Cooperative Marketing in the Accommodation Subsector: Southeastern Mediterranean Perspectives

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Executive Summary

This article examines the concept of cooperative marketing and reviews the wider range of elements that constitute cooperative marketing. Subsequently, the article considers its potential for small- and medium-sized hotels (SMHs) in Cyprus, Greece, and Turkey, and suggests strategies that might stimulate such cooperation. Finally, the article concludes with the implications of cooperative marketing for tourism destinations in general. It is expected that this analysis will help to explore the possibilities of cooperative marketing in the hotel subsector within the limits of the local economies, as well as offering lessons for other countries in the Mediterranean region. © 2000 John Wiley & Sons, Inc.

INTRODUCTION

In recent years, there has been a recognition of the increasing importance of cooperation as an element of marketing strategy for the tourism sector (see Okoroafo, 1989). This acknowledgement stems from two considerations, the first of which being the development of tourism as a major international economic activity, together with its potential to contribute to economic development in terms of foreign-exchange earnings, employment, etc, and as a development catalyst. One outcome has been considerable government support for tourism in many developing countries through various policy initiatives to

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maximize that positive contribution. It therefore can be argued that the marketing strategy for tourism will seek to optimize the benefits to be gained from tourism.

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The second consideration relates to other pressures such as increasing promotion costs and competition, reflecting current trends in the tourism industry. Their significance lies not just in the number of companies and organizations involved in the sector, but perhaps also in their business philosophy, which varies from the protection of their market share, diversifying the market to launching new products. All this costs money. Thus, international tourism is a highly competitive activity because of the discretionary and exogenous nature of the demand. Taking a holiday is discretionary in the sense that it is voluntary and exogenous because tourism demand is induced from outside of the host country, with consequent increase in destination substitution.

But the overall competitiveness of a destination is related to many factors, not least being the tourist "product" consisting of three components, usually the 3As: *access,* which is the mode of transport to the destination chosen by the tourist and is determined by the time and the cost to reach the destination; *attractions,* which underpin the choice of the tourist to visit one destination rather than another; and *amenities,* which are the facilities available at the destination visited.

In the context of this article, the emphasis is on amenities, which, in a generic sense, would include accommodation, shopping, and tour and travel facilities. In this article, however, the focus is on the accommodation component because of its importance in tourism, the absence of which may deter the tourist from travelling to enjoy the attractions. Although amenities are revenue generating, the major problem is that they require large investments, often in projects with long payback periods. However, it needs to be emphasized that for countries to survive in the international tourism marketplace they must provide internationally acceptable facilities, which also must be marketable. The price charged for accommodation has to be right; needless to say, the quality of the provision should not be compromised. Given that the provision of such facilities is, among other considerations, capital intensive in one sense, one might say that the marketing challenge is considerable. First, there is a need to devise strategies that might encourage the spirit of what some writers have labeled "co-operation not competition" (Buhalis & Cooper, 1998). Second, for the cooperating parties, the measure potentially should allow them the liberty to share associated costs to their mutual benefit.

Such cooperation also is important to small- and medium-sized hotel enterprises (SMEs), described in resource terms as sharing similar business orientations and weaknesses, including marketing, physical, human, and even financial resources, etc. (see Morrison, 1998), which might threaten their survival in the tourism marketplace. Thus, this article examines the concept of cooperative marketing, reviews the wider range of elements that constitute cooperative marketing, and applies it to the small hotel business. Second, the article considers its potential in the context of Cyprus, Greece, and Turkey, three Mediterranean countries having common tourism situations, and suggests strategies that might stimulate such cooperation. Finally, the article draws from the results implications for tourism destinations in general.

ANALYTICAL DIMENSIONS

The analytical orientation pursued here covers three broad aspects. The first addresses definitional issues, the second considers their relevance to the small hotel subsector and the problems associated with cooperating arrangements, and the third examines the various strategic approaches.

What Is Cooperative Marketing?

Cooperative marketing, a relatively new field in the marketing literature, points to an idea of the coming together of two or more individuals, groups, firms, or organizations to build a relationship based on a mutual benefit to the parties (Smith, Carrol, & Ashford, 1995). Such cooperation is at the level of *product* development, sales *promotion, pricing* arrangements, and *place* (or distribution) mechanisms—the usual 4Ps of marketing mixed channels (Varadarajan, 1986). In doing so, the cooperating channel members pledge to combine and utilize their resources (e.g., physical, labor, and capital) and to share associated costs to tackle the resource constraints and environmental uncertainty, as well as external pressures and challenges confronting them in a marketing system (Rosenbloom, 1999). It is expected that such an arrangement has the potential for them not only to overcome these constraints and so ensuring their survival, but also to enhance the technical, managerial, marketing, financial, and purchasing economies of scale, as Browning, Beyer, and Shetler (1995) have argued. This relationship can take two forms: first, horizontal, which is a situation whereby channel members at the same stage of distribution coordinate their marketing activities; and, second, vertical, which brings together channel mem-

bers at different stages of the distribution process, thus reflecting a systems approach (Morse, 1992).

Much of the writing in the cooperative-marketing literature has focused on small- and medium-sized enterprises as the relevant level of operationalizing the concept (e.g., Shan, 1990; Van Horn, 1990) because of their significance in terms of number and diversity to the extent that they cater to wide-ranging budget travelers. Some others (e.g., D'Souza & McDougall, 1989) conversely have argued that cooperative strategies frequently are not adopted by small firms. Whatever the debate, the question for our purposes here must be: "What is the relevance of the conception of cooperative marketing to the small hotel operator?" This subject is developed further below.

Need for and Problems with Cooperative Marketing for SMHs

As noted above, the provision of accommodation amenity—in quantity, quality, and diversity terms—within an affordable price range is an essential part of the tourist experience. In this sense, SMHs meet these criteria. First, studies on the SMHs have shown that SMHs dominate the accommodation scene by the range of product type they offer, including camping, self-catering, boarding houses, and youth hostels (Buhalis & Cooper, 1998; Williams & Shaw, 1988).

