

## CONTRIBUTION OF NETWORKING AND CLUSTERING IN RURAL TOURISM BUSINESS

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*The tourism industry is characterised by a highly competitive global market. Research suggests networks and clusters are efficient tools providing a framework for small and medium-sized tourism enterprises with opportunities to operate in this competitive environment. The purpose of this paper is to explore the potential contribution of clusters and networks in the field of rural tourism business. A review of the literature on the contribution of clusters to tourism destination and tourism business management and marketing is followed by three case studies of rural tourism-related projects in Greece. These case studies focus on the main management and marketing issues. Various management and marketing issues are investigated; the achievements and problems are stressed, and the factors crucial to the success of these rural tourism business clusters are identified. The paper provides recommendations for local planners and destination managers to enable them to successfully operate such alliances.*

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**Keywords:** *Clusters & networks; Rural tourism business; Greece; Case study.*

### INTRODUCTION

The tourism industry is continuously faced with a highly competitive environment; and the global market does not longer involve single businesses, but it rather consists of geographical or thematic destinations composed by a network or cluster of tourism related operations (Lazzeretti & Petrillo, 2006). Research suggests that clusters/networks can be used as framework providing small and medium-sized tourism enterprises (SMTEs) - which do not possess either the resources or



organizational capabilities to survive on their own - with opportunities to operate in a competitive tourism environment. The challenges facing tourism businesses in rural areas have long been recognised (among others Wilson et al. 2001, Sharpley 2005). For many years the proactive partnerships between public and private sectors were a favoured method of addressing the problems faced by SMTEs in a highly competitive market (Middleton 2002). More recently, however, attention has been increasingly focused on the contribution of clusters/networks as a means of generating positive economies for tourism businesses and regional competitiveness (Porter 1998, Poon 2002). These alliances are becoming increasingly important as destinations are becoming more competitive in the tourism market for a market share. The linkages within the private sector are important because of the nature of overall tourism products which are an amalgam of multiple components supplied by a range of businesses. The more mature the market the greater the incentive for the individual actors at destinations to seek the benefits of partnership synergy.

The purpose of this paper is to explore the potential contribution of networking and clustering in the context of rural tourism business, and to identify factors associated with their success. The paper commences with a review of the literature and is followed by a discussion of three rural tourism-related projects in Greece. The paper concludes by providing policy implications and recommendations for local planners and destination managers to enable them to successfully operate such alliances.

## **LITERATURE REVIEW**

Tourism is a highly diverse and fragmented industry; this statement also stands for rural tourism which is generally regarded as including a wide variety of tourist services and activities, all being developed in an area characterised as being rural. It might be suggested that rural tourism is a concept which includes all tourist activity in rural areas (Soteriades & Varvaressos, 2002). It should be noted that the definition of rural tourism must be from a visitor's experiential perspective. The 'experience' of rural destination is definitely more important than specific attractions and products. The countryside has become the destination for a growing market and the challenge for rural tourism businesses is to produce the right product at the high level of quality sought by this clientele, and to market it professionally. Thus, rural tourism is, simultaneously a form of

consumer behaviour and strategy by which destinations develop and market rural-related attractions and imagery.

A cluster is simply a collection of businesses or industries within a particular region that are interconnected by their products, their markets and other businesses or organisations, such as suppliers, with which they interact. Porter defines clusters as ‘geographic concentrations of interconnected companies, specialised suppliers, service providers, firms in related industries, and associated institutions (for example, universities and trade associations) in particular fields that compete but also co-operate’ (Porter, 1998:197). Clustering is a process that enables the participants to exploit their synergies and the complementarities between their outputs, involving several benefits. A cluster is a progressive form of business network, which has strong business objectives focusing on improving sales and profits. It makes the exchange of information and technology possible, encouraging different ways of co-ordination and collaboration within them (European Commission, 2003). In essence, clusters are characterised by a variety of participants that transcend organisational boundaries and structures, and involve commitment by cluster members to a set of common goals and the sharing of worldviews. Clusters/networks are vital for regional development increasing the performance, innovative capacity and local businesses’ critical mass.

