Destination Resorts: Monopolistic Competition and Porter's Five Forces to Compete for Customers and Customer Loyalty

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I hereby recognize and pledge to fulfill my responsibilities as defined in the Honor Code and to maintain the integrity of both myself and the College as a whole.

Taylor Hayes

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Thank you for your support and feedback throughout this project. Your understanding and viewpoint helped me in achieving my goals with this project.

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Abstract

Destination resorts are all over the world and people visit them everyday. The objective of this study was to define what makes a resort a destination resort and how destination resorts compete in the marketplace. Literature review found that destination resorts can be broken down into many different categories and research spans much information and focus. This study will tackle the industry analysis/ synopsis classification of research as well as specify in operations/management. Within this study, the market structure of destination resorts was broken down and categorized as a monopolistic competition. Within that market, two resorts were studied to determine how Porter's Five Forces are implemented in the industry. It was found that Tops'l Beach and Racquet Resort lacks using Porter's Five Forces to better its position whereas Sandestin Golf and Beach Resort implements many strategies to better its position in the market.

Introduction

This study dives into what makes a destination resort a destination resort and how destination resorts compete in the marketplace. I explore how we can categorize destination resorts as such and what makes them unique in the resort market. A literature review will help me in deciding whether we call a resort a destination resort. On top of that, looking at destination resorts increases customer numbers and loyalty over other resorts. My theory is that additional amenities such as tennis, golf, yoga, wellness retreats, scuba and skiing can increase customer satisfaction and loyalty over other resorts that do not include these sorts of amenities. I think good coaching and events also increase numbers for resorts. This is very important to me because I have a long standing relationship with a destination resort called Tops'l Beach and Racquet Resort. It's a beach and racquet resort in Miramar Beach, Florida that I will be living in once I graduate. My family and I have been going there for over 10 years and have never changed the location of where we vacation to a different resort in the same area. I want to know if this is normal and if I can gain information from this study to use professionally. Sandestin Golf and Beach Resort is right across the street from Tops'l Beach and Racquet Resort and I want to know if different marketing could increase Tops'l numbers for being a tennis destination resort compared to another destination resort. Speaking of these resorts, a case study on these two resorts will shine a light on how resorts compete in a monopolistically competitive market or if they can even be categorized as such.

Chapter 1

This chapter will look at literature that discusses what exactly a destination resort is and what parts of the market matter when it comes to customer satisfaction and loyalty. Brey and Mills (2007) did a lot of research and work that looked at how we can define a destination resort. They broke down all resorts into categories. The study used a content analysis approach to review destination resort research to explore and provide suggestions for future research within the destination resort field. The study separated resorts into 10 basic categories: beach, golf and tennis (BGT), spa, vacation villages, vacation ownership and condominium resorts, marina hotels, ski, ecotourist, multiresort destination complexes, theme parks and cruises. Within this study, I will be looking at tennis resorts and golf resorts and how they compare to each other and other resorts in the business market. When reading this article, I found that literature needs to be very specific as to what resort you are looking for. There are so many different types of resorts with different amenities offered. The first table in this article looked at functional classifications to list the requirements to be a destination resort.

Table 1

Functional Classifications of Destination resort research

Table 1 Functional classifications of destination resort research

Functional Classification	*Source*
Employees/Human Resources	Adler and Adler, 1999a, 1999b, 2001, 2003; Birenbaum, 1990; Cacioppe, 1998; Christensen, 1988; Haig and McIntyre, 2002; Hammersley and Rivers, 1992; Hammersley and Tynon, 1998; Johnson, 1991; Klebanow and Eder, 1992; Marks *et al.*, 2004; Mayer, 2002; Olsen and Myers, 1992; Ross, 2005; Salazaar and Hubbard, 2000; Sherry, 1994; Stewart and Danes, 2001; Woods, 2001
Asset/Financial Management	Baum and Mudambi, 1995, 1998; Burritt, 1991; Davis and DeRoos, 2004; Fish and Rudolph, 1986; Gimmy, 1976; Hart, 1982; Hovey, 2002; Kirby, 1982; Madsen and Edgar, 1999; McCleary and Meeske, 1984; Mudambi, 1994; Ragas, 1986; Stanton and Aislabie, 1992a; Wheaton, 2005; Winokur *et al.*, 1981; Ziobrowski and Ziorowski, 1997
Bionetwork	Ayala, 1991a, 1991b, 1995, 1996a, 1996b, 1997; Carter *et al.*, 2004; Cummings, 1997; Domroes, 2000; Dundas, 2002; Englin and Moeltner, 2004; George, 2003, 2004; Jarecki, 1998; Khatri, 1996; Konig, 1998; Lee and Moscardo, 2005; Meade and Pringle, 2001; Nellemann *et al.*, 2000; Peace, 2005; Rodriguez, 1987; Trousdale, 1993; Tsuyuzaki, 1994; Vun and Latiff, 1999; Vun *et al.*, 2004; Warnken *et al.*, 2005; Williams and Todd, 1997; Wipf *et al.*, 2005
Government/Legalities	Ajami, 1988; Ayala, 1993, 2000; Briggs, 2000; Buchholtz, 1993; Cartee and Williams, 1978; Dorfman, 1996; Downes, 1995; Funck, 1999; Iwamoto, 1988; Liu *et al.*, 2001; Lord-Wood, 1982; Mak, 1993; Ohlin and Vickory, 1994; Sherry, 1997; Stanton and Aislabie, 1992b
Physical Structure/Development	Brannock, 1984; Costa *et al.*, 2004; Croy and Hogh, 2003; Elliott and Johns, 1993; Elson and Muller, 2002; Harrell and Chon, 1997; Hudson *et al.*, 2004; Hunsaker, 2001; Maier *et al.*, 1989; Meir *et al.*, 1996; Milman, 1997; Monteson and Singer, 1999; Murphy, 1980; Ness, 2005; Ohlin, 1993; Pullman and Thompson, 2002; Quilici, 1998; Schofield, 2004; Stiles and See-Tho, 1991; Wimberly, 1977
Industry Analysis/Synopsis	Bachvarov, 1999; Bennett *et al.*, 2003; Bihari-Axelsson and Axelsson, 2002; Bissell and Bedsole, 2003; Bywater, 1991; Chon and Singh, 1995; Chon and Whelihan, 1992; Cockerell, 1994, 1996; Coles, 2004; Cope, 2003; Crotts and Ragatz, 1998; Dean, 1993, 1997; d'Hauteserre, 1998, 2000; Domroes, 2001; Finan, 1998; Go, 1989; Goodall and Stabler, 1990, 1992; Hart, 1980; Haylock, 1988, 1991, 1995; Hobson, 2002; Ilvento, 1976; Issa and Jayawardena, 2003; Janiskee, 1990; Johanson, 2004; King, 1994, 2001; King and McVey, 1996; King and Spearritt, 2001; King and Whitelaw, 1992, 2003; Kusen, 2002; Lawton *et al.*, 1998; Lazar and Hobson,