Othman (1998) has suggested that part of the reasons for this situation is the need to indigenize the sector and reduce dependency on foreign inputs as to allow the local community a greater say in the ownership and management of such a sector. In this way, tourism and the related support activities will not be perceived by the locals as intrusive in their lives, but as one that will support their development efforts through benefits sharing. That said, SMEs face a number of constraints, what Othman (1998) again has labeled "barriers to entry," made poignantly by the lack of experience, the nature of demand, the inherent industry culture, and perception of business opportunities. In specific terms related to SMHs, Morrison (1998, p. 192) has argued, though in a different setting, that the constraints are "of an operational, financial and managerial nature" given, as ever, the prevailing competitive environment in the marketplace. These problems notwithstanding, there are a number of strategic marketing options open to such small hotel firms to overcome these problems and difficulties. In essence, they are meant to justify the case for cooperative marketing for SMHs.

There are two possibilities open to SMHs: competitive and cooperative marketing strategies. In the former case, individuals or firms can

act independently believing that their goals are related negatively so that their success interferes with other competitors, which may seem like one's successful goal attainment makes others less likely to reach their goals (Ramaswamy, Gatignon, & Reibstein, 1994). In relation to the latter scenario, on the other hand, individuals or firms are expected to believe that their goals are linked positively so that as one moves towards goal attainment, others move towards reaching their goal (Browning et al., 1995). Individuals understand that their goal attainment helps others reach their goals, and hence they can be successful together in a marketing system. In this context, as noted, cooperative marketing strategies could give SMHs some opportunities to harvest scale economies, which, in combination with their flexibility and knowledge of the market, would allow them to survive.

Given this situation, one could ask how cooperative marketing strategies might benefit locally owned and operated SMHs and, in particular, increase their effectiveness in order to permit them to operate successfully. Some corporate strategists have argued that cooperation could stimulate synergy among the cooperating parties, which means that their combined effect is greater than the sum of the individual parts—"the two plus two equal more than four effect" of Hennart's (1991) characterization. This then implies, in the case of horizontal cooperative marketing, for instance, that more resources for marketing will be made available, thereby enabling greater economies of scale and a reduction in per-unit costs to be achieved. Other spin-offs might be in the areas of linkages with airlines, travel agencies, tour companies, especially during low tourist season, which would result in higher occupancy, with consequent positive impacts on profit margin.

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From the foregoing, it can be noted that cooperative marketing arises because of the need

> …to develop new markets and possibly new products, (as) certain budgetary allocations are essential to reach the level of efficient market penetration. This may be prohibitive for one (party) but feasible when the budgets of two (parties) are combined in a cooperative marketing venture…Higher levels of marketing expenditure per period via the cooperative effort may produce stronger market penetration and hence growth in tourism revenue (Hill & Shaw, 1995, p. 25).

However, there are some problems associated with cooperative marketing that can be summarized broadly in the following way. First, successful cooperative marketing requires a long-term commitment, reflecting the need for the parties to set aside personal, individual

company self-interests. Second, there also are interorganizational relationships between at least two or more firms. Each partner would like to have a voice in the management of the marketing system, which may lead to a slower, more complex decision-making process. In addition, partners may have different, and often conflicting, plans; each may have its own goals for the cooperation. These difficulties might be accentuated especially by many other problems confronting SMEs, some of which include the seasonal nature of accommodation demand and the related impact on facility utilization, and therefore on jobs.

Approach Strategies

The literature is replete with possible approach strategies for cooperative marketing for SMHs and the diverse environments within which such hotels operate. For instance, Morrison (1998) has suggested four possibilities: the first is *explicit differentiation* to give the cooperating hotels a particular brand identity or image *vis à vis* other competitors; the second, *market mining,* targets existing customers in order to maintain their patronage or custom; the third is *innovative product extension* with its emphasis on value-for-money mainly of a romantic nature; and the fourth is *market diversification* to widen the product base offering at certain months of the year.

Amit and Shoemaker (1993), on the other hand, are of the view that cooperative strategies would lie mainly in four areas, which are: product specificities; the use of new technologies, often with addition of personalized innovations; the creation of marketing and distribution channels; and finally, changes in organization. In the context of this article, however, it is important to suggest a number of strategies within the framework of the 4Ps, mainly to keep the scope of coverage both modest and manageable within a limited period. For cooperative strategies to be successful, the following four issues should be addressed (see also Buhalis & Cooper, 1998). First, there should be clearly defined cooperation objectives closely tied to those of the partners. The obvious aim here is to ensure that the needs of all partners are met for long-term success of the union. Second, the operational responsibility and contribution of the partners similarly should be defined clearly. This will help to reduce role ambiguity and thereby increase the contribution of each partner. Third, each channel member should believe that they would win as long as they fulfill their responsibilities with honesty, without which the partnership might be in jeopardy. Finally, all necessary actions or steps should be taken in order to get a long-term commitment of all concerned.

DEVELOPING TOURISM IN CYPRUS, GREECE, AND TURKEY

On becoming independent from British rule in 1960, Cyprus was a unified country. The 1974 Turkish military intervention led to the division of the island into North Cyprus (the Turkish part—The Turkish Republic of Northern Cyprus—37% of the island) and South Cyprus (the Greek part—the Republic of Cyprus). In the context of this study, Cyprus will hereafter be referred to as South Cyprus. International tourism in North Cyprus (The Turkish Republic of Northern Cyprus), with its 7,453-bed capacity and 385,759 tourist arrivals, is less developed, with approximately 78% of the visitors coming from Turkey, of which approximately 50% stay in unpaid accommodations (i.e., friends and relatives and/or own apartment/house). The remaining 22% come mainly from the UK (6.3%), Germany (5.9%), and other European countries (5%) (Altinay, 1997).

