

INFLUENCES OF GLOBALIZATION TRENDS AND SOCIAL CHANGES ON THE STRUCTURE OF TOURIST DEMAND AND SUPPLY

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Tourism development is under the strong influence of economic and social development on international, regional and national level. Globalization influences and development of informatics technology have been caused the wave of accelerating changes in tourist demand and supply.

Socio-demographic, economic, cultural and political factors changed the profile of modern tourists, their requests and preferences regarding tourist services. On the other side, market fragmentation and request for individualized tourism services impact the tourist supply polarization. While global tourist market still are dominated by unions and groups in the area of tourism intermediation, hotel businesses and airline services, on the other side range of small and medium companies (SMEs) are emerging on the tourist market. SMEs are focused on market niches where specific demand for different kinds of tourist demand appears.

Tourist suppliers are forced to react on those changes and to improve their offer as the answer to previously mentioned changes. Competition of emerging destinations initiated by development of new kinds of tourism as well as political and geopolitical changes increases the pressure and challenges for mature tourist destinations; as the consequence problems of differentiation from other destinations are complicating further.

Besides development of new types of tourism, suppliers of tourism services transformed traditional marketing concept which was built on elements of marketing mix (product, price, place and promotion), and extended service marketing mix (that includes additional elements – people, processes and physical evidence) into the model which is based on elements derived from the specific nature of tourist services and tourist experiences which are results of direct contacts among tourist customers and tourist suppliers. New paradigm of marketing is based on the 4E/7E concept and includes emotions, exclusivity, engagement and experience in the case of 4E, but also empathy, expertise and environment in the case of 7E model. Tourist firms are deciding about these changes expecting the market position sustaining and relationship with customers developing as the result of them.

Key words: globalization, tourists' characteristics, changes of tourist demand, polarization of tourist supply, marketing paradigm

INTRODUCTION

Tourist development is always influenced by society development. While development of industrial society has transformed travelling and holidays in mass tourism available to all, globalization and processes which are following it caused increasing fragmentation and individualization of tourist demand. That resulted with new types of tourism development. Key factors of global market development and tourism development include: a) growing

income, b) new and cheaper ways of transport, and c) intensive use of ITC and communication technologies.

The process of transformation and increasing complexity of the factors influencing tourism supply, structure and manifestation of the forms of tourist services demand are changing the map of service tourism supply, as well as service providers' positions in relation to competitors and potential customers.¹ Their services today include problems' solving and satisfying more sophisticated and much more demanding consumers. Several issues are stressing strongly in contemporary tourism supply: providing services efficiently, focus on product and service quality, integration of customer experience and relationships with service providers and, finally, mutual cooperation in the process of value creation for the tourists.

1. TRENDS AND CHANGES IMMANENT TO GLOBALIZATION

According to previously mentioned issues about tourism market, our intention is to present influences of the most visible changes in modern society on the tourism and travelers characteristics, but their behavior, and reaction on an actual tourist supply and new types of tourism, also. In this context the biggest, maybe even dramatic, influence is a result of Internet innovation and application; its advantages and disadvantages are connected to the possibility for commercial purposes. This innovation changed the way of thinking, life and decision making among tourists and tourism providers.

Jumping out of the Abel's strategic window² and trying to use unthinkable opportunities that commercial using of Internet has opened, contemporary customers are built network of contacts on both sides – with companies which are initiating supply and customers with whom they are creating another side of “story”. Tourists today want sustainability, while contemporary customers request corporate responsibility, so companies have to decide to adjust to these changes or to leave the market. Scientific evidences about global warming and climate changes, which are already approved, request urgent answer of private business and public sector. So, it is logical, that initiatives on the international level are opening the question of stronger role of the government in the form of different types of regulations; agreements about decreasing level of carbon dioxide emission, actions for global warming reduction and similar are proving that.

The only possible answer to these changes that companies can make is turnover toward marketing orientation focused on customers. The new concept – experience marketing which is based on mutual value creation is especially present in so called visitors' economy³ (especially in the case of high-contact services)⁴. Managers and employees in tourism organizations have to accept business reality they are face with – uncertainty and unpredictability. Times when crisis were temporarily transition between two stable periods are gone. Moreover, it could be said that markets and business are permanently in crisis.

¹ Morgan, M. with Ranchhod, A. (2009) *Marketing in Travel and Tourism*, Routledge, London and New York, p. 477.