(*Continued*)

Table 1 (*Continued*)

Functional Classification	*Source*
Industry Analysis/Synopsis (Continued)	2002; Lowenthal, 1962; Meyer, 1996; Miner, 1987; Monteson and Singer, 1992, 2002, 2004; Nykiel, 2004; Peisley, 2002; Perdue, 2003; Poon, 1998; Pope, 2001; Pryce, 2002; Rezek, 2002; Taylor *et al.*, 1994; Terry, 1994a, 1994b; Thorsteinsdottir, 2005; Turner and Troiano, 1987; Upchurch, 2000; Upchurch and Gruber, 2002; Woodside *et al.*, 1986
Consumers	Boccia *et al.*, 2002; Bojanic and Warnick, 1995; Brayley, 1992a, 1992b, 1997; Carmichael, 1992; Chiang, 2001; Cook and Wolverton, 2003; Crosby and Mettey, 2004; Crosby *et al.*, 2003; Crotts, 1990; Crotts and Ragatz, 2002; Ewing and Kulka, 1979; Ferrand and Vecchiatini, 2002; Hennessey *et al.*, 2002; Hill *et al.*, 1990; Holdnak, 1999; Holdnak and Jewett, 1994; Howard *et al.*, 1998; Hudson and Shephard, 1998; Johanson, 2000, 2001; Johanson *et al.*, 2001; Kerstetter and Cho, 2004; Knutson *et al.*, 2004; Ladki *et al.*, 2002; Makens, 1992; Masterson, 1992; Masterson and Verhoven, 2001; Moeltner and Englin, 2004; Morrison *et al.*, 1996, 2003; Morse and Lanier, 1992; Naylor and Frank, 2001; Naylor and Kleiser, 2002; Ormiston *et al.*, 1998; Owens, 1994; Peisley, 1986; Perdue, 2001, 2002; Petrick, 2002; Petrick and Backman, 2002; Petrillose and Brewer, 2000; Pinar and Rogers, 1999; Riddington *et al.*, 2000; Shea and Roberts, 1998; Snoj and Mumel, 2002; Sogar and Jones, 1993; Strauss-Blasche *et al.*, 2004; Upchurch, 2002; Uysal *et al.*, 1992; Verhoven and Masterson, 1996; Weiermaier and Fuchs, 1999; Williams *et al.*, 1997
Adjacent Community/Region	Bennett, 1992; Burlo, 1987; Carmichael *et al.*, 1996; Cho, 2002; Cohen, 1983; d'Hauteserre, 2001b; England *et al.*, 1980; Fallon, 2001; Freitag, 1994; Gottfried, 1988; Hammes, 1994; Hernandez *et al.*, 1996; Lengkeek, 1999; Lindberg *et al.*, 2001; Lobel, 1992; McNicol, 2004; Poirier, 1995; Shaw and Shaw, 1999; Simpson and Wall, 1999; Sofield, 1996; Stynes and Stewart, 1993; Telfar and Wall, 1996; Torres and Momsen, 2004; Walch, 1992; Warren, 1998; Wyllie, 1998
Operations/Management	Anonymous, 1987; Cabanas, 1992; Cahill, 1987; Crossley, 2001; d'Hauteserre, 2001a; Dwyer *et al.*, 1998; Evans and Dave, 1999; Ferguson *et al.*, 1999; Flagestad and Hope, 2001; Frodey and O'Hara, 1992; Gaines *et al.*, 2004; Glanzberg and Withiam, 1991; Glover *et al.*, 1984; Haktanir and Harris, 2005; Higgins, 2005; Kaven and Allardyce, 1994; Kelliher and Riley, 2002; Kimes and Lord, 1994; Klein, 1965; Knight, 1989; Konrad, 1992; Makens, 1992; Miller and Stoica, 2003; Needham *et al.*, 2004; Payne, 1998; Ramdeen *et al.*, 2000; Records and Glennie, 1991; Sawamura and McLean, 1997; Scavo, 1999; Sheffield, 1992; Sheffield *et al.*, 1993; Sim and Burritt, 1993; Swift, 2001; Weiermair, 1993; Whelihan and Chon, 1991; Withiam, 1991; Wober and Zins, 1995; Woods, 2001

From Brey and Mills (2007).