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There may be a number of possible explanations regarding the development and the growth of international tourism in countries such as Cyprus, Greece, and Turkey. The first and foremost is the geographic locations and natural resources of these countries, particularly their sea, sand, and sun mass-tourism assets, or their man-made attractions, such as cultural and historical assets for tourism merit. The second is related, although arguably, to the activities of the international companies—airlines, hotel chains, and tour operators—of the tourist-generation countries. The third one may be the policies of government towards tourism development in these countries. Finally, when all these three come together, they facilitate the growth of international tourism in these eastern Mediterranean countries.

Whatever the reasons are, in strictly economic terms, tourism as an export industry gives some advantages to the economies of these eastern Mediterranean countries. However, economic dependencies of these three countries on tourism revenues differ regarding the size of the economy. For example, Cyprus, as a tourism-dependent island economy, enjoys tourism receipts per capita of US$2,821, while the same figure for Greece is around US$349, but for Turkey it is only US$94 (World Tourism Organization, 1997). Therefore, regarding high levels of per-capita tourism receipt, Cyprus's economy depends on tourism as a major industry, a main income generator and foreign-exchange earner, while on the contrary, in Greece, and particularly in Turkey, tourism can be seen as a complementary sector in the economy.

Table 1. International Tourist Arrivals and Receipts in South Cyprus, Greece, and Turkey

	Tourist Arrivals (Thousands)											
	Countries					Cyprus		Greece		Turkey		Total	
Years	Cyprus (1)	Greece (2)	Turkey (3)	Mediterranean Countries* (M)	World (W)	(1)/(M) %	(1)/(W) %	(2)/(M) %	(2)/(W) %	(3)/(M) %	(3)/(W) %	(1+2+3)/(M)	(1+2+3)/(W)
1993	1,841	9,413	5,904	158,781	518,074	1.16	0.36	5.93	1.82	3.72	1.14	10.81	3.32
1994	2,069	10,713	6,034	169,050	549,611	1.22	0.38	6.34	1.95	3.57	1.10	11.13	3.43
1995	2,100	10,130	7,083	166,590	563,605	1.26	0.37	6.08	1.80	4.25	1.26	11.59	3.43
1996	1,950	9,233	8,614	174,390	594,827	1.12	0.33	5.29	1.55	4.94	1.45	11.35	3.33
	Tourism Receipts (Million US$)												
1993	1,396	3,335	3,959	84,722	321,124	1.65	0.43	3.94	1.04	4.67	1.23	10.26	2.70
1994	1,700	3,905	4,321	92,312	352,645	1.84	0.48	4.23	1.11	4.68	1.23	10.75	2.82
1995	1,783	4,106	4,957	105,335	401,475	1.69	0.44	3.90	1.02	4.71	1.23	10.30	2.69
1996	1,670	3,660	5,962	112,354	433,863	1.49	0.38	3.26	0.84	5.31	1.37	10.06	2.59

* Albania, Algeria, Cyprus, Egypt, France, Gibraltar, Greece, Israel, Italy, Lebanon, Libya, Malta, Monaco, Morocco, Palestine, Spain, Syria, Turkey, Yugoslav (SIR);-Bosnia Herzg, -Croatia, -Slovenia, -Yugoslavia.

Sources: Authors' calculation based on data from World Tourism Organization (WTO; 1997, 1998).

As can be seen from Table 1, the share of these three countries both from the world tourism and the Mediterranean tourism has not increased much during the last years. For example, these three countries altogether have received approximately an average of 11.22% of tourist arrivals and 10.34% of tourism receipts from the Mediterranean tourism during a four-year period between 1993 and 1996. It is interesting to note that, while the volume of the whole tourist cake does not increase for these countries, the share of Turkey has been increasing both in terms of arrivals and receipts, but the shares of Cyprus and Greece have been dropping. In recent years, many European tour operators have been promoting Turkey as the new sun-sea-sand destination in the eastern Mediterranean region, recognizing that mass tourists were beginning to lose interest in the overcrowded destinations like Cyprus and Greece (Ioannides, 1998). Since the tourism product is similar (of course, there are at least linguistic and some cultural differences, but the core tourist product is probably the same), it may be said that the existing tourism demand easily can be shifted from one destination to another as long as tourists and tour operators choose their destinations on the basis of prices, *ceteris paribus* (Key Note, 1997). The result is fierce price competition both among these countries and the SMHs (Andronika, 1993; Buhalis, 1998; Karamustafa, 1999). Therefore, increased price competition is damaging the whole industry and the expected socioeconomic benefits of tourism.

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CHARACTERISTICS OF THE HOTEL INDUSTRY IN CYPRUS, GREECE, AND TURKEY

In this section, general characteristics of the hotel industry in Cyprus, Greece, and Turkey will be given. The following areas will be covered: (a) hotel capacity; (b) occupancy rate; (c) pricing; (d) marketing and tour-operators' performance; (e) ownership structure and type of management; (f) financial structure and indebtedness, and (g) personnel and training.

Hotel Capacity

Cypriot Perspective. At the end of 1996, there were 84,549 beds in operation in all categories of hotel accommodation, which broadly were divided into two main categories: (a) hotels and (b) hotel apartments that are self-catering units classified under four categories—(A), (B), (C), and *tourist apartments* (Table 2).

Approximately 28% of the total licensed hotels, representing 65 units, belong to the higher categories, for example five- and four-star

Table 2. Number of Licensed Accommodation Establishments in South Cyprus—by Types and Classes (in 1996)

Tourism Operated Licensed					
Type	Class	Unites	Rooms	Beds	Average Bed
	Five-star	18	4,241	8,157	453
	Four-star	47	8,329	15,199	323
Hotels:	Three-star	85	8,690	16,797	198
	Two-star	49	2,120	3,955	81
	One-star	32	759	1,520	46
TOTAL HOTELS		231	24,139	45,628	198
Hotel Apartments		291	na	27,775	95
Tourist Villages		2	na	604	302
Tourist Villas		35	na	436	12
Tourist Apartments		3,552	na	8,622	2
Furnished Apartments		182	na	576	3
Hotels without star and Guest Houses		27	na	654	24
Traditions Buildings		23	na	254	11
TOTAL		4,112	11,541	38,921	9
GRAND TOTAL		4,343	35,680	84,549	19

na: data not available.