Clusters/networks are said to involve several benefits including economies of scale; a focus on cooperation and innovation; increased synergies and productivity; knowledge transfer; joint marketing; increased competitiveness and sustainable competitive advantage. All these create opportunities for synergy and mutual reinforcement to achieve the main aim of a destination that is a rewarding holiday experience for its visitors (Michael, 2003; Saxena, 2005). SMTEs face the challenges of renewing business models to maintain competitiveness in the global economy, and networking and product innovations are typical responses to these challenges (Kokkonen & Tuohino, 2007).

Research indicates that network building is a major new source of competitive advantage and an essential management requirement. Recent studies (e.g. Hall, 2005; Michael, 2003; Novelli et al., 2006; Saxena, 2005; Tinsley & Lynch, 2007) address in more depth the implications of clustering in the hospitality and tourism sectors. Michael (2003) highlights the importance of the ‘structure’ and the ‘scale’ of clusters, especially when applied to the tourism context. He also focuses on the ‘creation of economic and social opportunities in small communities through the development of clusters of complementary firms that can collectively deliver a bundle of attributes to make up a specialised

regional product' (Michael, 2003:3). Hence, networks/clusters are considered as being efficient management and marketing tools for rural destinations. These tools however, must be used in appropriate manner in order to contribute at achieving sustainable tourism development and related business objectives (Kokkonen & Tuohino, 2007; Tinsley & Lynch, 2007).

It has been stressed that, given the inevitable structural diversity of the tourism industry and its domination by small businesses, there is no logical alternative to the development of local partnership involving local tourism businesses and other local stakeholders. Considering that through a cluster, a group of SMEs can compete globally by co-operating locally; networks/clusters in tourism have experienced a dramatic growth, bringing significant benefits such as share of valuable marketing information, innovation, resource development and knowledge transfer between stakeholders (Saxena, 2005). The purpose of tourism clusters and networks is to highlight the availability of certain activities in one destination or region and to get SMEs that would normally work in isolation to co-operate and build a successful tourism product in the locality. It is exactly because of this fragmentation that all actors taking part in the value-chain should deal with issues such as integration, collaboration, networking of their activities (Poon 2002). Nowadays tourists desire a series of services that allows multiple options and a package offering opportunities of 'experiences'. The destination's value-chain is thus reflected in all its elements. This approach requires cooperation and networking between the key components. Lemmetyinen & Go (2009) suggested that the development of tourism business networks might be considered as a system in which every participant contribute with its own capabilities. The authors stressed the importance of a network approach for managing and engaging in active net participation, and they suggested that local tourism businesses must develop new key capabilities in order to face competition. Hence, the coordination of cooperative activities in tourism business clusters is identified as a prerequisite for enhancing the value-creation process and building the brand-identity process across the cluster. Another study (Kokkonen & Tuohino, 2007) analysed SMTEs innovation processes and networking dynamics. It was confirmed that innovation in SMTE networks was a synthetic process consisting of product, process and resource innovation.

The valuable contribution of tourism clusters/networks has been investigated and stressed in several contexts. Firstly, in regional and virtual networking; the tourism industry exists as a network of

interconnected subsectors, and consequently, networking is very beneficial in destination marketing (Soteriades & Avgeli, 2007). The contribution of ICTs has been highlighted by various authors (e.g. Hitz et al. 2006). The available technologies stimulate networking and electronic business networks have the potential to unite local stakeholders within a local network to address various problems. Destinations emerge as major beneficiaries of the ICTs, as they can take advantage of new strategic tools for management and marketing through co-ordination of local products and increased power in the distribution channel. These benefits can be achieved by means of a closer partnership throughout the tourism industry. The Internet allows the creation of virtual enterprises in which ICTs provide the linkages, especially networks for micro-businesses. It is suggested that SMTEs benefit from increased information flow through regional networking, to enhance market visibility, global positioning, and strategic leverage (Hitz et al., 2006). The development of the tourism portal [www.purenz.com](http://www.purenz.com) is a good example of the multilateral alliances and cooperative effort required in order to market New Zealand as a tourism destination (Bhat, 2004). Networks in regional communities are fundamental not only to leverage opportunities for promoting and marketing of local industry, but also in creating the prerequisites for regional product innovation.