Grounded theory was used to organize information into classifications to develop a resource of existing destination resort academic literature. The authors separated each academic article into different classifications depending on what they looked at. The authors broke the literature down into 10 classifications. The employees/ Human Resources literature looks at various aspects of employee life, whereas asset/ financial management covers various adaptation of money-related issues for stakeholders in the industry. The articles that were organized into these categories researched how employee life is impacted in destination resorts and how money-related issues for stakeholders in the destination resort industry were impacted. Bionetworks looked at the impacts of the resort on the environment and government/ legalities looked at the government's role and legal issues concerning destination resorts. Physical structure/ development studies how new product development and revamping or conversion of an existing product could make a resort a destination resort. Industry analysis/ synopsis looked at wide-ranging topics in the resort industry like evolution of resorts or structure of the resort typologies. The consumer section looked at consumers' wants and needs whereas the adjacent community/ region section looked at direct impacts of the resort on the local community. The final section operations/ management functionality studied marketing, management, and managing resort competitiveness. These findings are used for understanding the current state of research on destination resorts. I have used it to seek out an area where more research was needed. My research falls into the category of Industry Analysis/ Synopsis where I broke down which market structure two

particular destination resorts fall into as well as strategies that can be implemented to better their standings within the market.

Table 2 looks at what research was done on each type of destination resort.

Table 2

Categorical Distribution of Literature

Table 2 Categorical distribution of literature

Functional Classification		***Resort Type***		***Methodology***
Employees/Human Resources (184/.659)	(20/.072)[a]	Tropical/Beach	(55/.197)	Qualitative
Asset/Financial Management (95/.340)	(17/.061)	Ski/Mountain	(44/.157)	Quantitative
Bionetwork	(28/.100)	Woodland/Lake	(7/.025)	
Government/Legalities	(16/.057)	All-inclusive	(6/.022)	
Physical Structure/ Development	(20/.072)	Timeshare	(43/.154)	
Industry Analysis/ Synopsis	(60/.215)	Casino	(15/.054)	
Consumers	(54/.194)	Spa/Health	(21/.075)	
Adjacent Community/ Region	(26/.093)	Eco-Resort	(12/.043)	
Operations/Management	(38/.136)	Theme Park Golf Unclassified	(5/.018) (4/.014) (67/.240)	
Totals[b] (279/.999)	(279/1.000)		(279/.999)	

[a]Presented as (# of articles in each category variable/proportion of total category articles).
[b]Total proportions do not equal one due to rounding.

From Brey and Mills (2007).

Table 2 summarizes the articles and found that most of the articles used qualitative methodology to find their information. The table presents the overall breakdown of the 279 articles based upon functional classification, resort type and methodology used. They grouped all 279 articles into the top 2 categories, then broke it down from there into sub-classifications and resort type. 184 of the articles were first put in employees/ Human Resources classification and 95 were put in asset/ financial management. Based on the findings, the most popular type of research was that of analyzing and providing a synopsis of the destination resort industry. From the findings, the most popular type of research was that of analyzing and providing a synopsis of the destination resort industry. This table also shows that consumer- related topics were second in amount of research at 19.4% and operations/ management was third at 13.6%. Within the resort type category, a large part of the research focused on 3 resort types and those are tropical/ beach, timeshare and ski/ mountain. The third column shows that 184 articles were qualitatively studied whereas only 95 were quantitatively studied. The article's main point was looking at how resorts have been studied. For the study, the functional classifications have served as the basis for most of the analysis and discussion.

Another article that looked into this same categorization was Kurtzman's "Sports tourism categories" (2005). It breaks down the categories of sports tourism into events, attractions, tours, resorts, and cruises. This article also includes a table that organizes the categories with examples that helps the reader understand what sport tourism goes in which category.

Table 3

Sports Tourism Categories (With Examples)

Sports Tourism Categories (With Examples)**

Attractions	Resorts	Cruises	Tours	Events
sports museums halls of fame	fishing/hunting resorts	sports celebrity cruises	golf/tennis/scuba tours	regional/national/ international sports events
sports conferences/ symposia/meetings	outfitters	golf cruises	heritage site tours	championships/bonspiels/ meets contests
sports heritage sites	ski/golf/scuba/tennis resorts	tennis cruises	sports study tours	invitationals marathons/ bowls
international sport congresses	health/fitness spas	snorkel cruises	mountain climbing tours	professional league games championships
sports demonstrations	sport seminar/conference resorts	multiple sports cruises	facilities/sites/tours	twinning games peace games friendship games
gymnastic displays	sports fantasy camps	sports attractions visitations	game safaris	world cup
sport ice sculptures/sport art	sports clinics/camps	sports fishing	Multiple sports < participation tours	regattas/car rallies
theme parks	training camps	deep sea fishing	Basketball participation tours	horse racing
bungee jumping	volleyball camps	motor boat racing	soccer participation tours	sports festivals
white water rafting	basketball schools	boating/sailing	training tours	olympic games/asian games/ pan am games
golf courses	soccer schools	yacht charters	cycle/walking tours	commonwealth games/ european games
ski facilities	summer sports camps	bareboat chartering	ski do excursions	world championships
water slides	multiple sports resorts	card cruises	outdoor expeditions	unique sports events/games
wave tech pools	recreational/sports camping		trekking tours	dragon boat racing/camel racing/caber tossing
stadiums/arenas			adventure expeditions	ski doo jumping donkeyball extreme games recreation sports

**Sports Tourism International Council, 1990. Revised 1996

From Kurtzman (2005).

Both articles clearly laid out the different categories that could encompass destination resorts and the amenities that they could include.

Going back to Brey and Mills (2007), they recommended that the research should look at developing an understanding of resort integration, analysis of how managers, developers, and consumers interpret change in resort and overall perceptions, and resort amenities such as tennis and golf. This can be compared to Berkman's article. Berkman found that resort hotel operators have to review the market segments his property is best equipped to serve and then provide all he can to fulfill this market's needs. This is different from trying to please everyone. The article says the resort operator must do two things to figure out his market: a product analysis of his

property and then a market analysis. Other basics such as cleanliness, promotion, and policies need to be geared towards the guests, not the convenience of employees. This is imperative to studying how these resorts guarantee the happiness of their guests to not only their amenities but their entire stay. Another article that looks at how service quality and satisfaction can be impacted by resorts was Campo-Martinez and Garau-Vadell (2010). Their article looked at differentiating between service quality and satisfaction. The authors say quality is an attitude whereas satisfaction is a specific transaction. Service quality is the consumer's overall assessment of a product based on perceptions of what they "get" when they purchase a product. They then identified a set of attributes that consumers look at when evaluating their satisfaction level. This is what table 4 looks into.