Source: Cyprus Tourism Organization (CTO; 1997b).

hotels. The average size of hotels is very small—around 198 beds. There also is a large number of unlicensed establishments—almost all self-catering—roughly estimated as high as 30,000 beds that operated illegally. The Cyprus Hoteliers Association (CHA) and the Cyprus Tourist Organization act as active bodies in order to organize efficiently the industry in general.

Greek Perspective. Including unlicensed properties, Greece has more than a three-million-bed capacity (Hope, 1998), and the country has no shortage of modest hotels catering to low-budget travelers and visitors on package holidays. All the hotels operating legally in Greece are members of the Hellenic Chamber of Hotels, which is comprised of more than 7,477 hotels in actual operation (Table 3)(see Barham, 1997).

Hotels constitute approximately 80% of the licensed-bed capacity of Greece, of which "C" class hotels, which, in general, are middle-class enterprises, occupy approximately 37%. The average size of hotels is very small—approximately 73 beds. There are only 29,147 beds (corresponding to 5.31% of licensed-bed capacity) in luxury hotels, of which almost one-third are in Athens and cater to mostly business visitors.

Table 3. Capacity of Hotels and Similar Establishments in Greece (in 1996)

Categories	Units	Rooms	Beds	Contribution (%)	Average Beds
Deluxe	62	15,160	29,147	5.31	470
A Class	656	69,736	132,667	24.17	202
B Class	1,362	72,240	137,190	25.00	101
C Class	3,750	105,291	197,572	36.00	53
D Class	985	18,010	34,281	6.25	35
E Class	662	9,009	17,928	3.27	27
TOTAL	7,477	289,446	548,785	100.00	73

Source: The Hellenic Chamber of Hotels (1997).

Turkish Perspective. The Turkish accommodation subsector is diversified in terms of classes and types, and either the municipalities or the Ministry of Tourism licenses the establishments. A certain number of hotels throughout the country are registered with the Ministry of Tourism, which means that they must abide by certain regulations and standards of facilities, and these are given the name "touristic".

As of the end of 1996, the Ministry's records show 1,866 accommodation establishments with an operation license, and 1,309 with an investment license corresponding respectively to 301,524 and 202,631 beds. In addition, as the latest statistics published in 1994 indicate, there were 8,403 accommodation establishments registered by the municipalities, 5,142 of which are relatively high quality and 3,261 of which are very poor in quality, corresponding respectively to 250,899 and 104,026 beds (Ministry of Tourism, 1995).

As seen from Table 4, hotels have a large share (76% of total licensed-bed supply). In terms of classes, much of the operation-licensed bed supply is in five-star (17.91%) and four-star (14.62%) hotels, with 22.59% in three-star hotels, and 16.48% and 4.33% are in two-star and one-star hotels, respectively. The average size of the hotels is around 159 beds.

Occupancy Rates

In Cyprus, the average occupancy rate for all hotels was around 53% in 1996. The highest occupancy rates were in three-, four-, and five-star hotels (see Table 5).

The average occupancy rate in Greece was around 58% in 1996, with the highest occupancy rates recorded in the regions of Crete and the

Table 4. Number of Tourism Operation and Investment Licensed Accommodation Establishments in Turkey—by Types and Classes (in 1996)

		Tourism Operated Licensed				Tourism Investment Licensed			
Type	Class	Units	Rooms	Beds	Average Beds	Units	Rooms	Beds	Average Beds
	5-star	92	25,554	54,014	578	43	11,337	24,726	575
	4-star	156	21,601	44,078	283	90	14,031	29,443	327
Hotels:	3-star	411	33,571	68,125	166	371	29,137	60,227	162
	2-star	579	25,342	49,703	86	409	17,010	34,301	84
	1-star	204	6,878	13,050	64	88	2,294	4,560	52
HOTELS SUB-TOTAL		1,442	112,946	228,970	159	1,001	73,809	153,257	153
Holiday Villages		79	22,251	48,283	937	67	15,918	33,579	545
Boarding Houses		185	3,138	6,137	33	166	2,745	5,400	33
Apart. Hotels (Self-catering)		27	818	2,270	84		–	–	–
Special Certificated		62	1,908	4,411	71	17	567	1,189	70
Others[a]		71	4,432	11,453	162	58	3,525	9,206	159
TOTAL		1,866	145,493	301,524	162	1,309	96,592	202,631	155

[a]Camping' Caravans, Motels, Inns, Golf Course Establishments, Hostels, Thermal Hotels, Training and Practice Facilities, and Tourism Compounds.

Source: Ministry of Tourism (1997).

Table 5. Occupancy Rates in Licensed Hotels in South Cyprus (in 1996)

Type	Class	Nicosia	Limassol	Larnaca	Paphos	Ayia Napa	Paralimni	Hill Resorts	All Areas
	5-star	28.80	57.14	55.04	62.30	59.83	32.22	–	54.02
	4-star	47.50	55.89	61.37	61.60	55.37	56.66	29.82	58.02
Hotels:	3-star	37.46	68.50	55.55	65.97	66.13	61.81	38.79	62.99
	2-star	23.21	31.81	28.00	35.93	47.26	53.94	17.56	32.49
	1-star	26.14	23.78	16.74	28.61	18.60	23.96	16.87	23.87
Subtotal Hotels		32.91	57.92	51.26	61.18	58.55	55.90	30.32	56.10
All Hotels		31.57	51.17	40.96	56.97	58.89	56.73	30.24	52.74

Source: CTO (1998a).

