



Managing Emerging Destinations: the Case of Azerbaijan

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Abstract

This study aims to explore the evolution of governance frameworks in emerging destinations. The literature signals a continuum along which the frameworks move from state-led, formal governance to public-private-partnerships, where more flexible, market-driven systems are in play. In this study, an emerging tourism country, Azerbaijan, is analyzed in terms of its tourism development and institutionalization process. For this purpose, policy documents and six expert interviews were analyzed, followed by a validation process. The results revealed that the country is on the verge of rapid transitions regarding destination governance. Tourism has been prioritized on the political agenda for the past decade, and in the period from the declaration of 2011 as “Year of Tourism” to the COVID-19 pandemic, growth was registered in both supply and demand. Concordantly, institutional transformation has been initiated by launching the national Destination Management Organization (DMO) and three other regional DMOs, with new DMOs underway.

Keywords

Emerging Destinations, Tourism Development, Destination Governance, Destination Management Organization, Azerbaijan

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Introduction

Tourism is often referred to as a major remedy for alleviating regional disparities. It is regarded as a “soft” means to (re)balance socioeconomic structures. From an international perspective, inbound tourism would help countries with direct economic contribution through the earnings from visitor exports, and from a national perspective, these visitor exports, along with domestic flows and their consequent ripple effects, could contribute to social and economic sustainability at the local levels. Moreover, tourism can build positive images of destinations, fostering mutual cultural understanding and improving local quality of life through not only increased incomes and jobs but also enhanced infrastructure, facilities and amenities. Nevertheless, tourism is also associated with negative impacts on regions, such as pollution, congestion, inflation, displacement, degeneration and external dependencies, as well as failures to reach sustainability goals due to overexploitation of resources and economic leakages (Sharpley & Telfer, 2015). Ultimately, all these challenges can partly be attributed to a lack of professional institutions capable of managing the regions as destinations – in other words, Destination Management Organizations (DMOs).

This study aims to explore the evolution of governance frameworks in emerging destinations at both the national and the subnational scales. The case study country is Azerbaijan. Fieldwork was done in 2019. The empirical and documentary findings are discussed in relation to a literature review on destination management concepts and issues.

Literature Review: Destinations and Destination Management

A destination refers to a visitor’s point of arrival. Pioneering research (Gilbert, 1939; Barrett, 1958; Christaller, 1964; Stansfield, 1972; Plog, 1974) has conceptualized a destination as both a geographical location and a product. These studies also led to the formation of Butler’s (1980) Tourism Area Life Cycle (TALC) model (Butler, 2006). According to the TALC, a tourism destination goes through various development stages over time, eventually leading to a progression from decline to rejuvenation of visitor flows analogous to a commercial product life cycle model (Vernon & Wells, 1966). Butler (2011), three decades after his introduction of the “tourism areas” concept, concretized a “tourism destination” as a geographical place of any scale, composed of multiple stakeholders and resources on the supply side.

Meanwhile, following increased debates over the destination concept among experts since the turn of the century, the United Nations World Tourism Organization (UNWTO) stepped in to publish a comprehensive report on destination management in 2007. This was a critical step for the diffusion of tourism professionalism at the macro level, as UNWTO is the highest-level institution to promote the acknowledgement of

destination conceptualizations and their managerial implications among its member states. The report defined a (local) destination as “a physical space in which a tourist spends at least one overnight” and one that “includes tourism products such as support services and attractions and tourist resources within one day’s return travel time” (UNWTO, 2007: 1). As of 2019, the most up-to-date validated definition of a destination, as approved by the Executive Council of the UNWTO (2019), also includes the concept of tourism value chains that refer to simultaneously or sequentially offered products and services on the supply side.

There is increasing debate on the conventional TALC model, as it asserts a linear and aggregated development pattern on destinations. From the trending perspectives of Evolutionary Economic Geography (EEG) and Relational Economic Geography (REG), more emphasis is put on the historical embeddedness of the regions, the intra- and interplay of stakeholder and actor networks as well as the surrounding powers (Sanz-Ibáñez & Anton Clavé, 2014; Brouder et al., 2016). Proponents of the St. Gallen Model for Destination Management (SGDM), on the other hand, propose a semantic and practical “revolution” where a destination is composed of Strategic Business Areas (SBAs) defined per homogeneous market segment. Following consensus reached through the biennial Advances in Destination Management fora since 2012 (Laesser & Beritelli, 2013; Reinhold et al., 2015; 2018), a mutually agreed upon definition of a tourism destination is a “market-oriented productive system,” which highlights the momentary “co-production” of touristic experiences by both supply and demand actors (Reinhold et al., 2015: 138).

All three definitions above embrace various characteristics for tourism destinations. What they all have in common is an umbrella concept that encompasses all elements of the tourism product. Indeed, various scholars (Buhalis, 2000; Murphy et al., 2000) refer to destinations as amalgams, implying that they form synergies that are larger than – more valuable in principle – and different from the sum of their components. In this regard, Buhalis (2000) suggests the 6A’s (Attractions-Accessibility-Amenities-Availability-Activity-Ancillary Services) model to summarize all products and services that will lead to the overall destination experience.

In addition to the strengths of the 6A’s, there are numerous other variables to increase destination competitiveness. Bornhorst et al. (2010), having reviewed 31 studies that focus on factors affecting destination success and accordingly having interviewed 84 tourism actors (business managers, destination managers, politicians and network leaders) in 25 Canadian destinations, identified the most prominent success factors as product and service offerings, location/accessibility, quality of the visitor experience and community support. These findings highlight the importance of notions of “co-production” and “stakeholder incorporation” in defining destinations. In addition,

destinations should be treated as not only physical spaces and (co-)products but also as multi-layered, dynamic systems as operationalized by the SGDM (Beritelli et al., 2014). That being said, the geographical and often political delimitations of regions still need to be acknowledged, especially when emerging destinations are in question.