² Abell, F. D., (1978) „Strategic Windows“, *Journal of Marketing*, pp. 21-26.

³ Kyriakidis, A., Hancock, H. Oaten, S. and Bashir, R. (2009) „Capturing the Visitor Economy: A Framework for Success“, *The Travel & Tourism Competitiveness Report*, World Economic Forum, pp. 65-76.

⁴ Middleton, C. T. V., Fyall, A. Morgan, M. with Ranchhod, A. (2009) *Marketing in Travel and Tourism*, Routledge, London and New York.

Because of that all social and business subjects, tourist supplier and intermediaries have to be aware of key factors which are impact different dimensions of social and business environment; specifically those that are dictating potential tourists' nature and behavior. In the text below the most important groups of factors that are shaping and changing tourists, their behavior, i.e. tourist demand, as well as tourist supply and competition will be analyzed.

2. FACTORS INFLUENCING CHANGES IN TOURISM DEMAND

Market and structural changes typical for 21th century lead to changes in social macro environment and business generally and in tourism also.⁵ Therefore, it is necessary to analyze tourism in the context of economic, social, cultural and even political changes which are result of globalization. (Figure 1) These changes are opening key questions:

- 1) Which trends will impact tourism development?
- 2) Which types of tourism will dominate in the future?
- 3) Which implications new factors and types of tourism will have on interest groups in tourism?

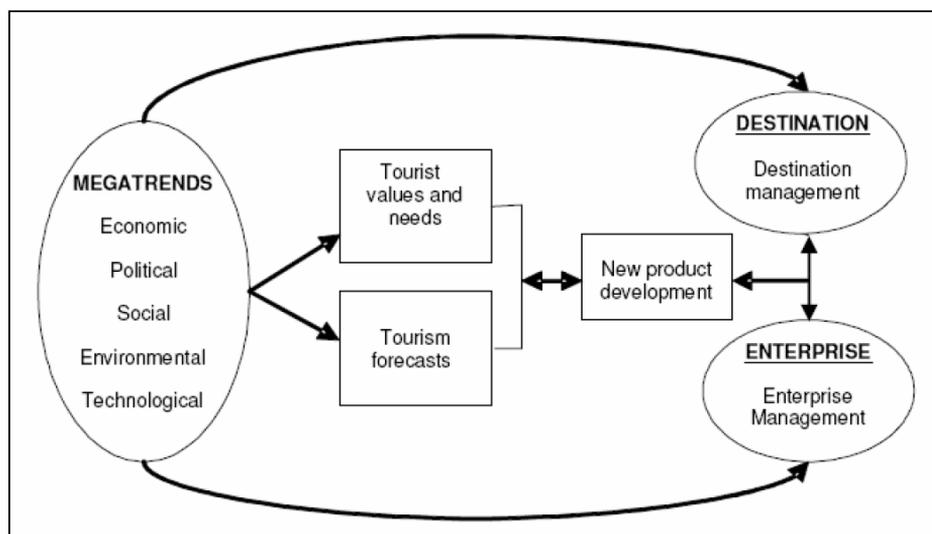


Figure 1. Influences of Megatrends on Tourism

Dwyer, L. (2008), *Megatrends underpinning tourism to 2020: analysis of key drivers for change*. CRC for Sustainable Tourism Pty Ltd.

Customers' reactions today, their perception of value and quality which are integrated in products and services, will depend on their influences and roles in the process of interaction. An experience in different phases of tourist services providing includes elements which are appearing in the process of value creation by service providers, and other participants in service process. Due to this, influences of mega and micro trends as well as

⁵ Knowles, T., Diamantis, D., & El-Mourhab, J. (2004). *The Globalization of Tourism and Hospitality*. London:

changes in structure of demand and tourists' characteristics caused by those changes have to be taken into consideration.