Table 6. Distribution of Occupancy Rates in Selected Establishments in Turkey–by Type and Class of Accommodation

Types	Classes	MAR.	AEG.	MED.	C.A.	B.S.	E.A.	S.E.A.	All Areas
	5-star	50.72	42.18	64.08	36.46	54.14	-	31.43	53.86
	4-star	58.66	49.66	55.96	43.59	36.54	35.86	35.35	52.82
Hotels:	3-star	52.96	46.91	61.43	42.67	36.98	23.76	25.92	49.75
	2-star	43.97	56.80	51.36	38.43	42.60	33.78	40.85	47.63
	1-star	39.16	36.86	28.20	46.32	32.02	34.76	37.96	37.41
Holiday Villages		40.65	48.06	67.15	–	–	–	–	58.80
Boarding Houses		34.59	31.01	58.28	2.47	38.43	52.72	54.38	45.36
Apart. Hotels		–	45.97	87.56	27.32	–	–	–	70.25
Special Certificated		23.60	37.84	49.24	25.50	32.02	–	9.55	30.89
All Accommodation		46.21	48.50	50.98	42.01	38.18	29.82	32.04	51.24

MAR.: Marmara; AEG.: Aegean; MED.: Mediterranean; C.A.: Central Anatolia; B.S.: Black Sea; E.A.: Eastern Anatolia; S.E.A.: Southeastern Anatolia.
Source: Ministry of Tourism (1997).

southern Aegean, but what is not clear in respect to Greece is the distribution of occupancy rates by type and class of accommodation. In Turkey, the average occupancy rate was around 51% in 1996. The highest occupancy rates were in four- and five-star hotels, holiday villages, and self-catering accommodations (Apart Hotels) in the regions of the Mediterranean and Aegean (see Table 6).

The occupancy rates quoted are based on the holiday resorts' summer season, when the hotels operate. It is important to note that the vast majority of the leisure hotels in holiday resorts remain closed during the winter. Therefore, the year-round occupancy rate for all licensed establishments in Cyprus is around 43%, 24% in Greece, and 34% in Turkey. As the year-around occupancy rates are very low (particularly for the Greek and the Turkish licensed hotels), the owners are in an extremely difficult position in profitably operating their properties.

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Short length of stay in licensed accommodation establishments is another issue in Cyprus, Greece, and Turkey (see Cyprus Tourism Organization, 1997a; Ministry of Tourism, 1997; National Tourist Association of Greece, 1998). The average length of stay was 6.7 days in Cyprus in 1996, while for Greece and Turkey the respective figures were 3.7 days in 1997 and 4 days in 1996. However, these year-round average figures mask the seasonal average length of stay. In addition, they do not take into account the number of international overnights in unlicensed accommodations. What is important here is that the short year-round average length of stay reduces the hotels' profitability.

Pricing

In Cyprus, according to the provisions of the relevant legislation, hotel rates are set by the hoteliers at different periods of the year and constitute the minimum and maximum rates that can be charged during this period. Minimum and maximum room rates for each hotel are published by the Cyprus Tourism Organization (CTO). Off-season discounts offered by the hoteliers between November and March do not exceed 50% of the minimum prices (Cyprus Tourist Organization, 1998b). However, attitudes of the tour operators from the Western European countries tend to destabilize the pre-established prices of the hoteliers.

In Greece and Turkey, high inflation, employment, and capital costs, in combination with a relatively strong currency policy, reduce the ability of hoteliers to offer competitive prices and maintain their prof-

itability. Hoteliers are forced to accept contracts with tour operators, which reduce their profit margin and deteriorate both the quality and profitability of their product (Buhalis, 1998; Karamustafa, 1999). This is due to several factors, such as marketing inadequacies and inability to promote differentiated products; rapid increase of supply in comparison to demand; and an overall dependence upon the oligopsonistic intermediaries. Pressure to cut costs prevents SMHs from renovating and reinvesting in their properties, and, therefore, a gradual deterioration of the properties is inevitable. As noted, most unlicensed and self-catering hotels provide low-quality and low-priced services and thus appeal to the mass tour operators' clientele. Not only does this increase unfair price competition at the microlevel for the officially registered hotels, but also reduces both tax revenues and employment at the macrolevel. In the case of Turkey, it has been reported that most of the SMHs offer more than a 50% discount to international tour operators from their rack rates for individual travelers; this happens even during the peak season (Karamustafa, 1999). Since there is no legislation regarding minimum- and maximum-price hotels in each category, an upper-class hotel can sell its services for the price of a lower-class hotel; hence, an unfair competition occurs putting lower-class hotels into a vulnerable position in competition for the international tourist markets.

Hoteliers are forced to accept contracts with tour operators, which reduce their profit margin and deteriorate both the quality and profitability of their product…

Marketing and Tour Operators' Performance

There are a large number of incoming travel agencies that act as handling agencies for tour operators while providing a variety of other services to the consumer, such as organizing excursions, urgency exchange, booking accommodations, etc. They usually participate in negotiations between tour operators and accommodation establishments, as well as cooperate with the representative of the tour operators. Since hoteliers are less organized and a desired level of co-ordination is not established in the sector, tour operators with a secure clientele act as oligopsonists, achieving low rates and thus reinforcing their position further (see Andronika, 1993; Buhalis, 1998; Karamustafa, 1999).

Figures (in Table 7) point to the fact that there is a significant dominance of international tour operators, travel agencies, and charter airlines in directing tourist demand to Cyprus, Greece, and Turkey. Therefore, even though the tourism policy may seek to attract higher-spending visitors and encourage a great variety of products in the interest of economic sustainability, the influence of external agents such as charter airlines, international tour operators, and tourist motivation forestall their effects (see also Karamustafa, 1999).

Table 7. Number of Arrivals in South Cyprus, Greece, and Turkey—via Air Transport and Inclusive Tour Packages

Country	Number of Total Arrivals	Number of Arrivals via Air Transport						Estimated Package Tour Arrivals	
		Scheduled		Charter		Total Air		Number	Percent
		n	%	n	%	n	%	n	(%)
South Cyprus	1,950	827	48.19	889	51.81	1,716	88.00	1,194	61
Greece	9,233	1,948	21.10	5,736	62.12	7,684	83.22	5,725	53
Turkey	8,614	2,326	37.00	3,962	63.00	6,288	73.00	3,962	63

Sources: Figures derived from CTO (1997b), National Tourist Organization of Greece (GNTO; 1998), Ministry of Tourism (1994), and Karamustafa (1999).