As highlighted in the introduction, while destinations' performances are vital for their own sake, they may also have greater development contributions/implications for their wider regions (Sharpley & Telfer, 2015). From an economic point of view, destination development can easily lead to a ripple effect by multiplying incomes and jobs, and consequent tax benefits, into many other sectors relevant to tourism's supply chain. It can also protect and enhance cultural and natural resources, support cultural interaction and peacebuilding, and help the empowerment of socioeconomically disadvantaged groups. However, the development pattern can also result in adverse effects such as economic leakages, import dependencies, inflation, cultural degeneration, tensions between locals and incoming labor migrants and visitors, and environmental degradation. Direction and magnitude of these effects are related to both temporal and spatial (scale) parameters inherent to the destinations. Regarding time, the current TALC stage or the main SBA(s) status is relevant. An early stage implies that while development in the area may be far away from carrying capacity issues, and even greeted with some euphoria among the locals (Doxey, 1975), it would be initially challenged by lack of institutional capacity, putting DMO establishment at the top of a destination development agenda for the sake of much needed coordination (Sainaghi et al., 2019).

The modern tourism industry dates back to the 19th century, with the introduction of package tours by the British entrepreneur Thomas Cook. Yet the DMO practice is a far more recent concept, flourishing with a marketing orientation by the end of the 20th century, hence the "M" in DMO standing for "marketing" at that point. By the turn of the 21st century, "marketing" has been replaced with "management," as the wider managerial role of this organization has been acknowledged for the sake of development, (operative and supportive) management and marketing of destinations (Çetin et al., 2017). While there are still scholarly debates (Pike & Page, 2014; Pearce, 2015) on what the "M" should stand for within a DMO, as recently noted by Reinhold et al. (2019), the UNWTO (2007: 4; 2019: 10) defines destination *management* as "the coordinated management of all the elements that make up a tourism destination." Further, the UNWTO (2019: 12) states that the most up-to-date definition of a DMO is "the leading organizational entity which may encompass the various authorities, stakeholders and professionals and facilitates partnerships towards a collective destination vision." Combined, these definitions refer to the vital need for a "coordinating leadership" that can ensure efficient and effective management practices for the long term sustainability and competitiveness of destinations. It is

expected that collective, professional actions in destinations will lead to a greater shared wisdom, economies of scale, and marketing influence.

When destination introduction or rejuvenation are on the agenda, authorities and/or other involved parties need to give top priority to the DMO establishment process in their strategic approaches (Çetin & Demiroglu, 2017; Sainaghi et al., 2019). These initial conditions may resemble a chicken and egg situation where it is not certain whether it is the destination development or the DMO establishment impetus that causes the other one. However, in many cases, destination development projects end up being based on recommendations from higher level administration and external expertise, thus, sustainability and competitiveness cannot be ensured as the real local actors and stakeholders are usually left out of this co-production and its related maintenance phases. Therefore, it is of utmost importance to initiate destination strategies with the establishment and capacity building of DMOs, in line with the saying, “give a man a fish and you feed him for a day; teach a man to fish and you feed him for a lifetime.” Strategic management of destinations is a continuous process, and founding Destination Management Plans (DMPs) need to be updated and implemented as required by various stages of a destination’s – or its SBAs’ – life cycles. Such effort requires the long-term and full-time professional commitment of an onsite organization – the DMO.

DMO establishment requires a sequential process starting from the identification of relevant actors and stakeholders along its tourism value chain to, ultimately, capacity building (Çetin & Demiroglu, 2017; Çetin et al. 2017). It answers the questions of “who?” in pursuit of destination leadership and various roles, “how?” to determine the most suitable governance structure, and “what?” to define functions and activities related to destination management. A DMO finds the best structure to provide a collaboration platform among its actors and stakeholders based on a mutually agreed upon vision. It further encourages active participation and commitment of its building blocks towards this vision through “internal marketing.” Following a DMP, it delegates the tasks among its staff or members, and engages in continuous capacity building activities to support the realization of these tasks.

Based on multiple expert interviews, particularly from winter destinations worldwide (Çetin & Demiroglu, 2017), Çetin et al. (2017) summarized strategies pertaining especially to emerging or rejuvenating destinations under three main categories: development, management and marketing. All these strategies relate to typical activities and functions of a DMO, except for “governance and institutionalization” strategies that are indeed about development of the DMO itself. These strategies, and the DMO activities and functions involved, can also be distinguished in terms of their spatial scale or temporal range (Table 1). In this respect, one can identify their

relevance in terms of a multi-scalar structure where many local/provincial DMOs could cluster to form a regional DMO. Moreover, as these destinations are assumed to be at their exploration/involvement stages, some of the activities could be deemed most urgent in the short term (less than a year), while the rest could extend over the whole life cycle. The range of these activities and functions, however, also depends on how decentralized the political administration system of their parent country is (UNWTO, 2007).

Table 1
Spatial, Temporal and Thematic Classification of Destination Strategies

<i>Strategies</i>	<i>Short Term</i>		<i>Long Term</i>	
	<i>Local</i>	<i>Regional</i>	<i>Local</i>	<i>Regional</i>
<i>Destination Development</i>				
Governance and Institutionalization	√	√		
Technical Product and Accessibility	√	√	√	√
Tourism Culture and Human Resources	√		√	
Investment Planning and Facilitation	√		√	√
<i>Destination Management</i>				
Product Improvement			√	√
Diversification and Event Management	√	√	√	√
Sustainability			√	√
Funding	√	√	√	√
<i>Destination Marketing</i>				
Market Development			√	
Distribution Channels				√
Collaboration	√	√	√	√
Digital Marketing		√		√
Branding	√	√	√	√

Source: adapted from Çetin & Demiroglu 2017, Çetin et al. 2017

It is not the aim of this study to elaborate on these strategies (see Çetin & Demiroglu, 2017 for details). However, the funding strategy in particular needs to be highlighted as it is a vital function of the DMO, firstly, for its own existence. It is not uncommon that many DMO initiatives face dissolution due to lack of regular income or dispute about the sources of income. Several options are available for DMOs to finance themselves, and thus, their destinations’ competitiveness (UNWTO, 2007). A DMO’s budget can be financed both publicly and privately. Public subsidies are usually most common, especially for covering overhead costs. A DMO can lead or partner in events and attractions and receive its fair share from attendance or sponsorship revenues. Card systems and related mobile applications that combine various attraction, event and transport uses under discounted prices can also generate revenues for the DMO. Likewise, the DMO can run a central promotion and booking system, thus receiving commissions and advertisement fees. In the event where a public-private partnership (PPP) governs the DMO, additional revenue can be obtained through membership from private and civil stakeholders. Such contributions

can also be received indirectly, for example through taxation of tourist overnight stays or private establishments' annual earnings. A DMO should pay utmost attention to its funding activities so that, as a non-profit organization, it does not conflict with the primary commercial activities of its stakeholders and earmarks its earnings in the best way to serve its destination's overall competitiveness and sustainability.