Table 4

Principal Components analysis: rotated component matrix

Table 1. Principal components analysis: rotated component matrix.

Variables *Level of tourist satisfaction with:*	Factors[a] F1 Satisfaction with the destination characteristics	F2 Environ-mental satisfaction	F3 Satisfaction with prices	F4 Satisfaction with hospitality
V_1: Scenery	**0.655**	0.360	0.115	0.290
V_2: Beaches	**0.613**	0.440	0.129	0.208
V_3: Climate	**0.845**	7.237×10^{-02}	0.245	0.132
V_5: Environmental quality	0.231	**0.782**	0.218	0.245
V_6: Quality of urban surroundings	0.233	**0.795**	0.213	0.193
V_7: Cleanliness of public areas	0.127	**0.835**	0.186	0.107
V_8: Price of food and drink	0.111	0.302	**0.848**	0.116
V_9: Price of leisure activities	0.160	0.244	0.869	5.606×10^{-02}
V_{10}: Price of shopping	0.246	5.624×10^{-02}	**0.754**	0.372
V_{11}: Treatment as a customer	0.183	0.218	0.176	**0.887**
V_{12}: Hospitality of local residents	0.252	0.225	0.182	**0.859**

Note: [a]Extraction method: principal components analysis. Rotation method: normalized varimax. The numbers in bold represent the variables that most affect the factor.

From Campo-Martinez et.al. (2010).

From the literary review that Campo-Martinez et.al. (2010) conducted, 20 items were identified in this table. They asked 2 questions to a random sample of 529 tourists at the airport right before leaving Mallorca. One question measured overall satisfaction on a 10-point scale (1- fully unsatisfied and 10 fully satisfied) and the other asked tourists to rate , on a scale of 1-10, their satisfaction level with respect to the 20 different aspects of the destination that they found. They found from this survey that of the 20 initial variables, 9 were discarded for lack of explanatory power. After calculating out the results of the model, the table confirmed that tourist satisfaction with the characteristics of the destination is more influential in overall satisfaction (Campo-Martinez et.al.2010). They also found that the impact on satisfaction of the monetary sacrifice made by the consumer is significant and negative. This means that when tourists recall having to pay high prices, they are more likely to view the trip as being an expensive purchase and if prices go up, there will be a drop in tourist satisfaction (Campo-Martinez et.al 2010). After their research was conducted, they found that factors such as destination, urban and rural environment, food and beverage, and hospitality generate tourist satisfaction. The last thing they notice is that repeat tourists will have a negative satisfaction rating if prices go up and perceived quality does not.

Another article that supports these findings is Chiu's (2014) research. This journal article looked at how there has been limited research in this field specific to sport and recreation context in Malaysia. They ran a few regressions and found some interesting things. One regression found that customers' perceptions of the service quality in sport and recreation programmes were moderately associated with customers'

satisfaction pertaining to staff competence in carrying out the activities, performing the promised service, staff appearance, caring and courtesy of staff, and facilities and equipment. They summarized that this meant that there is a need for further improvement in sport and recreation programmes' services provided by management. Another regression analysis found that men and womens' perceptions of overall service quality in sport and recreation programmes don't differ from each other.

Sato, Gibson, Todd, and Harada dove deeper into this in their article (2018). The first part of this article looks at market segmentation and how it can be cost effective for sport resorts. They found that loyalty and satisfaction differentiate between different segments. They then identify that experience-use history (EUH) is the best mode of market segmentation. EUH is highly focused on tourists' past experiences such as the number and frequency of trips and has been regarded as a viable segmentation base to identify active sport tourism segments for understanding their characteristics such as motivations and travel behaviors (Sato et.al 2018). It is more accessible to practitioners because they can be available in each tourism organization's customer records. This article also touches on perceived value in relation to destination loyalty. They describe perceived value as quality and emotional response. They said quality refers to overall excellence of products and services and emotional response is the pleasure buyers associate with the products and services. In other words, it describes how the experience in the destination makes sport tourists feel. They argued that perceived value factors significantly influence tourists' loyal behaviors, then it is expected that incorporating the EUH segmentation will add meaningful comparisons. They then found with regression analysis that each sport tourist segment's destination loyalty is predicted

by unique perceived value factors (Sato et.al 2018). They found that increasing perceived quality is the most important factor to nurture destination loyalty of sport tourists.

Chie found that foreign customers perceived a better service quality towards sport and recreation programmes provided compared to local customers. This can be explained by Berkman's (1969) findings. He found that resorts seek to capture additional markets to build occupancy so they add new activities that make them destination resorts such as golf courses, tennis courts, boating, etc. He found that each added activity costs a great deal of money and can be justified by an increase in rates rather than by a seperate charge for each activity. I am going to look at if this holds up for two resorts I am going to study later on in this essay.

This can be explained more thoroughly by Hallmann and Roth's article (2012). A new study was conducted by surveying 13 ski areas by distributing a questionnaire to stakeholders. They found that the questions revealed that core resources and attractors are evaluated by the questioned experts to be super important to destination competitiveness. They also found that what some stakeholders find important are different from others and this can be explained by a lack of communication about the vision of the destination and its meaning for the destination as a whole. So, communication is the most important thing to improve tourism because it will create a more coherent picture of what the destination offers for tourists. Websites should be formed to give a concise idea of what the destination resort is offering, whether that be tennis, golf, skiing, etc. If information is not readily available, the overall picture of the resort will not be conveyed.