Secondly, literature on event management has acknowledged the importance of building relationships with other actors within the context of event tourism (e.g. Getz et al., 2007) and convention tourism (Bernini, 2009). The case study of Lismore in Australia (Mackellar, 2006) demonstrates that festival activities such as recipe competitions allowed local growers and interstate visitors to discover new interconnections between gastronomy and other economic industries. It has been suggested that (i) in a network having long-term, and trustworthy relationships the operational uncertainty decreases and, consequently, the internal efficiency increase; (ii) a network operating without collaboration, it results in internal inefficiency. Stokes (2006) investigated the inter-organisational networks that influence events tourism strategy making by public-sector event development agencies in Australia. He suggested that strategies of a reactive-proactive nature mostly guide events tourism development by Australia's corporative event development agencies.

These agencies maintain soft, loosely formed networks that consist of relatively stable clusters. Wine tourism is another context that has been cited as an example of successful development of clusters (e.g. Hall, 2005). According to Getz & Brown (2006) collaboration is needed to facilitate the wine tourism experience, involving destination

marketing/management organizations, the wine and tourism industries, cultural and other recreational suppliers. Finally, a cluster in spa & health tourism has been investigated by Novelli et al. (2006). The UK 'Healthy Lifestyle Tourism Cluster' experience was employed to analyse the process and the implication of cluster development in tourism. Their study suggested that consideration should be given to the process rather than to the outcomes. However, the development of clusters should not be seen as a simple and spontaneous process, but as a very complex process linked to strong stakeholder collaboration.

During 90s and this decade networking/clustering projects have been performed all over Europe (European Commission, 2003). Within this context, a number of projects have been conducted in the field of rural tourism in Greece. These projects are mainly aiming at enhancing competitiveness and supporting efficiency of rural tourism business. Following a brief discussion of the study's methodology, three of these projects are analysed in this paper in order to investigate clusters/networks' contribution and highlight the factors influencing the successful operations of such projects.

## **RESEARCH METHODOLOGY**

The research employed a collective/multiple case study methodology. A case study is an empirical inquiry that 'investigates a contemporary phenomenon within its real-life context' (Yin, 1984:23). It may concern a person, a community, an organisation or any other unit of social life. Relevant data are gathered through the use of multiple sources including observations, interviews and narrative reports. In the field of tourism, a case study has become increasingly an accepted research method for gaining a holistic understanding of the factors contributing to the success of a single tourism business cluster or collective/multiple business networks.

The objective of this study was to gain an in-depth understanding of the clusters' contribution and success factors. It is based primarily on documentary evidence derived from a number of sources, including soft and hard copies of informational reports, private papers, visual documents, and promotional material of rural business clusters. Such documents are a rich source of data and commonly used in case study research. Documentary data to borrow a phrase from Hammersley & Atkinson (1995:173) provide 'a rich vein for analysis'. Moreover data was collected through semi-structured interviews with three coordinators of business clusters.

The research examined three projects, the rationale being that this should produce insights into what is 'good practice' in tourism enterprises clusters. Current knowledge in this area is either incomplete or shallow (Soteriades & Varvaressos, 2002). Hopefully, however, the three cases studies discussed in this paper will contribute to our understanding of tourism business clusters and may even provide a platform for further research.

Past studies show that many rural communities have to compete with the increasing number of regions that try to enter the tourism market, making the identification of a unique portfolio of indoor and outdoor activities the only way forward. It is suggested that the best way to stay competitive is through the reinforcement of existing networks and the formation of clusters in which knowledge, expertise and ideas are exchanged in order to build a visible and sustainable rural tourism portfolio (Hall, 2005; Wilson et al. 2001). Within this framework, it is very interesting to explore alliances that have been developed in order to draw a number of suggestions for destination planners and managers. For the purposes of this study three related projects are examined: (i) the 'Guest Inn' network; (ii) the 'Land of Psiloritis' cluster; and (iii) the 'Wine Roads of Northern Greece', cluster. The three projects are examined in terms of the following characteristics: (i) actors; (ii) objectives and activities; (iii) structure; and (iv) achievements and problems. These are discussed in the following sections.