In the Nordic countries, for instance, the public sector initiated the establishment of PPP-based DMOs, often organized as companies or economic associations, in response to criticism from the tourism industry that asked for intensified promotion in a time of increased competition by the turn of the century. Usually, the local tourism industry governed these companies/associations by controlling the boards, but, predominantly, municipalities continued to provide funding. A criticism of this structure has been that public money was transferred to the private sector without public insight (Müller, 2006). Moreover, the structure also meant that single board members gained disproportionate power over strategic decision-making, which sometimes resulted in suboptimal decisions favoring single stakeholders' business interests rather than the development of the destination. At the same time, the quasi-privatization of destination development and marketing also reduced the role of the public sector to funding. Furthermore, the amalgamation of previously municipality-based DMOs into larger destinations comprising several municipalities strengthened market visibility and enabled destinations to develop competitive products. However, the development also meant that municipalities increasingly lost control over and interest in tourism development. The rather passive role even hampered any will to increase public funding. Particularly in peripheral areas, European Union Structural Funds offered the option to supplement municipal funding (Müller & Åkerlund, 2013). Even though EU-money enabled numerous projects and new initiatives, it did not represent funding for running costs. Additionally, the project-based organization constantly required new thematic orientations in order to satisfy the funding agency's ambition to support innovation rather than ongoing operation. The need for constant change also caused fatigue among participating stakeholders, and furthermore, the resulting organizational constructs are complex and have limited transparency. The lack of public leadership also meant that conflict among industry stakeholders occurred. For example, in the case of the mountain resort of Hemavan, the largest stakeholder did not cooperate with the local DMO since board representation did not reflect the dominant position of the company, leading to decisions that were not in line with the company's strategic orientation (Müller, 2019). Similarly, in a Finnish case, dissatisfaction with industry leadership of destination development caused a backlash and a return to DMOs governed by the municipality (Åberg & Svells, 2018).

Setting up a governance framework for destinations or, more realistically, relating destinations to existing frameworks, requires an initial situational analysis. Taking

ski tourism as an example, the framework can be situated on a continuum between a “community model” and a “corporate model” (Flagestad & Hope, 2001). In regions that are historically locked into long-existing political and economic structures with a strong state culture (Halkier et al., 2019), the DMO may enjoy an abundance of financial and logistical resources but also find it difficult to professionalize itself, risking its own, and consequently, the destination’s success and hindering itself from transitioning into the new paradigms, such as that of SGDM (Beritelli et al., 2014). In the three Western Siberian regions of Russia, namely Tomsk, Kemerovo Oblasts and Altai Krai, Halkier et al. (2019) concluded that while tourism development has become quite visible in the area, it is still led by state intervention and the alternative interests of extractive industries, and noted that “public tourism governance still sits somewhat uneasily between state control and the market economy.”

The UNWTO (2007) mentions that within a public sector-dominated model, a long-term strategic approach with foci on destination awareness creation, business support and assurance and public realm management efforts may provide a major advantage, but the slow bureaucracy and lack of a business mindset could create problems. Within a corporate model, result-oriented approaches could lead to customer satisfaction and sales success in the short term, but a general lack of interest in the public good and a relative lack of resources may pose issues in the long term. Moreover, the state’s mistrust of the private sector and the private sector’s frustration with the public sector are also major concerns. According to Flagestad (Demiroglu, 2015), the corporate model may perform better in terms of customer satisfaction and economic performance while the public sector could be a better guardian of social and environmental sustainability. In the light of these parameters, as an interim solution for emerging destinations, focus may be on a DMO situated within a community model but gradually transforming into a PPP, for which numerous engagement formulas exist (UNWTO, 2007).

A recent suggestion of DMO business models comes from Reinhold et al. (2019) who depart from a normative model, based on scale (national, regional, local), activities, functions and competencies, governance structure, and revenue streams and funding of a DMO and how value is captured from and created for the actors through the DMO’s activities. Accordingly, the Destination Factory model focuses on product and service supply activities of the normative model in a monopolistic manner and usually finances itself via taxes while lagging behind in terms of stakeholder coordination. The Destination Service Center model is much like the first one, as it also requires a relatively simple process for configuration. It aims to accommodate its stakeholder networks through standard processes, but it is never as formally powerful as the Destination Factory when it comes to development leadership and funding access. Likewise, the Value Enabler also has little control over the destination but

is focused on liberating the synergies among its stakeholders and thereby creating value. The last model, Value Orchestrator, on the other hand, again has a hierarchical structure, but is more concerned with its stakeholders and is based on one-to-one rather than collective relationships.

While there are numerous modelling attempts to explain how DMOs are formed and function, result-oriented approaches can help identify what might be the ideal DMO. Eventually, the ideal DMO is expected to influence the determinants of destination success, previously identified by Bornhorst et al. (2010) as product and service offerings, location/accessibility, quality of the visitor experience, and community support. In addition, the authors note that unique success factors for a DMO are supplier relations, effective management, strategic management, and being result oriented – all dependent on funding and personnel. These findings are also supported by Volgger and Pechlaner (2014), who empirically show that the much-needed networking capability is indeed a matter of authority that results from power and acceptance. This then points to an influential leadership that establishes a “moderating,” “facilitating” and “orchestrating” soft power (Reinhold et al., 2015), which brings a balance to the determinants of DMO, thus destination success (Figure 1). Similarly, the UNWTO (2019) has identified strategic leadership, along with effective execution and efficient governance, as a key performance area for DMOs.