Chapter 2

Economics has four broad types of market structure and each one has different criteria to fall into each. There is perfect competition, monopolistic competition, oligopolies and monopolies. To find what category destination resorts fall into, each market structure has to be explored. Perfect competition hardly ever actually happens in a real world market, but is a useful model for explaining supply and demand curves (Hayes, 2022). For there to be perfect competition, there has to be many buyers and sellers where prices reflect supply and demand curves (Hayes, 2022). And along with that, all firms have to sell the same product with the same price (Hayes, 2022). This scenario would never actually happen in the real marketplace, so destination resorts could not be categorized as such since there are price ranges and the product can be varied.

Monopolistic competition is another form of competition in business. If a destination resort can be categorized as one, it has to meet certain criteria. “Essentially a monopolistic competitive market is one with freedom of entry and exit, but firms can differentiate their products,” (Pettinger et.al. 2019). The destination resort market follows this competition structure in the sense that many resorts come in and out of the market with differentiation of what the resorts offer in amenities. One will offer tennis while another resort could offer golf. Nothing limits the ability to form a resort in an area as well as one closing down and leaving the area. Monopolistic competition also has firms with a price inelastic demand; they are price makers because the goods are highly differentiated (Pettinger et.al. 2019). The elasticity of demand measures how demand

responds to a change in price or income (Hall, 2023). A better way to understand elasticity is through the mathematical model.

Figure 1

Elasticity of Demand

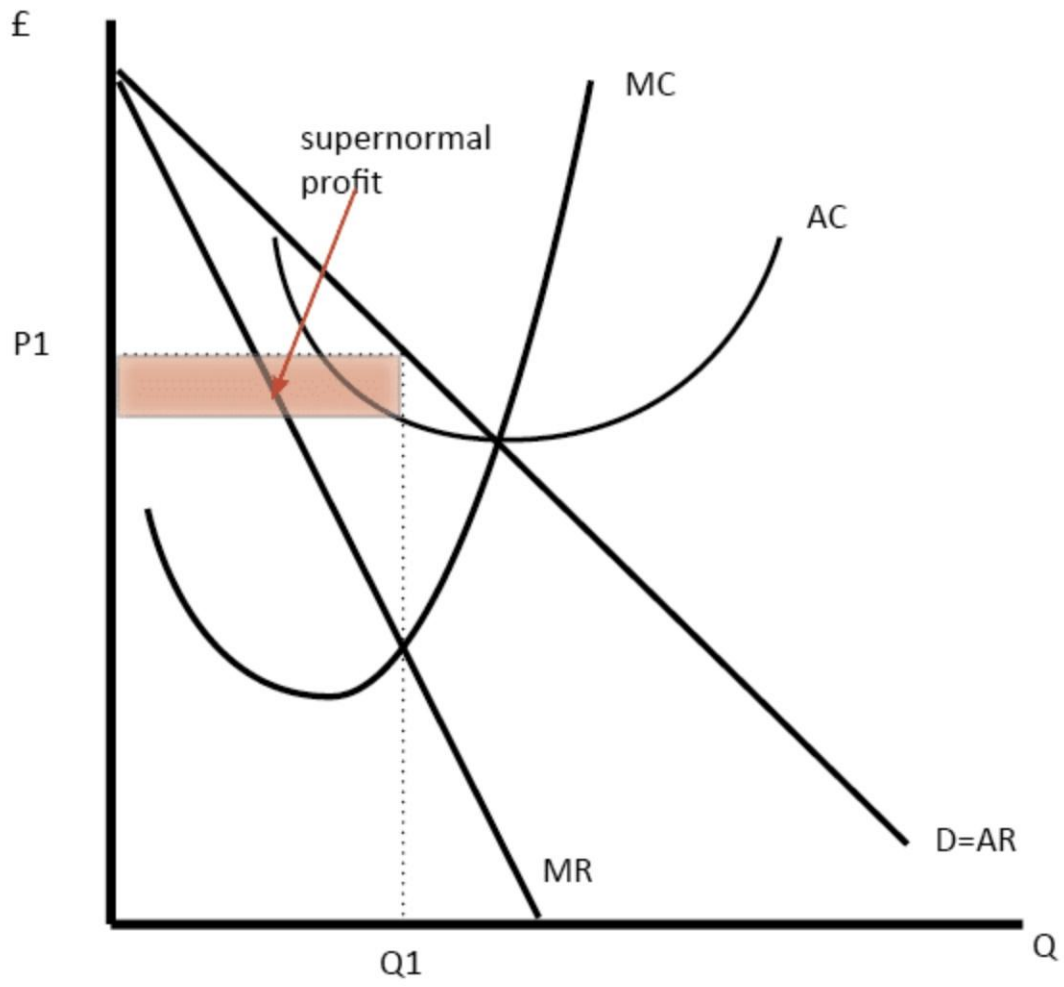
$$PE_d = \frac{\%\ Change\ in\ Qty}{\%\ Change\ in\ Price}$$

From Hall (2023)

Elasticity is calculated by dividing the percentage change in quantity demanded by the percentage change in price (Hall, 2023). Demand is inelastic when demand for a good or service is static when its price or other factor changes (Hall, 2023). A destination resort holds a price inelastic demand due to the highly differential goods each resort sells. What this means is that the resorts can set their prices themselves and still receive guests. Another aspect of a monopolistic competition is firms making normal profits in the long run but could make supernormal profits in the short term (Pettinger et.al. 2019). To further explain this, a diagram of monopolistic competition in the short-run and long run is needed.