Demographic changes among potential and active tourists are mostly related to high increase of number of population, their age and gender structure changing. On the other side, social changes impact current relationship among subjects and elements of service supply and demand. Modern society are facing with important changes of social structure of people and their way of working, higher level of education, while at the same time preferences, the expectations of individuals, their life styles and values are changing. Previously explained socio-demographic changes have especially strong influence on the tourists' characteristics today, but on the changes in tourism demand and supply also. Except the growth of world population, prolongation of their lives and good health condition influence on the number of potential travelers and tourists increasing. It caused new types of tourism supply appears (medical, wellness, eco tourism and similar.) On the other side, high pressure in cities causes their desire to escape from everyday life. This is a factor which directly influences on the tourist market increasing,⁶ especially if it is additionally strengthened with time pressure and stress to which people are exposed all the time.⁷

Modern tourists are more experience, challenging, aware of available possibilities and as the consequence more critical in tourism supply evaluation; they are less loyal, hedonists and less price sensitive, but they insist on getting value for the money. At the same time they are environmentally conscious and are looking for an "authentic" tourist experience⁸ in which they will participate as active subjects, not only as observers. They are often called "tourists – researchers" – tourists who are interested to research, learning and participating in life of visiting destination. Everything that was presented before influence on the tourist experiences which further impact their needs for self-actualization and self-esteem.⁹ The consequence will be next cycle of development and improvement of customers' assertiveness but, also, increase of their requests which tourist suppliers must to fulfill in order to attract and retain new tourists.

However, the biggest influence on the level and structure of tourism demand has size and structure of family, customers' way of life, and the fact that four different generations parallel exist on global market – traditionalists, baby-boomers, X generation and Y generation. It is especially important that economic power of Y generation, known as *Millennials*, is growing. This tendency will cause further changes in tourism area, because of the fact that Y generation has substantially differences, habits and way of buying in comparison with other three generation. Magold claim that:¹⁰

"... Millennials access digital media on daily basis and have the ability to communicate with and purchase from suppliers anywhere in the world."

Since this generation has specific characteristics regarding usage of digital media, communication and buying from supplier around the world it will increase potential customers' power even more than it was the case at the end of 20th century known as

⁶ Vuuren, V. C. and Slabbert, E. (2011) „Travel Motivations and Behavior of Tourists to a South African Resort“, *Book Proceedings Vol. I – International Conference on Tourism & Management Studies*, pp. 295-304.

⁷ Dwyer, L., (2008) *Megatrends underpinning tourism to 2020: analysis of key drivers for change*. CRC for Sustainable Tourism Pty Ltd.

⁸ Ibid

⁹ Maslow, A. H. (1943) A Theory of Human Motivation, *Psychological Review*, Vol. 50(4), pp. 370-396. <http://dx.doi.org/10.1037/h0054346>

¹⁰ Mangold, W. & Smith, K. (2012). „Selling to Millennials with online reviews“. *Business Horizons*, 55(2), 141-153. <http://dx.doi.org/10.1016/j.bushor.2011.11.001>

customer market.¹¹ Namely, exponential technological development and growing dependence on technology in society are becoming central paradigm of social and economic development and this fact will radically change limitations and way of business. Internet has a critical role in these changes, mostly through moving markets into the virtual world. Everything of those dimensions impact the marketing and management in tourist firms¹²; while they are trying to answer to the challenges of globalized tourist markets. Here the case is about growing competition, especially the one from emerging destinations, lack of data about socio-economic trends, increasing requests for economic, social and environmentally sustainability of tourism, traditional problems of demand seasonality and variable tourism service quality, tourist offer diversification, growing accessibility of tourism travelling and holidays for members of society, lack of transparency and coherence in the quality of tourist services' evaluation, as well as cooperation in promotional efforts, lack of visual identity, policies coordination and financial instruments mobility.

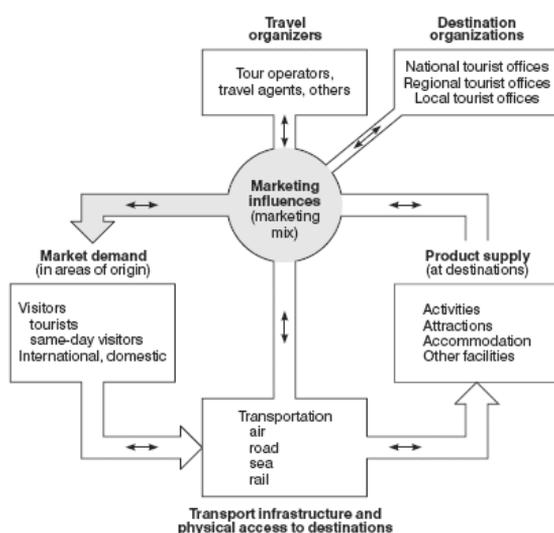


Figure 2. Relationship between Tourist Demand and Supply
The Meaning of Marketing in Travel and Tourism, July 30, 2010, <http://www.hotelmule.com/html/76/n-3076-8.html>

In Figure 2 vital relations between tourist demand and supply are presented, as well as their relationships with transport firms and intermediaries. The key tool for keeping successful relations among subjects in tourist value chain is implied in marketing strategy and marketing mix that tourism firms has been created based on information and knowledge about tourists' characteristics and behavior. Knowledge about customers/tourists, changes in their features and motives for travelling form the essence of marketing orientation centered on customers and tourists.

