct research, lobby private sector, facilitate conversations with the Government and lead all the stakeholders into the right direction. A DMO should be a strategic leader in the tourism development process.”* The research has shown that the DMO team members manage to some extent introduce digital tools to the main five activities Gartrell (1994) has identified as the most important ones for the DMOs: coordination, leadership and advocacy, product development, visitor service development and serving as a liaison. Coordination being important to build a single and clear destination image is mostly facilitated through DMO websites and social media accounts. These platforms are used to raise awareness about the destination among domestic travellers, with hope to later reach international tourists as well. Digital tools are also partially used in leadership, advocacy and serving as a liaison to spread the word about the organisation itself and creating valuable connections. As many of the DMO team members expressed, the DMOs still face challenges establishing themselves as a recognisable organisation and having digital platforms to raise awareness is a huge advantage to them. Communication tools such as ZOOM platform also simplify some of the logistical aspects of stakeholder meetings for example. However, local communities having limited access and interest towards digital innovation poses extra challenge on DMOs in the case of Georgia.

Product and visitor service development is the least affected by the digital tools in Georgian DMOs. Lack of new products and services the DMOs offer currently, make it harder to discuss their digitalisation level in this area. However, referring to Schumpeter, considering the fact that product innovation is introducing new goods or new quality of a product yet unfamiliar to the customers – we can argue, that the DMOs barely manage to be innovate in this aspect. All

in all Georgian DMOs manage to conduct the main activities suggested by Gartrell (1994) , but only somewhat use digital tools to achieve their goals and find innovative solutions.

Considering all the facts, the DMO team members do their best to run the organization and use digital tools for that. Online courses, for example, give many people the opportunity to attend the class while digital maps make it easier for the travelers to access the maps on their computers and mobile phones. To go deeper, I will discuss each aspect of innovation separately. Destination image creation according to the conceptual model (figure 1) presented in this research, is a result of product and service and marketing innovation. Georgian DMOs work actively to build their brand among local travellers mostly by relying on digital marketing and communications. The websites and social media platforms which are used regularly to communicate with the industry and Georgian travellers, help the DMOs raise awareness and reach the wide audience in an efficient way. Using videos, photos and written content appeal to the new customers who look for the holiday options online. Therefore, as Mortensen & Bloch (2005) state, the DMOs manage to meet the needs of existing customers who are familiar with the destinations but require updated information as well as reach new markets online. DMOs using online platforms to market their organisations and destinations also help strengthen brand awareness and can be considered as being innovative in marketing (Hjalager, 2010). However, using only Georgian language on the Facebook accounts and not having enough funds to advertise the destinations internationally, prevent the DMOs to fully benefit from digital marketing. This makes it almost impossible to distribute information worldwide and capture larger markets segments (Law et al., 2010). Product and service innovation which can enable organisational growth, ensure competitive advantage and help create trustworthy image (The Oslo Manual), is very poorly achieved in Georgian DMOs. As mentioned above, the very few digital products offered by the DMOs are digital maps, online courses and 3D tours. None of these products are very new to the tourism industry. However, in Georgian context, considering that digital maps previously had many errors and there were no Georgian online wine and guide courses in Georgian or 3D virtual tours, these creations can be presented as improved digital products and accounted for product and service innovation.

The second added value according to the conceptual model (figure 1) that can be created through digital innovation is effective communication and business model. In order to talk about managerial innovation, as Mortensen & Bloch (2005) mention, the act of minimizing various expenses while increasing a company's productivity should be present. Hjalager (2010) adds development of organisational structure as another potential benefits of managerial innovation along with increasing workplace satisfaction. Unfortunately, in the case of Georgian DMOs this practices were not noticed. The DMOs spend municipality money on