Figure 2

Monopolistic Competition in the Short-Run



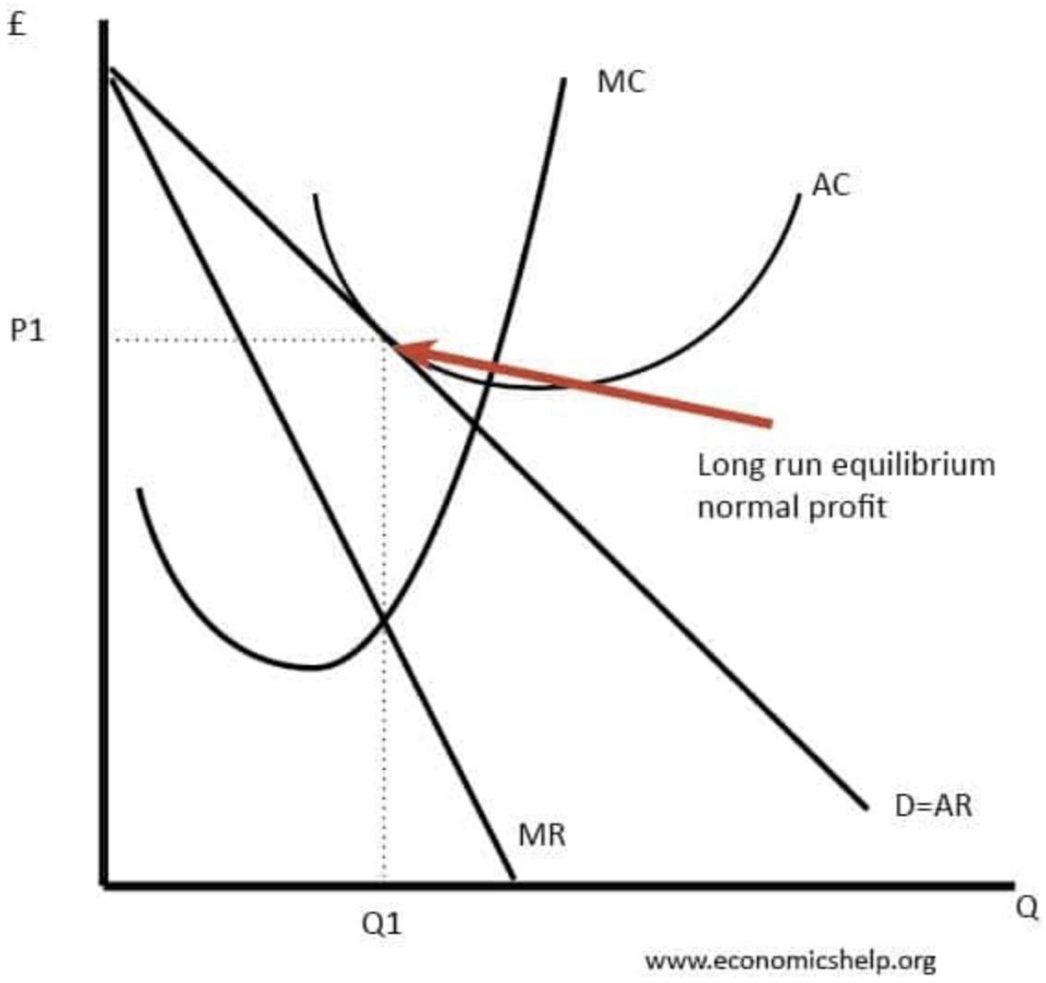
From Pettinger et.al. (2019).

"In the short run, the diagram for monopolistic competition is the same as for a monopoly. The firm maximises profit where MR=MC. This is at output Q1 and price P1, leading to supernormal profit," (Pettinger et.al. 2019). However, in the long-run, supernormal profit encourages new firms to enter and this reduces demand for existing

firms and leads to normal profit (Pettinger et.al. 2019). To represent this better, it can be seen in a diagram of monopolistic competition long-run.

Figure 3

Monopolistic Competition in the Long-Run



From Pettinger et.al. (2019).

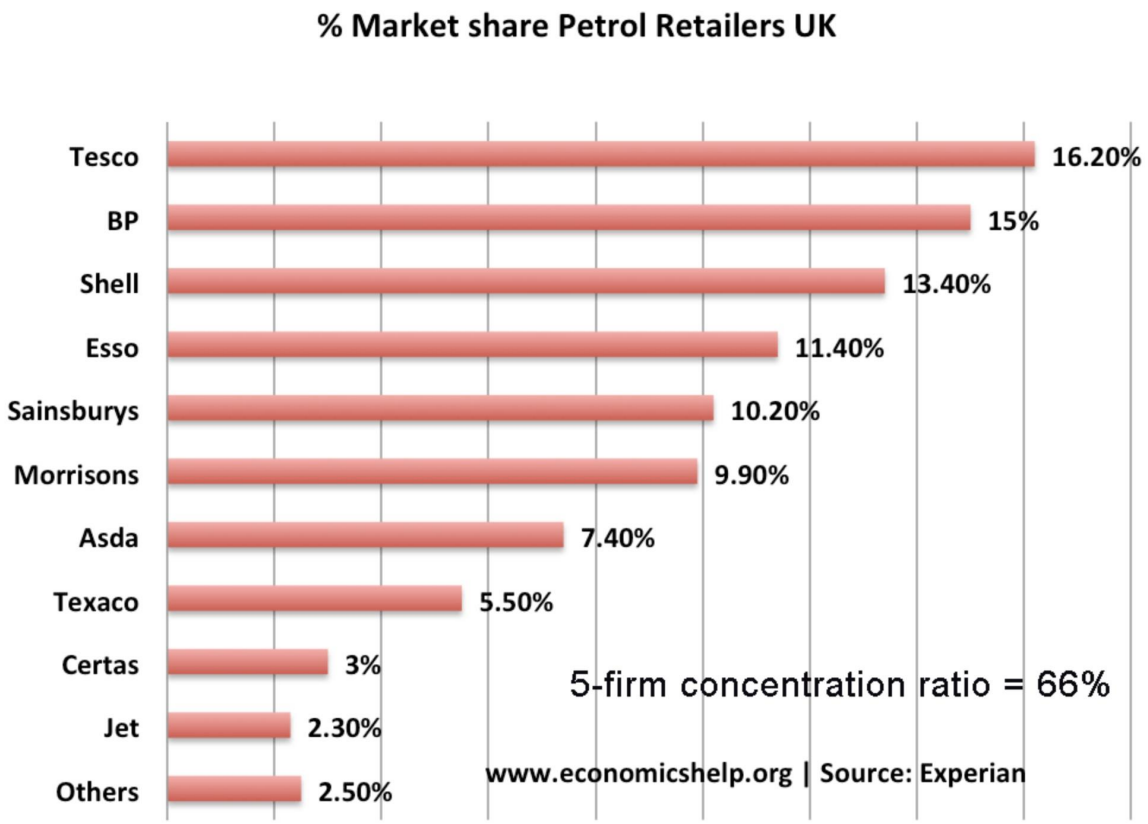
This diagram shows that the demand curve shifts to the left due to new firms entering the market (Pettinger et.al. 2019). These shifts in pricing can be found in destination