Depending on tourist segments, potential tourists and visitors' features, effects of marketing activities will vary. Tourists who independently (individually) make their plans and reservations for travelling are less exposed to the influences of marketing instruments designed by tourism supplier or intermediaries. Choosing individually source of information, comparing available alternatives and making decisions based on their own preferences and limiting factors, these tourists are often in the position to, more or less successfully, diminish pressures from tourist firms. On the other side, when it comes to the tourists who are still buying traditional tourist packages, alternatives which they are considering, evaluation factors and final decisions about the service and tourist destinations are mostly under the influences of

¹¹ Chen, Z. (2007) „Buyer Power: Economic Theory and Antitrust Policy”, *Research in Law and Economics*, Elsevier Ltd. Volume 22, 17-40, ISSN: 0193-5895/doi:10.1016/50193-5895(06)22002-5

¹² Abrate, G., Fraquelli, G. & Viglia, G. (2012). „Dynamic Pricing Strategies: Evidence from European Hotels“. *International Journal of Hospitality Management*, 31(1), 160-168. <http://dx.doi.org/10.1016/j.ijhm.2011.06.003>

marketing activities of tourism firms and intermediaries which are creating tourism supply and sales instruments.

3. GLOBALIZATION AND INDUSTRIAL POLARIZATION IN TOURISM

Following basic principles of marketing orientation centered on tourists, tourism organization and supplier of tourist services must to adapt to the changes in the scope, structure and dynamic of tourist demand, and tourists' requests about responsible business, also. Another, extremely important group of influencing factors is related to intensity and nature of competition in the tourism. Finally, on the tourist supply, not only economic, but political and cultural changes, caused by globalization, have strong influences.

With intentions to survive, develop and to have profitable business tourism organizations are forced to accept strategic and organizational changes. The result is a large number of acquisitions and mergers but small or medium firms founding, on the other side. Networks created by different market players and spread over the global market can have forms of vertical and horizontal integration. Even more, digital and virtual unions are built thanks to investment in electronic databases. According to the experts and theorists¹³ forecasting this trend will continue in the future.

Niche operators, on the other hand, offer specialized products, services and experiences for individuals or institutions with specific or even eccentric tastes. In most cases they are oriented on regional or local demand, but in the cases of very specific areas and thanks to networking, which was discussed at the beginning of the paper, they are more and more turning to the global market.

Based on mentioned issues one can conclude that strong polarization is characteristic of the modern tourist supply, especially in the case of different types of suppliers, their offer and way of communication with chosen segments. Accordingly, tourism supply today is creating by:

a) *Globalized and consolidated international cooperation* oriented on supply that can satisfy different, but already known, requests of contemporary tourists and customers. Concentration of airline and hotel industry, and distribution activities in tourism are results of continuation of acquisitions and mergers among leading companies; it is available previously because of technological development, Internet and globalized systems of reservation and tourist movement tracking. Dominant models of organization on global tourist market today are presented in airline companies (for example *Continental Airlines and United, Star Alliance, One World, Sky Team*). They are dedicated to development and strengthening of tourism offer on international market together with development of their offer the form adapted to the growing fragmentation and differentiation of tourism demand. The result of previously described changes in airline industry is the supply divided among low-budget companies and luxury ones. On the other side, hotel chains had responded with endorsement brands¹⁴ building for different target segments. For example in the case of Marriott hotel chain one can identify several types of hotels and customers: a) *Courtyard, SpringHill Suites, Residence Inn* for business people, b) *Marriott Vacation Club* for families, c) *TownePlace Suites* for price sensitive guests who are staying longer or d)

¹³ Bethapudi, A. (2013) „The Role of ICT in Tourism Industry“, *Journal of Applied Economics and Business*, Vol. 1, Issue 4, December, pp. 67-79.