## **PRESENTATION OF FINDINGS**

### **'Guest Inn', a rural accommodation network**

'Guest Inn' is a Greek network of rural accommodation that is a member of the European Federation of Farm and Village Tourism ([www.eurogites.org](http://www.eurogites.org)). It operates since 2003 under a formal structure as a general partnership. Its mission is to promote and distribute small accommodation units via the Internet, as well as to suggest and provide the traveller with accommodation which complies with specific common quality standards, such as friendly welcome and particular location. The network firstly concerns tourists interested in getting to know and spend his/her vacation in unknown beautiful places all over Greece. Secondly, it concerns outstanding rural accommodation units, usually located in regions still unspoiled. The accommodation-members are located in an authentic environment, quiet and well preserved, with respect to the local architecture. The network's aim is to establish of a brand name, acting as

an umbrella for marketing purposes, as well as to conform for referred operational models of rural accommodation. The most cost and time effective way of creating some form of visible identity has been to start with a logo (see Fig. 1) and a website ([www.guestinn.com](http://www.guestinn.com)). This logo formed the basis of branding.

**Figure 1.** The Guest Inn's logo



Accommodation operators, who become network members, are chosen irrespective of their category and price range, but on the condition that they meet specific quality criteria (see Table 1). A classification according to 'sunflowers' (1, 2 or 3) aims to determine the accommodation's standard and to enhance tourists find out the unit matching his/her desires. Hence, the network's aim is to render its brand name a guarantee for quality services.

**Table 1.** 'Guest Inn' – Quality criteria

Area	Criteria
Hospitality	Personal care and warm welcome by accommodation operator.
Stay	Pleasing decoration, impeccable cleanliness, comfort, good amenities in conjunction with a traditional home made breakfast.
Architecture	Small units, housed in new or renovated buildings, harmonious with the local architecture of each destination.
Environment	Landscapes of major natural beauty offering to the visitor peace, serenity and rest, as well as the opportunity to come into contact with the Greek countryside and its people; and get to know local products.

Source: [www.guestinn.com/en/quality](http://www.guestinn.com/en/quality)

The suggested locations are far from the beaten track and mass tourism. They provide the opportunity to discover traditional Greek hospitality and the beauty and serenity of the Greek landscape.

The website [www.guestinn.com](http://www.guestinn.com) offers information on the network, describing the project and listing members, and providing other general information. There is an affiliation with Minoan Lines, which

offers a discount for all clients having booked accommodation online. The network also offers association opportunities to related business.

REGION	UNITS	TYPES					
		Traditional cottages	Farm houses	Traditional studios	Traditional hotels	Rented guest rooms	Traditional guest houses
Macedonia	7				1		6
Thrace	3	1			2		
Epirus	7	1			1		5
Thessaly	4			1			3
Continental Greece (Fokida & Fthiotida)	2					1	1
Peloponnesus	10	1		2	1	1	5
Ionian Islands	5	2	2				1
North-Eastern Aegean	5	1	2	1			1
Cyclades	8		1	4	2		1
Crete	9	4	4				1
<b>TOTAL</b>	<b>60</b>	<b>10</b>	<b>9</b>	<b>8</b>	<b>7</b>	<b>2</b>	<b>24</b>
Distribution %	100%	16,7%	15%	13,3%	11,7%	3,3%	40%

**Table 2.** Guest Inn's members – Distribution by region and type of accommodation

*Source:* [www.guestinn.com/en/allpans.php](http://www.guestinn.com/en/allpans.php)

### **'Land of Psiloritis', a geographical cluster in Crete**

The cluster 'Land of Psiloritis' has been created by businesses, bodies and agencies sharing a common aim, namely to preserve, develop and promote the area's special identity, using concerted actions which are focusing on the development and promotion of rural tourism products in the central mountainous area of Crete (see Map 1 in Appendix). The cluster has been established since 2005 with a formal structure as a limited company (AKOMM, 2008). Its stakeholders are from different branches / industries: accommodation, catering, farmers, food producers, trade, cultural agencies ([www.idinet.gr](http://www.idinet.gr)). The local action programme of the European Initiative Leader Plus contributed a financial back-up, covering particular operational expenses. The cluster's partners are forty four (see Table 3).