Ownership Structure and Type of Management

As can be noticed from Table 8, one of the basic characteristics of the licensed-bed capacity in Cyprus, Greece, and Turkey is that a large number of hotels operate locally and independently. Because of the fragmented structure of the hotel industry created by the large number of small- and medium-sized individually operated hotels, the industry is vulnerable in its bargaining position against a few European tour operators that are integrated with charter airlines.

Financial Structure and Indebtedness

The financing of hotels has been secured through the banking system in Cyprus, but this does not mean that all investments in hotels are raised from local funds. A substantial part of the investment comes from abroad through foreign borrowing. Interest rates from local funds are fixed by law and cannot exceed 9% (Central Bank of Cyprus, 1998). So far, investment in hotels has been very profitable indeed, as indicated in the study of Andronika (1993); the rate of return on investments ranges between 15 and 20% and the internal rate of return between 12 and 15%. These high rates of profitability, coupled with the comparatively low cost of hotel construction and the tax and customs incentives provided by the government, have contributed to the creation of the large number of hotels. The Cyprus Development Bank, the Commercial Bank, and the Co-operative Bank provide loans for the construction of new hotels, as well as expansion/improvement and renovation of existing ones.

Table 8. Distribution of the Operation Licensed Beds by Types of Operation in South Cyprus, Greece, and Turkey

	Cyprus (%) in Total Licensed Beds	Greece (%) in Total Registered Beds	Turkey (%) in Total Licensed Beds
International Hotel Chains	3.92	1.03	4.89
Hotels Operated by International Tour Operators	–	1.54	6.00
National Hotel Chains Operated across the Country	8.08	19.40	22.28
Hotels Operated by Local Travel Agencies	6.97	–	11.28
Independent Hotels	81.03	78.03	55.55
Total	100.00	100.00	100.00

Sources: Authors' calculation based on data provided by The Association of Greek Tourism Enterprises (AGTE; 1998), CTO (1998b), Hotel Guide (1997), and Association of Turkish Hoteliers (1995).

In Greece, hotels are affected badly due to the high costs of their fixed assets, as well as their immobility and inflexibility, which prevents them from adjusting to demand fluctuations. Several factors, such as low occupancy rates and seasonality, determine their low profitability and inability to increase prices in line with inflation. As quoted in a recent study (Buhalis, 1998), Greek hotels had a negative rate of return on investment (almost –2%) and a negative profit margin (–6.9%). However, 1993 was characterized as a "good year," as the return on equity for hotels in comparison to 1992 improved by 69.3% (from –5.9% to –1.8%) (Buhalis, 1998). Small- and medium-sized hotels are expected to have experienced worse problems. As they have less bargaining power, knowledge of markets, marketing activities, financial resources, and management structure expertise, they tend to be less profitable.

The important point here is that high interest rates make it difficult for the hoteliers to pay back their bank loans.

The revision and enlargement of tourism-investment incentives have played an important role in encouraging the development of the Turkish hotel industry. In 1982, Turkey enacted its Law (Number 2634) for the encouragement of Tourism. The purpose was to ensure that necessary arrangements are made and necessary measures are taken in order to regulate, develop, and provide with a dynamic structure and operation of the tourism sector. Between 1985 and 1990, hotel investors used US$422 million worth of cash incentives, received US$1.1 billion medium- and long-term bank credits, and used their own resources valued US$1.5 billion in order to make a US$3 billion total investment in a hotel (Turkish Tourism Investors Association, 1992). According to the estimated figures from the State Planning Organization (State Institute of Statistics, 1995), the total cost of hotel investment during the period of 1995 and 1999 was around US$7.6 billion, 50% of which is the owners' equity, while the remaining 50% is met by credits (20% incentives and 30% bank credits). The important point here is that high interest rates make it difficult for the hoteliers to pay back their bank loans. In this context, for instance, a recent study conducted by Karamustafa (1999) has revealed that SMHs, particularly in the Turkish resort areas, offer low price rates to international tour operators since they face financial difficulties because of the credit payments associated with high interest rates.

Personnel and Training

As can be noticed from Table 9, a low ratio of staff to all licensed rooms indicates the fact that there is a staff shortage in hotels in Cyprus and Greece. One solution to this may be to import skilled staff from abroad, but, as Andronika (1993) argues, the trade unions

Table 9. People Employed in All Hotels (in South Cyprus, Greece, and Turkey)

Country	Number of Rooms	Number of Personnel	Ratio
Cyprus	35,680	20,100	0.56
Greece	289,446	259,000	0.89
Turkey	145,493	98,270	1.48

Sources: CTO (1997b), Buhalis (1998), and Karamustafa and Kusluvan (1999).

and hoteliers are reluctant to import foreign labor that may abolish local hospitality. This low ratio may be seen as the result of the high number of SMHs that are operated by the owners themselves and their family members.

As the figures indicate, there is a relatively high ratio of staff to rooms in Turkey; however, the shortage of skilled human resources contributes to the worsening of the service quality of the accommodation establishments (Karamustafa, 1999; Karamustafa & Kusluvan, 1999). According to the survey undertaken jointly by the Ministry of Tourism and the International Labor Organization (1994; OECD, 1997), SMHs have been facing serious shortages of skilled human resources in Turkey. The problem of shortages of skilled human resources has happened since the number of hotels has increased rapidly. Thus, the available supply of human resources could not keep up with the demand. It also is difficult to attract graduates in the tourism industry. The reasons for the failure of attracting the students may be the seasonality of the tourism industry, long working hours, low job status, and the high expectations of trained students (Kusluvan & Kusluvan, 2000).