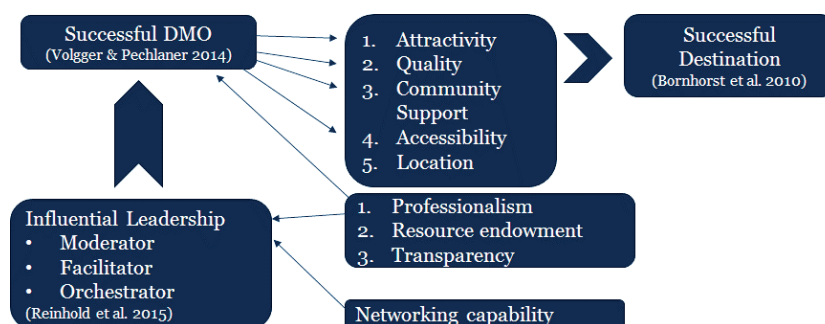


Figure 1. Determinants of DMO and Destination Success

Source: Authors based on Bornhorst et al., 2010; Volgger & Pechlaner, 2014; Reinhold et al., 2015

Successful tourism development calls for well designated destination governance frameworks and management practices in order for regions to make the best out of their resources in a highly competitive market. Although an “existential crisis” for DMOs has been recently stressed by several scholars and experts (Pike, 2016; Laesser, 2019; Reinhold et al., 2019; Spinks, 2019), one can still find new initiatives from around the world, especially in emerging tourism countries and regions. Below,

the case of Azerbaijan is presented, following analyses of policy documents, statistics and expert interviews, and a validation process.

Methods

Before completing fieldwork for the case study country, desk research, mainly based on policy documents (Administrative Department of the President of the Republic of Azerbaijan, 2013; Arnegger & Mayer, 2015; COMCEC Coordination Office, 2018a; b; Ministry of Agriculture, 2019; Ministry of Economy, 2017; 2019; State Housing Development Agency of the Republic of Azerbaijan, 2016; State Tourism Agency of the Republic of Azerbaijan, 2020), academic and grey literature (Altman, 2010; Elliott, 2019; Heikkilä et al., 2014; Ministry of Culture and Tourism, 2018; Ministry of Ecology and Natural Resources and the National Academy of Sciences, 2013; Seyidov & Adomaitienė, 2016; Soltanova, 2015) and statistics (SESRIC, 2019; State Statistical Committee of the Republic of Azerbaijan, 2019; WTTC, 2019; UNESCO, 2019; 2020), was carried out.

For the purpose of a deeper understanding of general tourism development and subsequent destination management efforts in the case study country, an interview guide (see Appendix) consisting of ten questions was finalized, following discussions with Azerbaijani tourism authorities regarding a pool of relevant questions based on the literature review and the document analysis. The first two questions sought information on the past and expected contribution of tourism to socioeconomic development, as well as the internal (resources, operational management, marketing, human resources, finances, infrastructure, etc.) and external (economic, social, natural, political, legal, technological, competitive, etc.) factors positively or negatively affecting the contribution. The next section involved five questions that clarified respondents' personal and institutional understanding of the destination concept and DMO definition, actors and functions, and also looked for scholarly unpublished information on legal and political frameworks affecting the governance of destinations, in particular the establishment and running of DMOs. At the end of this section, the respondents were asked to provide global examples of DMOs that they perceive as successful. In the final round, three more questions were posed to find out about potential destinations in relatively less developed regions and ways to retain any future benefits at the local level. Prior to the interviews, all interviewees were provided with consent forms for their permission for audio recording.

Thanks to the parent project (see Acknowledgement) of this study, cooperation with the highest level tourism authority, namely, the State Tourism Agency (STA) of the Republic of Azerbaijan, enabled the researchers to interview key experts in a short period of time in June 2019. Careful attention was given to having diverse backgrounds representing the public and the private sectors and academia. In the

end, six experts became the subjects of face-to-face interviews (Table 2), following the formal referrals of the STA. Finally, two of these experts, STO and DM1, and the STA-affiliated coordinator of the parent project gathered at a roundtable meeting in September 2019 in order to validate researchers' interpretations of the findings.

Table 2
List of Interview Participants

<i>Participant</i>	<i>Alias</i>	<i>Date</i>	<i>Language</i>	<i>Duration</i>
Senior Tourism Officer	STO	11.06.2019	Azerbaijani/Turkish	01:18:33
DMO Expert 1	DM1	11.06.2019	English	01:31:20
DMO Expert 2	DM2	13.06.2019	English	01:07:28
Tourism Scholar	TS	11.06.2019	Azerbaijani/Turkish	00:37:23
Travel Agent 1	TA1	12.06.2019	Azerbaijani/Turkish	01:42:19
Travel Agent 2	TA2	13.06.2019	Azerbaijani/Turkish	ca 1 hour

Results

The Republic of Azerbaijan is situated at the crossroads of Europe and Asia, bordering the Caspian Sea, Russia, Georgia, Armenia, Turkey and Iran. Following its independence from the USSR in 1991, Azerbaijan has taken important steps in its socioeconomic development. After the “economic chaos and regression” period arising from political instability, military conflicts and post-Soviet economic transition shocks in the first four years of the republic, major reforms started to take place. From the second half of the 1990s and onwards, more systematic policies and programs were put in place to restore stability and foster socioeconomic development (Administrative Department of the President of the Republic of Azerbaijan, 2013).

The liberalization era at the turn of the century also included the State Programme of Tourism Development during the years 2002-2005 (Soltanova, 2015). Within the last decade, major high-level policy focus has turned towards diversification of the economic mix beyond the main revenue-generating oil industry, as well as spatially into the regions and rural areas beyond Baku. The economic dominance of the mining and quarrying industry has been reduced in the recent years, in line with oil prices falling globally. Today there is a strong political will for strengthening an oil-independent national economy. In the current and future overall economic and regional development plans and programs (Ministry of Economy, 2017; 2019), tourism is primarily highlighted in this respect. An individual State Programme on Tourism Development for the period 2010-2014 was already launched a decade ago (Soltanova, 2015), with 2011 declared the Year of Tourism by the Presidency. Furthermore, the Ministry of Economy notes in their Strategic Plan for 2017-2020 that, “the investment incentive mechanism for promoting private investment will be focused not only in non-oil sector, but also on priority service areas, especially on the development of tourism” (2017: 13). The main State Program on Socioeconomic Development of Regions of the Republic of Azerbaijan for 2019-2023 (Ministry

of Economy, 2019), has also identified development of various tourism types and improvement of service quality as a major objective, including action plans for each region.