**Table 3.** Partners of cluster 'Land of Psiloritis'

Industry / Activity	Partners	
	Number	Distribution (%)
Restaurants/ Catering	11	25%
Accommodation	12	27.3%
Alternative tourism – Travel agency	1	2.3%
Food and beverage producers/ manufacturers	14	31.7%
Popular art, traditional, handicrafts etc.	5	11.4%
Development and culture agencies	1	2.3%
Total	44	100%

The main aim of the cluster is the establishment of a brand name for quality products and services. This task is performed with the know-how and experience transfer of the trans-regional cooperation. The accumulated experience within local and interregional networking has enhanced the adoption of a platform of share interests and mutual benefits. Hence, the cluster would be very beneficial to sustainable development and management of rural tourism businesses. The cluster's main objective consists of offering a concrete expression and entrepreneurial form to all productive activities within the area of Psiloritis, by performing actions such as provide technical advices and consulting services to its partners (i.e. quality certification and marketing activities); promotion of local products; e-marketing and e-commerce; product development; and implementing innovative projects.



**Figure 2.** Psiloritis brand name

One of the cluster's main outcomes is the local brand name 'Psiloritis Crete' (see Figure 2). This is inspired from all the shepherd's houses (mitato) that a visitor can only meet in Psiloritis area

### **'Wine Roads of Northern Greece', a thematic and geographical cluster**

This cluster is an interregional partnership between the Wine Producers Association of the Northern Greece Vineyard and fifteen local development agencies ([www.wineroads.gr](http://www.wineroads.gr)). The Association was set up in 1993 as a not-for-profit non-stock corporation by the joint efforts of the thirteen members of the Association. Its aim was to support the vine-growing and wine-making tradition and give the opportunity to Greek and international visitors to discover the vineyards and wines of Northern Greece. In 2002, wineries from Epirus and Thrace joined the Association, and this new alliance was renamed as the 'Wine Producers Association of the Northern Greece Vineyard' with the trade name 'Wine Roads of Northern Greece' (see Map 2 in Appendix). Today, the forty five wineries that have joined forces within the association, have directed part of their corporate activity towards a set of common objectives. These include: (i) building up the image of the wines of Northern Greece Vineyards, and promoting their products; (ii) offering visitors an all-round wine tourism experience of vineyards and beautiful landscape; (iii) supporting Northern Greece's cultural heritage, by focusing primarily on grape growing and wine and on cultural activities; and (iv) participating in the formulation of general rules governing the relations between growers, wine-makers and

wine merchants, with a view to optimising cooperation, improving the quality of both products and services, and consumers' experience.

The alliance is actively involved in activities related to the above objectives. In 2007 the network grew to include selected hotels, restaurants, local produce and outdoor activities businesses. Hence, it has become a cluster, in order to collectively create a framework for the support of the region's cultural and gastronomic tradition. The project has received a financial back-up within the framework of the European Program Leader Plus. Its aim is to develop an integrated tourism rural product, a themed product having as a main concept the vineyard. A synoptic image of cluster's partners is shown into Table 4.

**Table 4.** Wine roads Cluster's Partners

Region Industry/ Activity	Central Macedonia	Western Macedonia	Eastern Macedonia	Epirus	Thessaly	TOTAL	
						Number	%
Wineries	20	11	6	3	5	45	26.9
Catering (Restaurants – Cafés)	25	14	6	3	1	49	29.4
Accommodation	21	11	8	10	1	51	30.5
Local products and handicraft producers	9	6	4	--	--	19	11.4
Recreational activities	1	1	--	1	---	3	1.8
TOTAL	76	43	24	17	7	167	100
Distribution %	45.5%	25.7%	14.4%	10.2%	4.2%	100	

In fact, wine routes are really a series of recommended itineraries selected for the traveller interested in visiting this region. Signage along the roads directs travellers to vineyards, wineries, stores stocked with regional culinary specialities, as well as churches, monasteries, and other points of interest. Recommended routes to visitors include, Olympian Gods, Epirus, Naoussa, Pella – Goumenissa, Lakes, Thessaloniki, Dionysus, and Halkidiki. Trips last three-four days and are flexible in that visitors can design their own holiday itinerary to experience the traditional culture. A trip along the 'Wine Roads' promises the visitor a great gastronomic experience.