¹⁴ Keller, K. L. (1998), *Strategic Brand Management: Building, Measuring, and Managing Brand Equity*, Upper Saddle River, New Jersey: Prentice-Hall.

Fairfield Inn & Suites accommodation for business people whose preferences are focused on value for money.



Figure 3. Marriott Hotel Chain

Marriott Hotel Brands. <http://travelconditions.biz/marriott-hotel-brands/>

creation.

b) Small businesses are positioned on the opposite side of tourist supply; thanks to the Internet they have possibilities to ensure quality of experience for destination's visitors. Moreover they have ideal position for applying experience marketing centered on customers¹⁷ and for mutual creating values as the result of tourism services suppliers and tourists' interaction.

Effective marketing portals are created for small tourism suppliers on the Internet. Through those portals small firms, with different attractions and events, can reach national, regional and international markets, to offer information and create customized services for tourists and visitors. Namely, global companies offer extraordinary services, but individual contacts, except in the cases of luxury arrangements, are very expensive for them and completely irrational. As the consequence, demand fragmentation creates chances for small and medium firms' development parallel with big companies and unions business on tourism market.

4. SOCIAL AND CULTURAL INFLUENCES

Special role in tourism development has social and cultural phenomena which are result of globalization at all levels, including globalization of ideas which directly impact tourists and customers' awareness of importance of environment and balance in relationship of social and nature environment, and on popularization of the concept of sustainable development.¹⁸ Today the concept of sustainable development is broadly present in tourism, development and management of tourism destination, as well as understanding of potential risks of unplanned and uncontrolled expansion of tourism supply. The result of those

¹⁵ Maskin, E. And Tirole, J. (1988) „A Theory of Dynamic Oligopoly, II: Price Competition, Kinked Demand Curves, and Edgeworth Cycles“, *Econometrica Journal of the Econometric Society*, Vol. 56, No. 3, pp. 571-599 <http://www.jstor.org/stable/1911701>

¹⁶ Yip, G. (1992). *Total Global Strategy: Managing for Worldwide Competitive Advantage*. New Jersey: Prentice Hall.

¹⁷ Babić-Hodović, V. (2010) *Marketing usluga*, Ekonomski fakultet u Sarajevu, str. 34-35.

¹⁸ Hall, C. A. and Lew, M. A. (2009). *Understanding and Managing Tourism Impacts: An Integrated Approach*. Abingdon: Taylor & Francis

changes is development of alternative types of tourism which are essentially contrasts to mass tourism; these changes stimulate emerging of new tourism destinations and growth of their popularity. Namely, according with postulates of responsible business (or corporate social responsibility – CSR) tourism firms have to apply business practice which gives them chance for implementation accepted strategies and goals, but without harming social community interests and environmental standards; that means they have to use available resources and act in a way which will help to resources and environment protection. On this way the space is opening for new destinations which didn't have enough capacities for mass tourism development, but which have enough resources for limited offer which could be created according new standards; those which are attractive for new tourist segments.

Appearance of new tourism destination and consequences of their offer are extremely important for tourism supply redirecting, but economic development of new destinations, their culture and traditions also. New destinations and their development are strongly influenced by dimensions resulting from globalization process and globalized communication among customers and individuals in virtual world, as well as spreading information about situations and trends at different locations. Here is the case about the expansion of social trends, new forms of buying and using, globalization and unification in the area of technology and fashion, and their ubiquitous influence on the social changes and way of life. This is the way how those changes influence on the online societies creation, those which support fashion tourism development.¹⁹ This movement will strengthen the trend which focuses its attention on the completely new destinations; they are more accessible and convenient in the sense of preferred brands buying, but also in the form of traditional sources of fashion industry and their global influences.

5. INFLUENCES OF POLITICAL FACTORS ON TOURIST SUPPLY

Political trends and geopolitical changes have been increasing sensitivity of potential tourists and visitors on different types of risks. Safety of visits to specific destinations today becomes one of key influencing factors in the process of making a choice about destination. That means that destinations in crisis areas are facing with huge challenges, but unfortunately even their neighbor countries. Of course, as it was the case with environmental responsible destinations, here some new destinations get chance to increase number of visitors, because of their political and economical stability and because of positive recommendations spread by previous visitors to their referent groups.²⁰ These problems are complicating even more due to the fact that growing number of older tourists insist on the security and at the same time they try to escape risks at areas and destinations where different types of political and other forms of conflicts appear.