Despite its relatively small area (ranked 111th in the world), Azerbaijan offers diverse resources to be mobilized for tourism development, thanks to its rich physiography and sociocultural accumulation over the centuries. In the introduction to the fifth edition of his popular guidebook, Elliott (2019) names among the unique selling propositions (USPs) of the “fascinating” Azerbaijan its oil; caviar and carpets; the “bizarre” mud volcanoes; the “land of fire” designation resulting from ancient Zoroastrianism and the natural flames ignited by abundant underground gases; beaches of the Caspian and snow-capped hills of the Caucasus; the melting pot of local, Russian and Iranian worlds; the capital Baku with its well-preserved old city as well as luxurious modern face; and not least, the rural landscape starting just a couple of hours driving distance beyond the capital. Throughout the country, one can dramatically experience different climatic conditions via landscapes rising from below the sea level to glaciated peaks above 4,000 m, and complemented by rich flora and fauna. According to the *Red Book* by the Ministry of Ecology and Natural Resources and the National Academy of Sciences (2013), 286 plant, 14 mushroom and 266 animal species have been documented for protection status, adding to the natural appeal of the country.

In the area of rural development, the “From City to Village” project has recently been launched to be undertaken by the State Agro Trade Company and supported by the Ministry of Agriculture, the Ministry of Ecology and Natural Resources and the State Tourism Agency. The project’s purpose is developing “agroecotourism” that will lead to further improvement of social welfare in villages, introduction of new job opportunities and alternative sales channels, and diversification of income for rural residents and small and medium-sized farms, as well as support for their family businesses (Ministry of Agriculture, 2019). In 2012, a similar project was also implemented by a joint initiative of two NGOs, one Azerbaijani and one Finnish, and Turku University of Applied Sciences, albeit on a smaller scale and with a focus on three villages, where capacity building for rural entrepreneurship on a PPP basis was the major aim (Heikkilä et al., 2014). According to DM2, such projects enable the farmers and their associates to engage in a business that is seasonally complementary to their agricultural activities, mutually adding value to the local supply chains of both sectors.

Regarding cultural aspects, Azerbaijan has inherited critical sections of the Great Silk Road with its ancient remains, as well as modern advantages such as busy rail and road networks. Today the country is among the 34 member states of the

UNWTO's Silk Road Initiative that collaboratively aims for developing, managing and marketing heritage tourism along the route. In addition to the Silk Road, Azerbaijan is home to three inscribed and ten tentative sites on the World Heritage List (UNESCO, 2020). In terms of intangible cultural heritage, the country has 13 inscribed and five nominated (two ongoing and three backlogged) types of arts, sports, gastronomy, literature and traditions on the UNESCO (2019) list. Given its cultural intersections and the climatic diversity available for livestock cultivation, the local cuisines are also very attractive along with a style of service rooted in traditional hospitality (Ministry of Culture and Tourism, 2018). Other efforts to develop cultural tourism include (potential) initiatives to capitalize on historical Western interests, such as Alexandre Dumas's trip to the Caucasus and the German heritage of the Danube Schwabians (Altman, 2010).

As a complement to the rich diversity of Azerbaijan's cultural and natural resources, there are national policies that focus on improving infra- and superstructure to boost tourism development. So far, major measures have been taken to modernize accessibility, with a state-of-the-art international airport in Baku and improved road conditions on the main axes. These developments have been coupled with giant international projects such as the completion of the Baku-Tbilisi-Kars Railway along the "Iron Silk Road" in 2017, and its further local extension plans such as the Baku-Qabala high speed train connection, where the vibrant tourism industry of Qabala is a major *raison d'être*. It should be noted, however, that while low oil prices heighten the need for an oil-independent economy, they also jeopardize the large financial resources needed to realize such mega projects and events. Furthermore, despite these physical improvements, industry professionals (TA1) note the high costs of bus charters to the peripheries – one of the reasons that leads to the confinement of incoming trips to Baku. On the other hand, train prices are more affordable, but equipment and service quality are a major impediment. That being said, industry representatives are looking forward to further improvements in rail service, as the Iron Silk Road is regarded as a great opportunity for cooperation with Turkey and Georgia and further to Central Asia.

The number of high-end accommodation establishments increased especially after the extension of the "Contract of the Century" in 2017, as business tourism activity, led by the refreshed petroleum industry, intensified (TS). In addition, the City of Baku was positioned as a luxury destination where landmark buildings as well as high quality shopping and recreation areas were built and many fine dining restaurants opened, much like the early stages of the Dubai model (STO). All these investments were also justified by hosting mega events attracting large visitor flows with high spending. These included the Eurovision Song Contest (2012), the 2015 European Games, the 2017 Islamic Solidarity Games, Formula 1 Grand Prix (held on an actual

street circuit, as in Monte Carlo, since 2016), and the UEFA Champions League Final (2019). Because of these events, Azerbaijan ranked among the OIC countries with the highest per arrival spending (SESRIC, 2019). Moreover, locals could also benefit from these facilities and amenities, e.g., through upgrading of public transport services prior to the 2015 European Games (TS).

Despite these accomplishments, there are also some shortcomings, which the authorities plan to take action on. Following a decision on the deregulation of accommodation and travel trade establishments, the number of these businesses increased exponentially but without sufficient competent human resources to support this growth. Moreover, most of these initiatives are concentrated in Baku and its surrounding Absheron region. They are also concentrated in Ganja, the second largest city in the country, though less so. There are also some home/room rental businesses in the rural areas, while there are some populated areas with limited accommodation, such as Neftchala in the Aran region. To break this pattern, the government provides incentives for investments outside these concentration areas, yet the incentive scheme is considered limited with some tax and customs benefits only. Therefore, the authorities are also in search of applicable and useful incentive mechanisms. Physical development for tourism is also mainly limited to Baku and its periphery. There is impetus to spread these improvements in the emerging destinations of the Caucasus, where, for instance, a modern mountain and ski resort, Shahdag, was opened in 2012. Overall, there are some hygiene (e.g., WC) and signage issues that are on the agenda to be resolved. Preservation of the natural heritage is usually well planned under the national park system, but then intra-park road conditions are reported to be poor, and limited visitor capacity impedes tourism development, which in turn could have funded further protection of the natural heritage. In the area of cultural heritage, many assets are idle and even in danger.

Key tourism statistics on Azerbaijan (State Statistical Committee of the Republic of Azerbaijan, 2019) illuminate recent trends and challenges (excluding the COVID-19 pandemic and the Nagorno-Karabakh conflict that escalated after the fieldwork). An increase in the number of travel trade establishments is well observed (TA1), but their recruitment performance is not parallel, partly confirming the claim (TA1, TA2) that many staff quit their agencies to start their own businesses, indicating a growth based on mitosis rather than genesis. The total number of employees exceeded 2,000 in 2018. According to the WTTC (2019), the total number of jobs created by the travel and tourism industry, including indirect and induced effects, was 596,500 in the same year, constituting 11.8% of total employment in the country. This figure is expected to rise to 795,800 by 2029.