resorts. When the first resort arrives in an area, prices can be higher than when more resorts enter into the same market.

An oligopoly is an industry dominated by a few large firms. “For example, an industry with a five-firm concentration ratio of greater than 50% is considered an oligopoly,” (Pettinger et.al. 2021). For a visual example, a graph of petrol retailers in the U.K. can better illustrate a few firms dominating the market.

Table 5

Percent of Market share of Petrol Retailers in the UK



From Pettinger et.al. (2021).

This diagram shows 5 firms concentrating more than 50% of the total market share. In areas with destination resorts, there are more than a few firms dominating the market and do not meet the criteria for an oligopoly. In an oligopoly, there must be some barriers to entry to enable firms to gain a significant market share. However, barriers to entry are less than monopoly (Pettinger et.al. 2021). The destination resort market has very little barriers for entry so in this aspect as well a destination resort cannot be an oligopoly.

"A monopoly is a market structure where a single seller or producer assumes a dominant position in an industry or a sector," (Hayes, 2023). Monopolies are illegal in the United States and the destination resort market is not a form of a monopoly. On top of that, a monopoly limits available substitutes for its product and creates barriers for competitors to enter the marketplace (Hayes, 2023). Because of this, monopolies can lead to unfair consumer practices with the ability to create prices to their liking knowing consumers have no other choice of product. Happily, destination resorts do not fall into this sector of market structure so prices vary and consumers have the ability to choose from a range of prices and resorts with differentiation.

From this chapter we learn that a destination resort market can be categorized as monopolistic competition. From this, it gives us much understanding of how destination resorts compete for customers and customer loyalty. In the next chapter we will cover Porter's Five Forces and how destination resorts use them to better their standings in a monopolistic competition.

Chapter 3

Porter's Five Forces model helps to analyze the attractiveness of an industry by considering five forces within a market (Team, 2023).

To look at how destination resorts implement this force, I took a closer look at two destination resorts: Tops'l Beach and Racquet Resort as well as Sandestin Golf and Beach Resort. Both resorts are in the same area and marketplace and are in fact across the street from each other. So how do they implement Porter's Five Forces to compete for customers and customer loyalty?

The first of the five forces is competition in the industry. This means the number of competitors and their ability to undercut a company is competition within the market (Team, 2023). "The larger the number of competitors, along with the number of equivalent products and services they offer, the lesser the power of a company," (Team, 2023). Because of this, suppliers and buyers will look for a company's competition if they are able to offer a better deal or lower prices (Team, 2023).

Using the first force of being able to offer a better deal or lower prices, Sandestin Golf and Beach Resort excels in this over Tops'l Beach and Racquet Resort. Sandestin Golf and Beach Resort offers an array of promotional discount packages. In the spring, they offer a discount of 20% off two night stays, 25% off three or more nights, and 30% off five or more nights (Offers and Vacation Packages). Tops'l Beach and Racquet Resort does not offer this option during the down season like Sandestin. This is a great way for Sandestin to use Porter's first force to bring in customers. Another discount Sandestin offers is up to 40% off if you book your trip during the week (Offers and Vacation Packages). This gives guests an incentive to not just book on weekends but

also during weekdays when it might not be as busy. Sandestin also offers discounts for golfing in two forms (Offers and Vacation Packages). If you book to play on all four golf courses, you will save up to 30% and if you choose the option to play on two golf courses, you will save up to 25% off your stay (Offers and Vacation Packages). The most important way that Sandestin ensures customer loyalty to their resort is a point system that customers can enroll in (Offers and Vacation Packages). This gives customers an incentive to keep coming back. Tops'l Beach and Racquet Resort does use Porter's first force by lowering their prices overall for rentals during the winter, which they call snowbirds. The busiest time of the year for this area in Florida is from Memorial Day weekend through to the end of August. In this way Tops'l Beach and Racquet Resort is implementing a bit of Porter's first force. But other than that, Tops'l does not offer much to implement Porter's first force. Sandestin Golf and Beach Resort is using Porter's first force to compete with Tops'l Beach and Racquet Resort by giving a better deal overall and their offers are easy to find and sign up for.

Porter's second force is the ability for new entrants to enter the market (Team, 2023). In a monopolistic competitive market, entry and exit barriers are minimum. "An industry with strong barriers to entry is ideal for existing companies within that industry since the company would be able to charge higher prices and negotiate better terms," (Team, 2023). So, destination resorts have to compete with their pricing since entry and exit barriers are minimum. When looking at the market that Tops'l and Sandestin are in, there are very few limitations for entrants into the industry. There are no barriers that limit a new resort to be built and to establish themselves.