In this situation tourist destinations are facing with the challenges how to decrease risks in prepurchase phase and to convince potential tourists to travel at some of destinations near to unsecure areas, and high responsibility about keeping promises regarding tourists' safety. They have moral and material responsibility for tourists' lives and safety; success in these tasks completing will positively impact readiness of potential tourists to travel to the destination. On the other side, unknown tourist destinations in these situations have

¹⁹ Shankman, S. (2014) *What the Fashion Industry Can Teach Tourism About Social Media*, <http://skift.com/2014/10/30/what-the-fashion-industry-can-teach-tourism-about-social-media/>

²⁰ Kotler, P. and Armstrong, G. (2007) *Principles of Marketing* 12th ed Upper Saddle River, Prentice Hall

opportunity to get tourists having low level of risk tolerance (high risk aversion), those that insist on the political stability and personal safety at the destinations where they are travelling to. Despite all guaranties these tourists won't accept the risk and to travel to unsafe areas; this is a chance for emerging destinations to attract new visitors.

6. MARKETING MIX FROM 4P'S/7P'S TO 4E'S/7E'S

Paradigm, strategies and elements of marketing and marketing mix in marketing oriented tourism firms, often called Marketing 2.0 paradigm, were based on 4Ps elements of marketing mix, precisely 7P's in the case of service companies. Today they are transforming firstly to 4C's and 7C's of contemporary marketing concept centered to customer into Marketing 3.0 paradigm,²¹ which is built on the base of 4E's²² or 7E's elements. The review of elements in different models is present in Table 1.

Table 1. „P marketing“ vs. „C marketing“ vs. „E marketing“

Marketing 2.0 (P marketing)		C marketing		Marketing 3.0 (E marketing)	
4P	7P	4C	7C	4E	7E
Product	Proactive service	Customer problem solving	Customer problem solving	Emotions	Emotions
Price	Price	Costs	Costs	Exclusivity	Exclusivity
Place	Place	Convenience	Convenience	Engagement	Engagement
Promotion	Promotion	Communication	Communication	Experience	Experience
	People		Contact personnel		Empathy
	Processes		Creation		Expertise
	Physical evidence		Contact points		Environment

For the implementation of the 4E's (7E's) marketing concept and building the long term relationship with customers, crucial role has creating of integrated branding model: internal branding focused on employees, external branding targeted on tourists and interactive branding that applies as the result of confirming tourist providers reliability and safety.²³

Marketing 3.0 is better options for building relationships with contemporary tourists which are described at the beginning of paper, those who are changing under the social, economical and other environmental influences. Through these changes and transformations their expectations and requests in all spheres of life are changing and improving; tourist demand is not an exception. As the consequence, only those suppliers that have knowledge and readiness for proactive actions can count on surviving and success on the tourist market.

²¹ Kotler, P., Kartaya, H., & Setiawan, I. (2010). *Marketing 3.0 - From Products to Customers to the Human Spirit*. New Jersey: John Wiley & Sons, Inc.

²² Gustavo, N. (2013), "Marketing Management Trends in Tourism and Hospitality Industry: Facing the 21st Century Environment", *International Journal of Marketing Studies*, Vol. 5, No. 3; ISSN 1918-719X E-ISSN 1918-7203, Published by Canadian Center of Science and Education

²³ Babić-Hodović, V. (2010), *Marketing usluga*, Ekonomski fakultet u Sarajevu, str. 362-365.

CONCLUSION

Globalization trends and social changes have been creating strong pressure on tourism companies, those offering standard tourism services on international market or small companies having business at specific tourism destinations. International or global companies have to change their traditional approach to tourists and customers and to adjust structure of their offer to the requests of modern customers if they want to protect the business and keep market positions. This is especially case when it comes to mature tourist destinations that are facing with problems of inadequate tourist services which are created and designed in mass tourism era.

On the other side micro and small firms have to use new opportunities that are opening as the result of the changes in tourism demand and potential customers' wishes. New types of tourism, individualized demand and specific taste of modern customers create lucrative tourist niche for small supplier, due to the fact that they are, by the nature of their business and limited resources, focused on individual tourists.

Both groups have to accept reality and changes in the marketing concept and its implementation in tourism – transformation from traditional marketing concept into the contemporary concept of experience marketing as well as mutual interactions of customers and suppliers which are focused on the new value creating for both sides – tourists and other subjects on tourism destination.

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