Looking at top tourist senders with at least 50,000 arrivals per year, the inbound market composition of Azerbaijan is mostly based on arrivals from the four countries

with strong social and historical ties and physical proximity: Russia, Georgia, Turkey and Iran. These flows, especially from Georgia and Iran, are also due to substantial cross-border tourism, explaining the high amounts of arrivals via rail and roads. Generally, the main purposes of visits are leisure, business and VFR, with the leisure market increasing its significance over the years. In line with the political will for tourism development, the government has been easing visa restrictions since 2016. Combined with a major devaluation of the national currency during the same period, arrivals from two GCC countries, the UAE and Saudi Arabia (a similar trend holds also for Qatar and Bahrain), and Iraq have skyrocketed from almost non-existent figures. These markets are attracted by Baku's luxury offerings as well as alternative tourism activities such as falconry in the rural areas. Some leakage is reported in the area of falconry, as local operators specialized in this activity are not common in rural regions of Azerbaijan and there is some growing competition from Kazakhstan (TA1). Nonetheless, in 2019, the country registered an all-time high number of arrivals of 3.2 million. The pre-COVID-19 goal for the year 2023 was to exceed 5 million arrivals by further developing Russian and GCC markets, as well as penetrating conventional and emerging global markets such as Germany, the UK, India, China and South Korea, with a focus on increasing receipts per tourist (STO).

Georgia is considered the main competitor to Azerbaijan, especially due to price advantage and partly to service quality. Yet the neighbor also provides an opportunity, as the two countries are bundled, especially for long-haul tourists. Once the Iron Silk Road reaches its full capacity, it is hoped that this package can be extended to include Turkey. However, such development is also thought to be triggering outbound tourism, resulting in an increased import cost, which is already relatively high in terms of the tourism expenditures (SESRIC, 2019). Conversely, domestic tourism, with the exception of the VFR market, is still not that strong, with some limited flows to beach and mountain resort areas. Otherwise, most domestic tourism activities are family picnics and F&B visits, with the need for relaxation as the main push and a "nice/unpolluted environment" as the main pull factor (Seyidov & Adomaitienė, 2016).

Accommodation statistics reveal some interesting findings as well. First of all, the number of foreign guests hosted at hotels and the like is not anywhere near the number of foreign arrivals, although this number has been catching up slowly over the years. This could be due to alternative accommodations, such as rental homes, a large share of transit passengers or excursionists, or, simply, unregistered stays. A second striking figure then is the very low bed occupancies, which were 17.6% in 2018 despite an increasing trend, while some high occupancies (DM2) are reported for the emerging northern destinations. This pattern could also be a consequence of a lack of registration, or otherwise an oversupply problem, indicating a higher-level policy and planning issue.

In line with the rapid growth of the tourism sector in Azerbaijan, there have also been many changes taking place in the course of political decisions and actions regarding destination management. The need for the establishment of DMOs for the sake of institutionalized stakeholder coordination was already a main recommendation in the final report of the *Azerbaijan's Competitiveness as a Destination for International Tourists* project (Arnegger & Mayer, 2015). Later, according to the *Strategic Roadmap for Development of a Specialized Tourism Industry in the Republic of Azerbaijan* document (State Housing Development Agency of the Republic of Azerbaijan, 2016), the initiation of coordinated activities among different stakeholders in the tourism sector was highlighted as a strategic aim. The strategy had already made establishment of the National Tourism Promotion Board (NTPB) a top priority, with a primary aim of contributing to the development of the City of Baku as a tourism destination. Shortly after, the NTPB was established in February 2017. The same document also acknowledged the lack of Tourism Information Centres (TIC) throughout the country as a major weakness. Another important step taken was the realization of Tourism and Recreation Zones (TRZ), whose sample regulations had already been on the agenda since 2008. According to the new strategy document, TRZs are an effective way of identifying and managing regions through specific actions tailored to their geographical uniqueness and tourism clusters. For this purpose, the Ministry of Culture and Tourism was commissioned to establish a management structure for the TRZs, taking into account all actors, including but not limited to government agencies, local municipalities, business entities and land owners. Consequently, first TRZs have been created in the Khizi-Khachmaz, Quba and Qusar regions – all located in the north.

In 2018, the tourism division of the Ministry of Culture and Tourism was transformed into the State Tourism Agency (STA). The STA strongly follows the vision to apply the DMO concept for a more inclusive and competitive tourism sector. As a first step, the short-lived NTPB was converted to the Azerbaijan Tourism Board (ATB) as a public legal entity (PLE), holding expatriate experts in some key positions. The establishment of three pilot DMOs through a smooth transition from the existing TICs in Baku and two other regions of the north (centered around Shaki and Quba-Qusar) has been initiated, inspired by similar recent regional transformation efforts in Georgia (COMCEC Coordination Office, 2018a).

Prior to the recent institutional reforms, destination management and overall tourism policy implementation have been undertaken by the Ministry of Culture and Tourism since 2006. At the subnational level, efforts were realized through the basic promotional activities of a few TICs as well as the representation of the Ministry under the Presidency's Local Executive Authorities (LEAs) for each district (rayon) and city government. Such regional frameworks had a strong top-down structure

with no independent budget for the LEA offices. Among the lessons learned from this structure, COMCEC Coordination Office (2018b) highlights the needs for a PPP structure, regional capacity building, partial decentralization and an underlying legislation.

Today, ATB is regarded as the national DMO, as it is mostly involved with marketing and product development activities, while STA is focused on policy and planning issues. Formerly, the Ministry was part of a horizontally communicating interministerial council to discuss relevant tourism issues. Today, it is the STA's task to communicate development issues to the government via Presidential channels. On the other hand, as a PLE, the ATB functions more efficiently for business tasks in the dynamic tourism market (DM1).