standard expenditures such as salaries, marketing and minor infrastructural projects and do not demonstrate existence of innovative decisions to manage their funds. Workforce satisfaction level is also not taken care by using digital tools. However, ICT is widely used to communicate with stakeholders, conduct meetings and share important information. This eventually helps stakeholder interconnectedness and can help to ease the information gathering process (Buhalis and Amaranggana, 2014). Process innovation, as discussed in the literature is strongly linked to the product and service innovation and is meant to reduce costs related to work operations and increase efficiency as well as productivity using technologies (Hjalager, 2010). Again, considering that DMOs in Georgia currently have very scarce amount of products, process innovation is not a significant topic for the organisations. The digital products, maps, courses and 3D tours are all available online and produced using digital technologies, but their creation or distribution process is not aimed to reduce unit production or distribution cost even though they provide added value for the organisations. The case of institutional innovation is also very limited in the Georgian DMOs. DMOs manage to use digital financial services as they are also Government bodies and thus can be argued to have somewhat innovative approach to collaboration with regulatory structures (Hjalager, 2010).

7. Conclusion

In this dissertation the importance of innovation in the tourism industry was explored and how digitalization can facilitate this process. The focus of the research was to explore how the regional DMOs in Georgia manage to use digital tools to their advantage. The main goal of the desk research was to explore the concept of innovation and showcase what benefits and challenges it brings to the tourism industry. Product or service innovation, marketing innovation, managerial innovation, process innovation and institutional innovation all contribute to building more competitive business models, enhance customer experience, provide improved products and services, and simplify production processes as well as institutional practices. The research has also demonstrated how the digitalization process can accelerate innovation and the impact it has on modern travel practices. Integrating digital tools to travel has shifted the industry towards more customer-centred activity. People independently explore new locations, plan their holidays, experience the destinations and share their emotions afterwards. This all is now easily done by different digital tools. This has created a necessity to discuss innovation processes not from a classic economic standpoint, rather see innovation through the lens of tourism. The research has also shown that the tourism industry is eager to integrate digital tools in many different aspects of the business and benefit from the added value those innovative solutions provide.

The reason to choose DMOs in Georgia to explore is that these organizations appear to be important players in the development and management of the destinations. DMOs in general have the ability to collaborate with public and private sector and various stakeholders to improve the situation in the destinations not only for the visitors but for the local communities as well. DMOs are also actively using digital communication channels ever since ICT became popular and trying to transform their destinations towards more digital spaces. The DMO professionals and independent expert interviews provided insights to the first and second research questions: *“How do Georgian DMO professionals benefit from using digital tools to achieve their goals?”* and *“What are the main challenges Georgian regional DMOs face using digital tools?”*

The research has enlisted all the digital tools the Georgian DMOs use to facilitate innovation process in all five aspects of innovation. Creating digital maps and online courses, using digital marketing tools, and social media platforms to raise awareness and emails to communicate appeared to be the most popular practices among the four Georgian DMOs. The organisations manage to take advantage of ICT and provide innovative solutions to quickly raise awareness through social media platforms, share knowledge and make it accessible to the larger audience.

In the future they also plan to produce more digital products such as mobile apps, QR codes to distribute information, offer digital assistance to the tourism businesses. This clearly shows that the DMOs are familiar with the tools available to them and manage to partially benefit from them and introduce innovative solutions to their tasks. However, it is also clear that DMOs in Georgia are still in very early stages of using innovative solutions and benefit only from basic digital tools. Much of the potential benefits of innovation such as increasing income and productivity, capturing international audience, organisational growth, improving process efficiency, etc are still unexplored. Unfortunately, the DMOs currently do not have benchmarking methods or any digital goals set. The organisations only rarely use analytical tools for Facebook and websites. The information they share is simply the updates they have and not necessarily based on what the users might want to hear or like. This prevents them from having data driven content that can be quantified. The decisions the DMO team members make are not based on the customer behaviour analysis and this make it harder to estimate the level of their success in the process of innovation comparing to any specific goals.