COOPERATIVE MARKETING POTENTIALS FOR SMHS IN CYPRUS, GREECE, AND TURKEY

Under the current policies so far implemented by governments, haphazard loans and incentives have been given to hotels without due regard for the profitability of their operations. Consequently, a large number of SMHs have been set up. As the above analysis has revealed, individualistic behaviors of the owners of SMHs weaken their strengths against international tour operators. Particularly in the case of Turkey, it is clear that some entrepreneurs were encouraged to visit through generous financial incentives despite not having any specific knowledge of the industry. These individuals are heavily dependent on the traditional distribution channels. More specifically, from one perspective, tourism is an international export industry that requires the

knowledge of the international tourist markets and the knowledge of how to deal with the specific requirements of the foreign customers.

Given the problems associated with the hotel subsectors of Cyprus, Greece, and Turkey, the key questions are as follows: "How can these problems be minimized?" and "What needs to be done to ensure that SMHs reap the full economic benefits from tourism?" As the theoretical part has suggested, cooperative marketing strategies may be beneficial to SMHs. Cooperation strategies that are needed within the tourism industry in general can be summarized as follows.

Cooperation Among the SMHs

Natural, social, and psychological conditions are of a nature to enhance the tourism demand; however, an environment to increase further this demand has not been established by a functional cooperation between hoteliers. Lack of the desired level of cooperation has put the hoteliers into a vulnerable and disadvantageous position in their negotiations with international tour operators. On the other hand, it is the considered opinion of the current authors that since SMHs cannot offer the same variety of facilities as large first-class hotels or holiday villages, they again fall into a more vulnerable and disadvantageous position in a competitive business environment. However, for example, they could easily cooperate with other hotels in the same town to have dancing with an orchestra twice a week at "Hotel A" and twice a week at "Hotel B." This surely could be achieved in a well-organized and cooperative business environment.

As the theoretical part has suggested, cooperative marketing strategies may be beneficial to SMHs.

Cooperative Arrangements with the Distribution Channel

Lack of joint ventures, strategic alliances, and marketing agreements with tour operators and airlines in tourist-generating countries are perhaps the reasons for low-hotel-occupancy rates (see also Kusluvan, 1994). Travel intermediaries of the tourist-generating countries are likely to be primary agents in selling holidays to Cyprus, Greece, and Turkey. Under the current circumstances, there seems to be very little chance for the hoteliers to bypass them. Therefore, there is a need for the tourist authorities and the hoteliers be more cooperative and flexible with tour operators in tourist-generating countries. The nature of cooperation may take different forms:

1. More information on tourist attractions, tour plans, availability of accommodation, and other tourist services can be provided. For this purpose, several special tourism home pages with links to several tourism services could be established on the Internet.

2. Complimentary familiarization tours for the tour operators could be organized not only for large tour operators, but also for the smaller ones who specialize in the niche tourist markets.
3. As argued in a study by Kusluvan (1994), tourist authorities and the hoteliers might share some of the promotion costs of tour operators directly related to the region. For example, the cost of tour brochures and travel catalogues relating to Cyprus, Greece, and Turkey could be shared, particularly with the special-interest tour operators in order to promote the region's historical and cultural resources rather than the mass tourist resources, which are promoted widely.

One solution to fierce price competition may be that tourist authorities could set up minimum and maximum hotel prices.

Cooperative Pricing Arrangements

In a competitive business environment, tour operators in the main tourist-generating countries surely try to have hotel prices as low as possible to increase their profit margins and to remain competitive in the inclusive tour market. The price-reduction demands of tour operators are strengthened by the fact that some hotels are so poorly manned by unqualified personnel, that they may not even be able to keep their own cost accounts. In addition, pricing and marketing strategies probably are maintained under similar conditions and particularly because of competitors' prices. Thus, there is a need to enhance the skills of those working at all levels of the tourism industry, which is critical to its future prosperity.

One solution to fierce price competition may be that tourist authorities could set up minimum and maximum hotel prices. However, one could argue that free competition is a good thing. Since efficient markets need freedom in which to flourish, and since government regulations restrict freedom, it follows that, the less government interferes in markets the better. In this context, to prevent such low prices, the authors suggest that countries' associations of hoteliers (which are professional organizations) at the national and regional level can determine lower and upper limits beyond which no hotelier is allowed to offer to inclusive and independent travelers. In this respect, prices in the tourist-generating countries and competitive tourist destinations should be taken into consideration in such price determination.

Cooperative Advertising and Sales Promotion

There are national tourist offices of each country, promoting their tourism resources, in the main city centers of major tourist-generating countries. However, since these offices are operated ineffectively by a large governmental organization and are severely lacking in

sophisticated marketing skills, they cannot promote the tourism services provided by the private-sector companies (Carey, Gountas, & Gilbert, 1997; Karamustafa & Kusluvan, 1999; Ozturk, 1996). In this respect, it can be suggested that the private-sector companies in general, and the countries' associations of hoteliers and associations of travel agencies in particular, could establish jointly multipurpose offices in the generating countries. Such offices would act as a travel agent and tour operator for hotels. It also would fulfill other marketing responsibilities like media advertising, public relations with tour operators and travel agents, and coordination of reservations made by tour operators and travel agents in tourist-generating countries. These offices would prevent repetition of efforts and expenses incurred by independent hotels. Moreover, the establishment of these offices should be seen as a complementary effort to promote the services of the hotel suppliers rather than as an alternative for large airlines and tour operators of the tourist-generating countries (Kusluvan, 1994, p. 232). These offices, in fact, could focus on niche tourist markets and help independent travelers to arrange their holidays. The development of this strategy therefore could increase the number of independent travelers to the region, but it depends on the elimination of the political strife between Turkey and Greece, which is mainly the result of the Cyprus issue. However, developing tourism relations between the two countries could do much to enhance the region's tourism potential.

…the more the product is diversified, the more special-interest tour operators will be able to sell the region as a tourist destination.