Among the interviewees in this study are two of ATB's experts (DM1, DM2) who have been acting as mentors and coaches to the two pilot DMO projects in the north. They mention three priorities at this stage: creating a regional hub to generate and apply ideas, capacity building, especially regarding human resources of all local stakeholders, and marketing. The initial step has been focused on community engagement and tourism industry awareness of the DMO concept. Already some remigration, or at least the prevention of outmigration, has been achieved, as people realize the benefits of a professionally-managed tourism destination. As of 2019, each DMO had around five staff, most of whom were already experienced at the TICs. These key staff are considered sufficiently competent (DM1, DM2). The DMOs, which were officially launched as of late 2019, currently perform like Value Orchestrators (Reinhold et al. 2019), as they mostly deal with internal marketing and engagement on a one-to-one basis. Unlike the business-to-consumer nature of the TICs, the focus is business-to-business communications. In the near future, this communication model will switch to a platform where all stakeholders cooperate to create and implement their DMPs. The establishment of advisory boards is also on the agenda. There is even some inter-DMO learning culture established and it is not solely based on product homogeneity. For instance, Shaki, with a USP on handicrafts, is able to exchange knowledge and skills with Quba, known for authentic food, in a technical manner, e.g. regarding marketing tactics.

Another important step in DMO development is an inventory and assessment of resources that will help build a competitive tourism product. This is coupled with a needs assessment in terms of accessibility, infra- and superstructure and the cost of associated investments and type of potential investors. Indeed, while this process helps the DMOs to realize their own regional potentials, it can also highlight potential capacity imbalances, whereby strong clusters call for new DMO development and destination delineation. Conversely, some regions may opt out of the DMO umbrella,

despite their limited competitiveness, due to conflicts over power relations. In any case, a regionalization process needs to be adapted to the country's political administration system and legislation for practical reasons. As of 2019, the pilot DMOs were informally present, existing on their preceding TIC statuses, where the business model has been modified by redefining the job descriptions according to DMO functions and extending the geographical domains beyond single districts. The formality helps ensure funding from the central budget and encourages much-needed communications with higher-level authorities at these early destination life cycle stages. Engagement of the LEAs is also a critical factor here as it may shorten the lobbying procedures without extending to a higher level. The case of Quba is a good example here, where cooperation with the Ministry of Culture was needed to organize a culinary festival, and this was established smoothly under the care of the relevant LEA office. In the near future, the DMO structure is expected to still be based on TIC status, but with the TICs reporting to the ATB instead of the STA, with a PLE designation, so that collaboration can be achieved more efficiently and effectively. Moreover, trademarking the DMOs is another idea for building identity. Once this roadmap is more certain, more DMOs could be created based on existing TICs.

Branding and wider marketing activities are still at the end of the agenda as the major focus is on product development and experimenting with the organic evolution of the regions as destinations in the eyes of consumers. (For the time being, all marketing activities are directly coordinated by the ATB, except for Baku where the well-developed products are marketed by the Salam Baku DMO, which is also capable of self-funding activities such as sales of BakuCard). A similar approach is also being pursued for transformation to a PPP structure, where action groups form organically around the annually budgeted items of the DMP – much like the specialized SBA teams of the SGDM. Over time, these groups could be formalized into DMO committees. The STA has already taken the first step to organize regional workshops in the destinations to identify issues and opportunities in tourism development and to map the associated multistakeholder teams, including the NGOs.

Most experts (DM1, DM2, TA1, TA2) think that an ideal DMO needs to be autonomous with strong funding, and that, in mature destinations, its main activity should be marketing. However, when it comes to emerging destinations, as mentioned above, leadership of public agencies seems essential. At this stage, specific to Azerbaijan, a founding regional DMO should involve the LEA with its representatives from the governmental agencies of agriculture, environment, urban planning, culture, statistics, etc., as well as the municipalities, private sector (including successful businesses from outside the tourism industry) and civil society. A parallel framework to destination governance here is considered as the protected cultural and natural

areas that are administered by the Ministry of Culture and Ministry of Ecology and Natural Resources, respectively. These areas possess significant potential for tourist attraction, but are more motivated to maintain preservation rather than generate visitor business. Travel professionals (TA1) note the contribution of the critical coordination role played by DMOs in packaging their products and urge them to act more as investment agencies for entrepreneurs. They also suggest allocating a share of tourism's value added tax revenues to fund DMOs for more effective earmarking.

Discussion and Conclusions

Azerbaijan is a young, developing country with its tourism industry in an emerging state from an international perspective. It has the economic tradition to follow a growth strategy based on its rich extractive industries, but nowadays a shift towards a more diversified economic mix is on the agenda, especially now that the oil prices are on a decline. Moreover, at the time of writing, tourism has once again been put on the agenda for the development of the Nagorno-Karabakh region as a destination (State Tourism Agency of the Republic of Azerbaijan, 2020) following Azerbaijan's regaining control of the area after decades of military and political conflicts. Such a roadmap may also be likely to boost much-needed domestic tourism at a time when it has become more vital than ever in the shadow of the COVID-19 pandemic and its consequent international travel restrictions.

According to the literature review, it is apparent that there is no one-size-fits-all formula for destination management. However, both the conceptual underpinnings and the practical failure and success stories help develop strategies and actions customized for emerging destinations. Based on the field findings, at a first glance, it can be concluded that Azerbaijan has been going through significant transitions that pave the way to more regionalized destination and DMO development, mainly modelled after the UNWTO (2007; 2019) guidelines. A national DMO and some regional DMOs have already been put into effect through the efforts of the central government (Figure 2).

Although its macro efforts towards tourism development have intensified only within the last decade, Azerbaijan already finds itself at the forefront of destination management in the modern sense. The STA, together with the ATB, have been brave enough to introduce the "destination" and "DMO" concepts to public and private actors in the tourism sector, who may have had long lasting doubts about these visions should they not have been communicated well.



Figure 2. Azerbaijan Regional DMO Zones

The challenges of the STA and the ATB in identifying subnational destinations and establishing regional DMOs continue, as a few more steps remain to complete the development and transformation in a sustainable way. For the time being, each newly established DMO in the north is based on an existing TIC of a single district that now informally represents mutual districts under one trademark. In the near future, these DMOs are to be converted to PLEs so that they enjoy a more flexible status (as the ATB does) for the sake of efficiency and effectiveness in the dynamic tourism market. In the medium term, as the destinations mature over their life cycles however, this structure will need to evolve to a real PPP. This also means there is a need for a legal foundation set by making regulations in this respect, as recently mentioned by the COMCEC Coordination Office (2018b) report. A PPP-based DMO will gradually shift its focus from the supportive functions of needs assessments, product development, internal marketing and capacity building to primary activities such as management at the operational level and marketing in a more dedicated and professional way.