## **ANALYSIS AND DISCUSSION**

Given that rural tourists are seeking a diversified and rewarding holiday experience, destinations effort should be put into identifying the opportunities for synergy and mutual reinforcement. The success of a destination in terms of tourists' satisfaction is a function of several interdependent components. Therefore, clusters/networks' activities are implemented into two main areas: (i) Management: networking contributes to strengthen backward economic linkages to reduce leakage; enhance collaboration; develop local understanding and knowledge of tourism; knowledge management; share information and expertise; innovate; and monitor the results achieved and adapt the management techniques accordingly; (ii) Marketing: provides techniques for conveying information, adapting products and moulding and monitoring customer behaviour (Fyall and Garrod, 2005). All variables marketing mix and communication tools, e.g. product development (value-chain and innovation); market research; market segmentation; branding; promotion; information services; relationship marketing would be positively influenced by the synergy created through coordinating them within one management team.

What are the main activities and achievements of the projects examined? Firstly, with regards to 'Guest Inn' network, its main achievement seems to be the establishment of a voluntary chain<sup>2</sup> with a brand name. A common branding is beneficial to better market positioning, joint marketing and promotional activities, efficient distribution (through a central distribution system), and operational standards. Various recreational activities are provided to guests through the network, such as rafting, trekking, wine roads, sea sports, horse riding, climbing, diving, bird watching, mountain bike, and skiing. Additionally, the network constitutes a means of establishing a quality scheme, thus enhancing rural tourism operators and contributing to the improvement of the quality services. Secondly, as for 'Land of Psiloritis' cluster, it should be stressed that the main outcome is the establishment of a brand name. This brand name is a component of a quality chart. Significant economic aspects of the brand name actions are: (i) to refer to products and services produced within the area; (ii) to enhance local enterprises and agencies to

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<sup>2</sup> A voluntary chain is a form of consortium of rural accommodation units. The establishments-members of this chain remain at the ownership of the operators, although they join their forces to achieve more efficient management and marketing.

collaborate in order to achieve sustainable management; and (iii) establish inter-linkages between local produce and gastronomy. The cluster's website has a banal approach; it is used as a notice board of posted events and has become a commercial tool for reaching potential visitors in search of services available in the area.

Finally, regarding the 'Wine Roads' cluster, its aim is to develop themed rural products in order to attract visitors in Northern Greece. Hence, it consists of interlinking, on one hand, professionals of accommodation, catering and local producers, and on the other, wineries and vineyards as tourist attractions. It should be noted that the selection of all partners for joining the cluster is based on specific qualitative criteria indicating a special seal of approval. Consequently, it is an initiative seeking to capitalise existing investments for projects already deployed; in other words, to trace new itineraries and to enlarge wine routes developed within the framework of European Initiative Leader II. These themed products interlink wineries and vineyard domains to tourism attractions, as well as to tourism-related business creating an added-value for professionals and rendering the region more attractive to potential visitors. Furthermore, through hosting and entertaining promotional events, the cluster plays a leading role in supporting the local wine, a key element in the Northern Greek vineyard. Cluster's activities include marking and signposting wine trails for tourists to follow, providing them with information on places of interest such as folklore museums, and archaeological and historical places. Other activities such as publishing books on local gastronomy, organising gastronomic and cultural events, festivals and other meetings aim at generating tourist visitation.