Cooperative Product Development

Product should be developed in terms of quality, quantity, and price, taking into account present and future demands, and the countries' supply capacity. In this regard, cultural and historical resources should be promoted in order to benefit from the merits of what product differentiation could provide. For example, exclusive coastal and inland resorts, health and spa facilities, and the special interest/activity-based provision are all feasible options to reduce the dominance of the mass-package market. This does not really mean that mass-tourism development should be stopped. It should be improved by adding something new and different. Moreover, the more the product is diversified, the more special-interest tour operators will be able to sell the region as a tourist destination. In addition, diversification of the product could enable the international tour operators to arrange inclusive tours to the resort areas, which also might be connected to the cultural and historical sites of the country. Unlike the mass beach tourism, special-interest tourism requires the organization of various activities in the region, which would surely increase the role of local operators in each country. As the study of

Ozturk (1996) revealed, in the case of Turkey, tourist visits for cultural and historical purposes tend to generate higher average levels of expenditure. In addition to that, the opening of convention centers, both in the resort areas and in the main city centers, could help the process of diversifying the product and provide additional contribution to stimulating higher volume tourist arrivals, as well as enhance the length of the tourist season, particularly for the resort hotels. More sensitive pricing and target marketing according to market profile also would help achieve higher market shares of the local travel and tourism organizers. Therefore, dynamic and planned approaches that constantly monitor market trends should be identified in all areas of promotion and marketing of tourist services.

The use of the Internet could help the hoteliers to present their services directly to the consumers.

Cooperative Arrangements in the Use of the Internet

It is inevitable that the Internet would have some impact on international tourism (Dieke & Karamustafa, 1999). Therefore, it is the authors' opinion that the whole industry needs to adopt a welcoming attitude towards the Internet in order to develop marketing strategies that are more cooperative. The competitiveness of the region could be improved if the countries as a whole use the Internet in cooperation rather than in competition. The use of the Internet could help the hoteliers to present their services directly to the consumers. The Internet may be an excellent tool for SMHs to advertise worldwide, and having an Internet presence can be as good as any multinational corporation. One way of benefiting from the Internet marketing might be through joining a hotel consortium that has the Internet presence, such as Utell, Golden Tulip Worldwide, SAS Hotels, etc. However, these hotel consortia might collaborate with certain hotels that offer certain level of services at certain level of quality; therefore, the Internet marketing opportunity might be obtained by registering with the Internet worldwide hotel guides, which offer direct presence on the Internet for various types and classes of hotels.

One could point out that if you do not have a cutting-edge computer system, the newest software, enough budget, and experienced staff, how could you use the technology to present competitively your business? These may be the circumstances under which most of the locally owned independent SMHs currently operate. In this consideration, it is the suggestion of the current authors that by employing the Internet and establishing a cooperation among the hoteliers and the countries, a regional-tourism sales office also could be established. The sales offices could negotiate directly with the international travel intermediaries. It can be assumed that the negotiations of

these cooperative sales offices with the international travel intermediaries could be more effective than the negotiations of individual suppliers. In addition, these offices could book hotels for people who would like to travel independently. The success of this strategy could be attained if these regional sales offices could cooperate and work in conjunction with the previously suggested jointly owned offices of the three countries' associations of hoteliers and associations of travel agencies. Of course, the national airline companies could contribute to the success of this strategy, which would increase the tourism demand to the region.

CONCLUSION

This study has reviewed the potential benefits and applicability of cooperative marketing in the context of SMHs in Cyprus, Greece, and Turkey. Broadly speaking, it may be said that the hotel subsector in these countries have some common problems, such as low occupancy rates, dependency on limited market segments with undifferentiated tourist product, dependency on a few oligopolistic mass tour operators in a few tourist-generating countries, and short length of stay. In order to alleviate some of these common problems, cooperation among the SMHs in each country and between Cyprus, Greece, and Turkey may be the answer. As this study has shown, the hoteliers in each country, as well as the countries themselves, are not acting in a cooperative way, instead they prefer to compete fiercely.

Indeed, it is a very difficult task to develop and maintain cooperation because of the following three main reasons: (a) individual hoteliers fail to understand the benefits of cooperation; (b) they also fail to undertake long-term commitment because of short-term opportunistic business strategies; and (c) developing cooperative marketing agreements between Cypriot, Greek, and Turkish tourist industries will depend largely on eliminating the political strife between Greece and Turkey.

In order to persuade SMHs to establish a cooperative marketing agreement, some guidelines can be identified:

- specific objectives should be established. For this reason, associations of hoteliers can define objective(s) that are in line with the common expectations of individual hoteliers;
- every hotelier should be persuaded to the benefits of being a member of a cooperative agreement; and

- for a cooperation to be successful, every single component of the industry should act in accordance with the objectives of the cooperative agreement.

As many studies have shown, long-term relationship and cooperation between Cyprus, Greece, and Turkey need to be built on communication, trust, and commitment (for instance, see Sönmez & Apostolopoulos, 2000). That is why there is a big responsibility for tourist authorities, associations of hoteliers, and associations of travel agencies in building cooperative agreements. For instance, complimentary multidestinational familiarization tours can be organized for the representatives of the special-interest tour operators, the cost of brochures of the special-interest tour operators and the promotional expenditures can be shared, and international tour operators can be persuaded to arrange multidestinational tours to the region covering Cyprus, Greece, and Turkey. These are all possibilities for cooperation and joint projects. In this way, Greeks and Turks may develop a closer relationship, and it may be possible to establish political stability in the region.

However, cooperative marketing strategies should be taken into account within the context of special characteristics of each country, the nature of the tourism infrastructure, human resources for employment, and the economic, cultural, and social environment. For the sustainability of a successful cooperation, the industry needs skilled managers and staff who can identify and meet the needs of tourist markets in the face of increasingly fierce international competition. Therefore, it has to be realized that tourism provides economical advantages as long as there is international peace and fraternity in the region, and it may require a sustained effort for countries to develop cooperative agreements effectively.

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