Last but not least, a critical step in transforming the regional DMOs of Azerbaijan has to do with the challenge of having them recognized as authorities. As previously

discussed and as depicted in Figure 1, the literature points to the DMO needing a strong networking capability in order to lead the destination to success and its need for power and acceptance in order to establish that capability. Likewise, the recent resolutions of the Turkish Tourism Council (Turkish Ministry of Culture and Tourism, 2017: 8) suggests that “DMOs should be recognized as authorized agents for running destination related marketing communications, and such recognition should be declared on all tourism platforms.” During the interviews, while a certain degree of autonomy was suggested for destination management, regional representation of the central government was also deemed appropriate to ensure state support at the local level. Regarding the latter need, the participants referred to the LEA branches of the Ministry of Culture and Tourism, which today functions only within the culture sphere. Therefore, the STA could consider the idea of re-institutionalizing branch offices under the LEAs. These branch offices could then become stakeholders to the TIC-based DMOs (and later the PPP-based DMOs) and contribute to their power and acceptance, which in return would strengthen the networking capability leading to DMO and destination success. As the governance framework (Figure 3) evolves towards a PPP base, sources of funding would also need to be diversified in order to avoid single source dependency and to develop a right value capture-creation balance (Reinhold et al., 2019). While questions remain over legitimacy of DMOs for such undertakings (Pike, 2016; Laesser, 2019; Reinhold et al., 2019; Spinks, 2019), these seem true more for developed destinations, and the framework described here could still be a suitable alternative for emerging destinations like Azerbaijan.

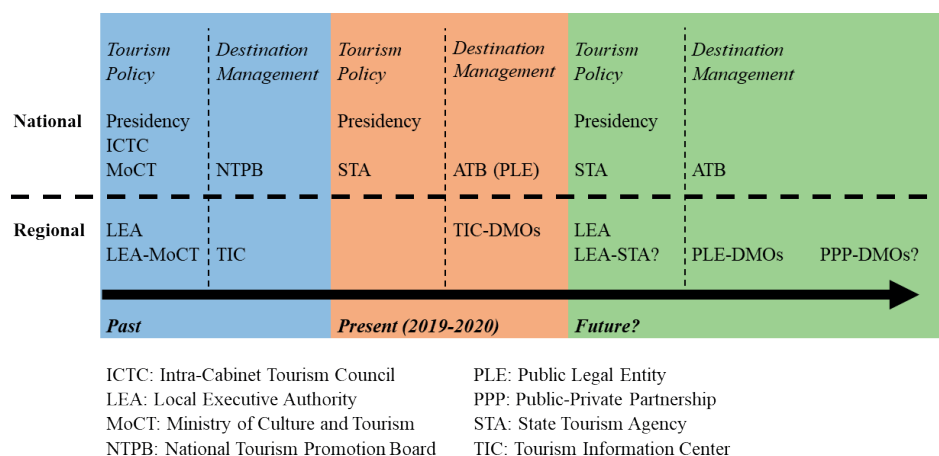


Figure 3. Evolution of Destination Governance Frameworks in Azerbaijan

This study has revealed the most recent developments regarding the tourism sector and destination governance in Azerbaijan. In doing so, it has based its findings on

state-of-the-art literature on destination development and management concepts and practices. Evidence shows that state-led and professionalized destination management approaches are evolving in the relatively short, but rapid, emergence of Azerbaijan and its regions as tourism destinations. Future research should move beyond the spatial and cross-sectional limitations of this study and deliver follow-up investigations, especially regarding the degree of involvement of private and local community stakeholders in governance as destinations and/or their SBAs move long their life cycles. Other countries and regions that may be categorized as neonates in tourism development should also be examined for comparative analyses related to the challenges of the almost synchronous destination and DMO (re-)creations.

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Appendix: Interview Protocol

INTERVIEW INFORMATION

Introduction

The “Destination Management Organization: Conceptual Framework for Azerbaijan, Cameroon and Iran” project, funded by COMCEC, seeks to (re)structure governance frameworks for a regionalized destination management practice, particularly for the less-developed remote areas, in the three study countries. For this purpose, we are aiming to learn deeply about tourism development and management in the respective countries as a basis for co-formulation of strategies and actions plans.

Interview Guide

This interview is intended to acquire the best of your knowledge, experience and foresight about destination management in your country. It has been categorized into three sections; Tourism and Regional Development, Destination Management, and Remote Destinations. In addition, there will be a section about your professional background and involvement with tourism development and management as well as a final moment to include any additional comments you may have. The interview is expected to last one to two hours. You will be provided with further clarifications on the questions if needed during the interview.

Section 1: TOURISM and REGIONAL DEVELOPMENT

1- How has tourism – international and domestic – contributed (or not) to socioeconomic development in your country? What are your future expectations for tourism’s contribution to and within the country?

2- What are the internal and external factors affecting tourism development in your country positively or negatively? See below for a categorical list:

Internal Factors	External Factors
<ul style="list-style-type: none"> • Product • Management • Marketing • Operations • Human resources <ul style="list-style-type: none"> • Finances • Infrastructure <ul style="list-style-type: none"> • Other 	<ul style="list-style-type: none"> • Economic • Social • Cultural • Demographic <ul style="list-style-type: none"> • Natural • Political • Legal • Technological • Competitive <ul style="list-style-type: none"> • Other

Section 2: DESTINATION MANAGEMENT

3- How would you define a “tourism destination”?

4- How would you define a “Destination Management Organization (DMO)”?
What activities should a DMO engage with?

5- Who are the actors (public, private, NGO, public-private partnership) involved in the management of destinations in your country? How has this actor framework evolved in the past and what future changes would you anticipate?

6- What are the legal and political frameworks affecting the governance of destinations in your country, in particular the establishment and running of DMOs?

7- Could you give concrete example(s) of DMO(s) that you perceive as (partly) successful in your country or elsewhere? What do you think are the main drivers, e.g., human resources, funding, accountability, executive power etc., behind the success?

Section 3: REMOTE DESTINATIONS

8- Where and what are the (potential) remote destinations in your country? What (potentially) makes them attractive and “remote”?

9- To what degree could tourism contribute to the development of these destinations and their surrounding regions? How could local retainment of potential benefits be ensured?

10- How do you think more specialized DMOs could be formed for management of the less-developed, remote destinations? What should their areas of activity be?