The formation of clusters/networks is routed in the desire of rural communities to create a more viable set of tourism opportunities. Benefits resulted from clustering /networking includes: sharing of ideas, knowledge transfer through expertise and resources exchange; skills enhancement (i.e. customer services practice); establishing a quality assurance scheme; establishing inter-linkages between local produce and gastronomy; and efficient marketing. From a business perspective, the above examined three alliances have produced significant benefits for those SMEs used to working in isolation, which now co-operate with other local businesses. Their alliances have been generating improved quality of services and enhanced the visibility of SMEs. Furthermore, they have created synergies: commercial collaboration is one of the most obvious outputs, as well as voluntary arrangement of business referrals and joint marketing under their banner. Through the partnership, rural

operations are encouraged to operate in a progressive form of business network (cluster) in order to work for their own interests (improved sales and profits) and for the visitors' benefits (improved product/experience). From the foregoing analysis it can be seen that the three Greek projects have the three basic features as identified by Roberts & Hall (2001): all three (i) have partners sharing common objectives and mutual benefits; (ii) create synergy between the partners concerning activities carried out in local and regional level; and (iii) enhance the previous actions. Within this clustering framework, the activities undertaken are into management and marketing fields, and some themed products – wine routes and gastronomic trails - have been developed. These products include coupling between culture (monuments), agricultural activities, local products (wine) and gastronomy, leisure activities in order to achieve synergy. These activities are common to the networked areas. Another achievement of the examined projects is the introduction of innovative procedures concerning the promotion of rural tourism business, the improvement of supply, knowledge transfer; experience exchange and joint marketing actions.

However, our study suggests the problems are there. The fragmented nature and predominance of very small tourism enterprises and the weak relational ties between actors makes it difficult for an industry network to be self-supporting. The clusters offer some solutions to some of the immediate needs of the participating businesses, but the difficulty is keeping the members motivated for the long-term objectives, e.g. growth. It often seems that the short-term results are valued more than the long-term prospects. Experience has also shown that one of the major issues is encouraging local businesses to look at the long-term economic development implications rather than focusing on the short-term benefits. Another problem is the retention of skills and the quality of the local supply chain. The local industry is characterised by relative weak and unstable relations. Since the cluster's main aim is to generate businesses and market diversification, the value-chain needs to be established and enriched. Enormous efforts have been made by coordinators to keep members interested by contributing to the cluster activities, which in a way stressed the importance of a joint effort. Lack of leadership and lack of shared commitment and enthusiasm was also evident. One of the key findings of our study is that there is a need for strong leadership in order to strengthen further relational ties between members. Clusters/networks lack research information to set and monitor realistic targets, mostly they do not coordinate visitor management programmes, and they do not involve local businesses in the process of setting and achieving agreed

targets. Last but not least, the examined projects do not take full advantage of the tools provided by ICTs, mainly the Web 2.0. Clusters have to address the above problems and face the challenges; otherwise they will have dysfunctions resulting in ineffectiveness (Novelli et al, 2006).

## **POLICY IMPLICATIONS AND RECOMMENDATIONS**

The study of the three projects has shown that these alliances can help in the innovation process of rural tourism businesses, and can contribute to regional development, through the simple results produced by network activities. The study's policy implications and recommendations are twofold, as follows. Firstly, two crucial issues and a major challenge suggested by related research have been confirmed: (i) it is imperative to adopt a strategic approach to networking/clustering in order to consistently ensure higher standards of product delivery at destinations and to appeal to ever more demanding customers. This approach effectively conserves and enhances the special intrinsic qualities and character of 'place' at a destination, both for its own sake and as a core element of its attractiveness to visitors; (ii) there is also a requirement for efficient management of local clusters (i.e., leadership and clear rules of conduct). Within this framework, a much-improved research effort and research-based market segmentation are needed to provide management information for decision-making in order to achieve desirable marketing outcomes in a rural tourism context; (iii) the challenge is to create a customer focus bounded by knowledge management and driven by innovation and personal service.