Next, the research focused on the existing challenges the DMOs face while trying to use digital tools and being innovative in their everyday work. Digitalization requires a certain level of competence and skills and financial support. As it appeared, Georgian DMOs now lack both digital skills and competence as well as finances to support development projects and especially to focus on digitalisation. This makes it harder for the organisation to fully use digital technologies to their advantage and convert the opportunities into practices (Lin & Ho, 2008). It also became obvious that the current organization model is problematic and makes it harder for DMOs to manage the whole region instead of focusing on a specific destination. Digitalisation now is not used as a tool to build customized visitor experience and customized destination image and the potential to build a strong impact on the visitors is mostly lost. Lack of digital skills and knowledge in the local communities appeared to be an additional problem for the organizations to succeed in digital transformation. The local communities do not engage actively in the digitalisation processes and barely contribute to creating a strong destination image or digital communication practices. This also poses a big challenge for DMOs on their attempt to have innovative competitive advantage. The interviews have shown that the DMO team members are actively talking to the business community and trying to support their digital transformation by offering various trainings and help by building their Booking.com profiles, giving advice for social media management and trying to gather funds from donor organisations to support business digitalisation process. This, they hope, will not only help individual businesses but the whole destination as well.

7.1 Recommendations

At the end of the research, few recommendations were drawn to move towards creating the possibility to add extra value to the organization and the tourism industry by using digital tools as digitalisation can have a significant impact on innovative competitiveness in terms of economic, social and organisational aspects (Dredge et al., 2018). The recommendations given below are based on the conversations with DMO team members and local experts. The aim is to provide few ideas on how to possibly innovate through digitalization and create added value for the organizations. Improving knowledge and practical skills not only in innovation and digitalization but also in the tourism sector can help strengthen DMOs and establish them as trustworthy organizations. Additionally, using digital tools to create innovative products and services and market the destination can increase the interest from the desired visitors and attract more travelers, offer better experience and unique destinations.

1. Create more digital products and services:

Offering products to the local tourism businesses and tourists can increase DMO income and improve the destination for travelers. Digital world is giving endless opportunities to create innovative products and services. Especially nowadays, travelers are completely dependent on their phones and internet and eager to have good tourist products at their disposal. Georgia is still very poor in terms of offering a variety of products, thus the competition is very low and it is easy to be successful. Selling online courses and digital trail maps are great examples of that as digitalisation offers enormous opportunity to reach new markets, improve operational processes and be more competitive (Dredge et al., 2018). The equal access to the digital tool and internet present DMO professional with unique opportunity to create so much more digital products and services.

2. Put more effort in digital marketing:

The Internet has become one of the main sources where travelers look for inspiration, information, planning options, booking systems and buy holidays. The large amount of data gathered through the digital tools can help identify new business opportunities, market and customer behaviour and benefit decision-making process (Gray & Rumpe, 2015). Therefore, it is clear that advertising efforts should be actively directed towards the digital world. DMOs try to be active on social media platforms, but their audience is still very small and needs to be increased. Using web page and social media analytical tools can facilitate the establishment of new relations (Neubert, 2018). Additionally, there are more options to advertise other than Facebook to attract global markets, such as putting an ad on travel planning web platforms like

www.expedia.com, www.airbnb.com, creating compelling and eye-catching visual content or even collaborating with travel bloggers.

3. Invest in local business digital skills:

The destination can only be strong and appealing to the tourists when the businesses can offer unique products, excellent service and market themselves well. Consumers are now actively involved in creating their own experiences without the middle agency (Dredge et. Al., 2018). Social media content has become one of the most trustworthy information as it can provide diverse sources and relatively realistic image of the destination (Molinillo et al., 2017). Therefore the local businesses need to have great digital marketing (but not only) skills. The photos they post should be delightful to watch, texts should be interesting and the dialogue they conduct online with the customer – polite. DMOs thus need to strengthen local businesses, in this case, by teaching them how to adapt to digitalization.