The next factor in the Porter model looks at how easily suppliers can drive up the cost of inputs (Team, 2023). “It is affected by the number of suppliers of key inputs of a good or service, how unique these inputs are, and how much it would cost a company to switch to another supplier. The fewer suppliers to an industry, the more a company would depend on a supplier,” (Team, 2023). Tops’l Beach and Racquet Resort as well as Sandestin Golf and Beach Resort both have property management companies as their suppliers. Sandestin Golf and Beach Resort has Hilton managing the resort whereas Tops’l Beach and Racquet Resort has Vacasa. Hilton is already a better supplier than Vacasa because Hilton is also a hotel company, whereas Vacasa is a property management company with no experience with specialized destination resorts. The Hilton has a well known history of running resorts with unique accommodations such as golf. Vacasa has never owned a resort with a clubhouse and tennis club. This leads to problems within Tops’l Beach and Racquet Resort when it comes to marketing the tennis facilities. When you log onto each resorts’ websites, Sandestin is easy to navigate and golf is a clear option in the navigation bar where you can click on it and see all the resort offers and packages you can participate in (Sandestin.com). When you log into Tops’l, the information on the tennis facilities is all the way on the bottom of the page and not easy to understand what is being offered (Tops’l Beach and Racquet Resort). Already, the suppliers have a big part in how easy information is found for both resorts and Hilton is able to charge higher prices due to it being the superior supplier because information and experience is better.

“The ability that customers have to drive prices lower or their level of power is one of the Five Forces,” (Team, 2023). This means a company is affected by how many

buyers or customers it has, if each customer is significant, and how much it would cost a company to find new customers (Team, 2023). When looking at the two resorts, Sandestin Golf and Beach Resort offers a wide range of accommodations so that their customer pool is not as niche as other resorts. This means that their cost to find more customers is low and the effect customers have on the resort is a bit higher because the resort depends on a wide range of people coming to the resort. That means that for Sandestin, the customers have more power to negotiate for lower prices and better deals (Team, 2023) making the prices more competitive. Tops'l Beach and Racquet Resort went a different route. They depend greatly on their tennis customers. The tennis club will put on many big tournaments throughout the year to pull in more customers interested in tennis such as the Helen Drake Tournament and Nike camps partnered with Florida State University. These do give Tops'l significant customers and it is affected by how many customers come to these tournaments. This means that Tops'l with their smaller, independent customers will have an easier time charging higher prices to increase their profit (Team, 2023).

"The last of the Five Forces focuses on substitutes," (Team, 2023). Other goods or services that can be used in place of a company's products or services is a threat to that company (Team, 2023). Companies that produce goods or services for which there are no close substitutes will have more power to increase prices and receive brand loyalty (Team, 2023). With this in mind, destination resorts pick one area of expertise to focus on. Sandestin Golf and Beach Resort does this with golf and Tops'l Beach and Racquet Resort does this with tennis. Offering premium products such as these in the marketplace makes it harder for other resorts to compete. Tops'l Beach and Racquet

Resort was able to establish itself as a top of the line tennis resort in Florida ranking in the top 10 of all tennis resorts in the state of Florida (World Tennis Travel). They also offer a unique court situation as all 12 courts at the club are clay and manicured three times a day. This allows Tops'l Beach and Racquet Resort to charge higher prices and rope in customer loyalty with its unique tennis club. Sandestin Golf and Beach Resort offers four different golf courses on its property as well as a key way to navigate between the four so a customer can easily play all four courses. Sandestin built a tunnel under the highway connecting one side of the resort to the other so that golfers can easily play out courses. This aspect of the resort makes it incredibly unique and they are able to price their golf packages as such to reflect that. Sandestin has one other thing in the resort that makes substitutions very hard; Sandestin has Baytowne Wharf. Baytowne Wharf is a diverse collection of specialty stores, award-winning restaurants, eclectic art galleries, exciting nightlife, and a jam-packed calendar of fun festivals and events in the middle of the resort (Eclectic, exciting, and fun, 1970). With this little town in the middle of the resort, they are able to pull in a lot of new customers when people come to the resort only for Baytowne. When they come in, they can see the resort and everything it has to offer. This lowers Sandestin's customer costs by a ton and might be the most important factor in their business model.

Overall, Sandestin Golf and Beach Resort has implemented Porter's Five Forces more effectively than Tops'l Beach and Racquet Resort. Tops'l need to better their offers in off seasons as well as create incentives for loyal customers in a way similar to Sandestin if they stand to keep competing for the same customer base.

Conclusion

This study looked at what makes a destination resort a destination resort and how does a destination resort compete in the marketplace. Through this study, it was found that a destination resort has to have something unique to it to differentiate it from other resorts. It has to include an amenity that is unique to the area and not found in an everyday resort. When looking at Tops'l Beach and Racquet Resort and Sandestin Golf and Beach Resort, we are able to determine that both resorts can be classified as a destination resort due to the tennis amenity in one and the golf amenity in the other. This study also looked at if a destination resort could be considered to be a part of a monopolistic competition marketplace. Through exploring all market structures, it could be determined that destination resorts are a part of the monopolistic competition marketplace. Destination resorts have a high number of entries and exits from the market with differentiation happening within the resorts with what amenities they offer. With that in mind, two resorts were studied to see how they competed against each other in a monopolistic competition. Sandestin Golf and Beach Resort and Tops'l Beach and Racquet Resort are both destination resorts competing in the same market. Both do different things to differentiate themselves but the study showed that Sandestin is using Porter's Five Forces more effectively than Tops'l. Sandestin uses offers and discounts as well as good communication through their website to attain more customers and customer loyalty. Whereas, Tops'l uses their tennis program to bring in customers and quality of the tennis brings loyalty to the resort. Overall, I think this study was incredibly important to me because I have a professional connection with Tops'l Beach and Racquet Resort. I have been informed by coworkers that Tops'l does not have a

marketing team whereas Sandestin has a full marketing department. With this information I have gathered, I feel confident that I could take this study to Vacasa and show them what we are missing when it comes to marketing to new and pre existing customers in a monopolistic competition structure.

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