Secondly, the study highlights those factors which are considered crucial for success and which influence the effectiveness of clusters in rural tourism businesses. These are: (i) participation of both public and private sectors is essential. It is estimated that the optimum route to effective management and marketing lies somewhere between the resource responsibility and orientation of the public sector and the asset responsibility and market orientation of the private sector; (ii) a clear cluster structure (relationships and roles of members) is required and a common platform of interests should be developed. There is also a need to consider informal relationships among local stakeholders; (iii) the characteristics of partners, in terms of their expertise and professionalism and networking ability have important ramifications for the cluster's cohesiveness and the development of shared views and understandings of problems; (iv) additionally, shared commitment, collective action, and

continuity must be strong features of the alliance; (v) the cluster's geographical/spatial qualities have significant implications for collaboration, harmony and agenda setting in the alliance. It is suggested that a theme (e.g. wine or other distinct local produce, experience quality) may be the driving force to attain improved outcomes.

Furthermore, there is a need for a customer focus driven by innovation and personal service. This will be a major challenge for rural tourism business. It is suggested that networking and clustering are efficient tools providing with opportunities for energy and innovation, and networking activities should be a prerequisite for rural tourism policies. Where these tools are appropriately implemented, taking into account all the above-mentioned factors, they would have a significant contribution into rural tourism industry competitiveness. These business alliances could operate more efficiently at local destination level, having a comprehensive approach; in other words consider the local economic development components / factors (Hall, 2005), e.g. maximum of local stakeholders must be connected up (i.e. local marketing networks and management clusters); attract external resources (i.e. finance, skills and technology); and reach the customers outside the region (i.e. use of ICTs). Obviously rural tourism industry should be obliged to adopt and implement tools and practices such as clustering and networking to attain maturity; the aim being for related businesses to be adapted in new over-particular global marketplace.

However, it should be stressed that our study encompasses some limitations. It is an exploratory research, the method used is a case study and further testing with other cases would confirm and highlight contribution and success factors. The present study tended to describe rural tourism cluster's structure and activities. Findings cannot be generalized to any specific project or geographical area. Further investigation is needed to make it more robust. More extensive empirical work is needed to investigate the dimensions, properties and aspects of business networks. Hence, there is a need to understand the dynamics of clusters/networks and to develop appropriate strategies for their management.

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## APPENDIX

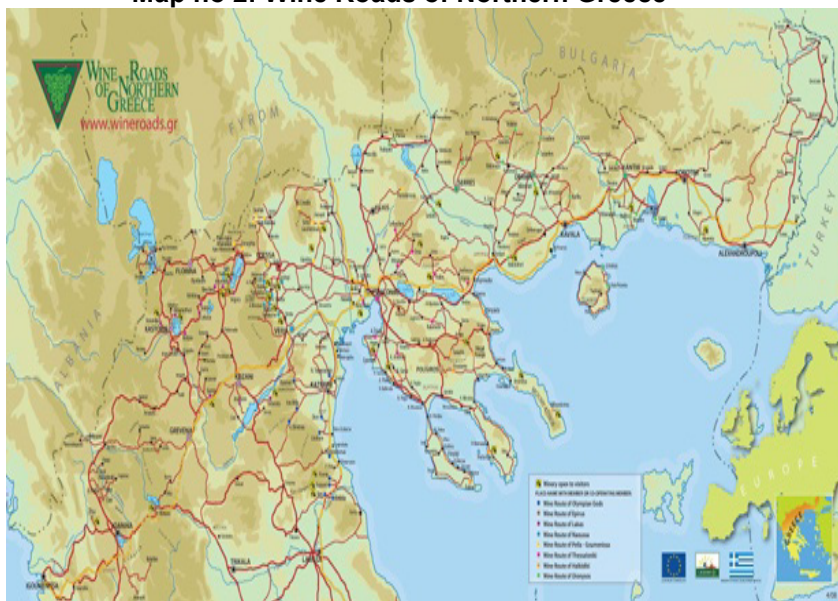
Map no 1. Greece and Crete





Sources: <http://maps.google.com/maps> and <http://www.thehotel.gr/map-of-crete/>

### Map no 2: Wine Roads of Northern Greece



Source: [www.wineroads.gr/eng/index.php#](http://www.wineroads.gr/eng/index.php#)

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