4. Think out of the box:

DMOs in Georgia are put in a rather hard situation. They have to manage the whole region with extremely different tourist destinations and municipalities. Every single member municipality of the DMO has its own distinctive needs and tourism potential. It is understandable that the DMO employees do not have the power to change the structure of the organization or the area they cover. However, it would be far more beneficial to find a different approach to manage the destinations in their region that is more focused on the destinations itself and not the whole region. The focus of this research was not to explore how the structure could be potentially altered, thus it would not be correct to give recommendations on this subject. However, in terms of digital improvement, the DMOs still have the possibility to separate different destinations in the digital world and market them separately. This will help spread more concentrated and detailed information about the destination and the travelers will also have a chance to see targeted information.

5. Develop digital skills of the DMO team members:

Developing digital skills is one of the most important steps the DMO employees can take to improve their digital footprint now. Tourism domain experts with ICT skills who can use digital technologies and combine them with tourism expertise can be greatly beneficial considering their knowledge of stakeholder needs (Lamsfus et al., 2015). In order to have a better digital presence and communications the person managing this aspect requires technical knowledge of how to conduct this work. Moreover, there are multiple analytical tools that can be used to measure an organization's online success. This also needs specific knowledge and

skills to be able to retrieve all the data and analyze it later. Ultimately, this knowledge and skills can help create innovative digital products, have effective marketing and a powerful management system.

6. Use digital channels to sell:

Digital tools are offering so many opportunities to innovate and one of the easiest ways for DMOs to use this is to sell their products and services online. Dredge et al. (2018) argue that DMOs can have new role to support SMEs. Products like discount cards, event tickets, activities, tours, souvenirs, etc. can be sold online. A DMO can create an e-commerce platform or build a plug-in on their website where businesses can sell different products to tourists. This will give a DMO extra income, make it easier for the tourist to buy things and be an additional advertisement for the local tourism products.

7.2 Limitations and further research

This research had a few limitations that might have influenced the research process. First, the DMO system is very new in Georgia, to be exact, the first DMO was established in 2019. Therefore the information available is very limited. I was unable to find published research, annual reports, yearly plans or any kind of similar materials. Especially in the field of digitalization there is no research done and I was unable to find an expert working on this specific topic. Even though few local NGOs and large international funding organizations such as USAID, ADA (Austrian Development Agency), GIZ, UNDP have worked on DMO development projects in Georgia, their strategies and planning documents are not for public use. This meant I had to navigate through the subject, especially related to the topic of innovation by myself and had the opportunity to only talk to the people who have general knowledge of the DMOs. Considering the time constraints and master thesis framework I was only able to cover a small part of the DMOs in Georgia.

Second, as mentioned above, there is very limited data on the DMO world in Georgia and I did not have a chance to cover all the missing topics. This could be considered as a cause to why there might be few topics that still need more research after this dissertation. There were subjects that I could only cover partially and because of the lack of previous research, I had to make a few assumptions to navigate further. Moreover, as the organizations are very new, they do not have data or analysis of their own work. This means none of them were able to provide me with digital in depth progress reports, annual plans, digital data analysis. This further complicated the research.

Third, as there are only four regional DMOs (fifth might be established soon, might not) in Georgia, there were only a handful of people I was able to interview. The organizations itself are so small there was no need to interview a few people from the same office. As they all also mentioned, all of the employees sit in the same room and discuss all the topics together, thus one person from each DMO was enough to have the full picture of the situation. As for the experts involved in the DMO formation process, I managed to interview two of the initiators of the program, who are still involved in the DMO support until today. The third person, an independent tourism expert, is the person working on DMO strategies and organizing trainings for them. So all three of them are at the top positions to discuss DMO development in Georgia. This led me to have a group of only 7 people to interview which might be too small of a group, but considering the circumstances, all 7 of them are key actors and helped me cover the topic as much as possible.

As the work of Georgian regional DMOs has never been analyzed previously, there is a huge knowledge gap which sadly cannot be addressed fully in this document due to time constraints. I strongly believe Georgian DMOs have a huge potential to be the leaders in their regions and be the main players in the industry facilitating important processes and steering the conversations, but this needs innovative thinking from everyone involved.

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