



MBA 7026

Strategic Management

Case study: NET 4.0 –
Diversification through promoting
soft location factors



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Abbreviations

5G	5 th Generation Cellular Mobile Communications
ALM	Additive Layer Manufacturing
BSC	Balanced Scorecard
CVB	Convention & Visitors Bureaus
DEHOGA	Deutscher Hotel- und Gaststättenverband (THE association)
DMO	Destination Management
ENRD.....	European Network for Rural Development
EPSC	European Political Strategy Centre
EU.....	European Union
GDP	Gross Domestic Product
GPSM	German Partnership for Sustainable Mobility
HWK	Handwerkskammer (Chamber of Crafts)
ICCA	International Congress and Convention Association
IHK.....	Industrie- und Handelskammer (Chamber for Commerce)
K+P	Kohl + Partner Hotel and Tourism Consulting
LEADER	Liaison entre actions de développement de l'économie rurale
MdL.....	Mitglied des Landtags (Member of State Parliament)
NET.....	Neckar-Erlebnis-Tal
NET 4.0...	Diversification strategy of NET
OECD	Organisation for Economic Co-operation and Development
OEM.....	Original Equipment Manufacturer
p.a.....	per annum

PEST Political, Economic, Social and Technological factors

PM10 Particulate Matter smaller 10 micrometers

R&D Research and Development

SIE Self-Initiated Expatriates

SLF Soft Location Factors

STEEPL.. Socio-demography, Technology, Environment, Economy,
Politics, and Law analysis

SWOT Strength, Weaknesses, Opportunities, and Threats analysis

THE..... Tourism, Hospitality and Events business

UK..... United Kingdom

US/USA .. United States of America

USP Unique Selling Proposition

WOM..... Word Of Mouth

WYSE World Youth Student and Educational Travel Confederation

'Here in Baden- Württemberg, everyone can find the right environment: both companies and skilled workers. Baden-Württemberg welcomes you!'

Dr. Nicole Hoffmeister-Kraut MdL, Minister of Economic Affairs, Labour and Housing

(Ministry of Economic Affairs, Labour and Housing, 2016)

'Millennials are moving to more rural environments and making them active again – stimulating those places that were close to being forgotten about.'

Rima Abousleiman

(Abousleiman, 2019)

1. Introduction

The purpose of this report is to critically analyse, evaluate and recommend a management strategy for the association 'Neckar-Erlebnis-Tal' (literally 'River Neckar Experience Valley'; NET).

The underlying idea is to diversify NET's strategy and product range by utilizing information on soft location factors (SLF) for marketing purposes of companies situated in the region.

This case study largely follows the approach of Evans (2015), as his work focuses on the one hand on strategy in tourism, hospitality and events (THE) and on the other takes the perspective of SME into special consideration – areas and businesses that are the core attractions, members, and potential future drivers of NET's strategy.

Strategic management is about concepts, frameworks, tools, and techniques to deal with key issues that have an influence on organizations development (ibid., p. xvii). Therefore, Evans recommends to analyse the external and internal environment, select a

strategy, define the implementation, its management, and its evaluation in sense of feedback links.

As a detailed analysis from a mainly touristic point of view already exists, this case study will focus on

- a) Macro-perspective: Needs and trends (employers and workforce) in general
- b) Micro-perspective: Fulfilling business needs within the region
- c) Strategy: Diversification and differentiation strategy for NET

A visualization of the approach is shown in *Figure 1 – Strategy Development Process*.

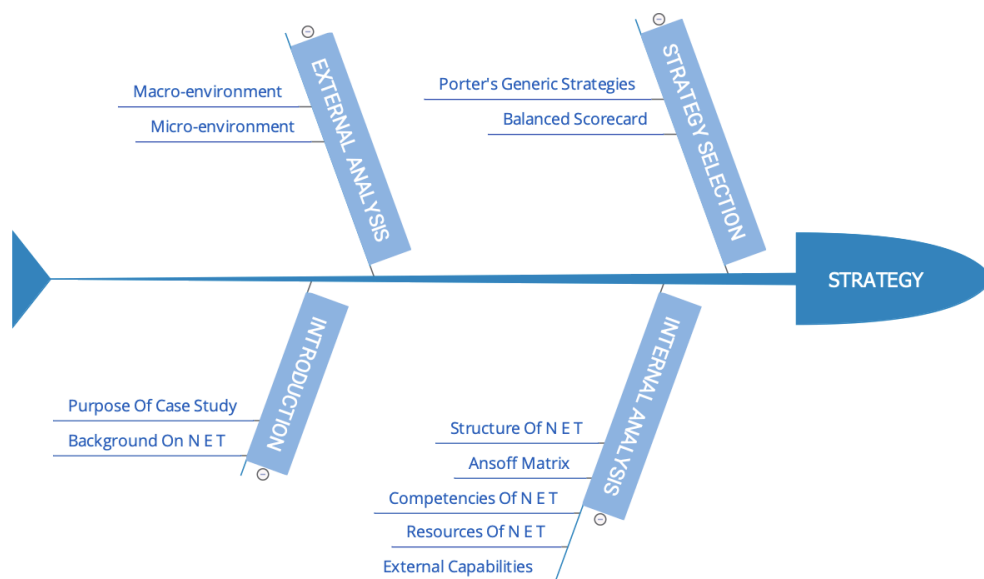


Figure 1 – Strategy Development Process

Source: (Based on Evans, 2015)

The findings of the assignment and the resulting concepts are summarized and described in a balanced scorecard (BSC).

1.1 Background on NET and its strategies

The association NET covers a natural geographical area (see *Figure 2 – Geographical area of Neckar-Erlebnis-Tal*), interconnected by the river Neckar, hiking trails, the 'Neckartal-Radweg' (one of the most popular bike trails in Germany; Bormann et al., 2016), a high speed railway track, a highway, and Autobahn A81.

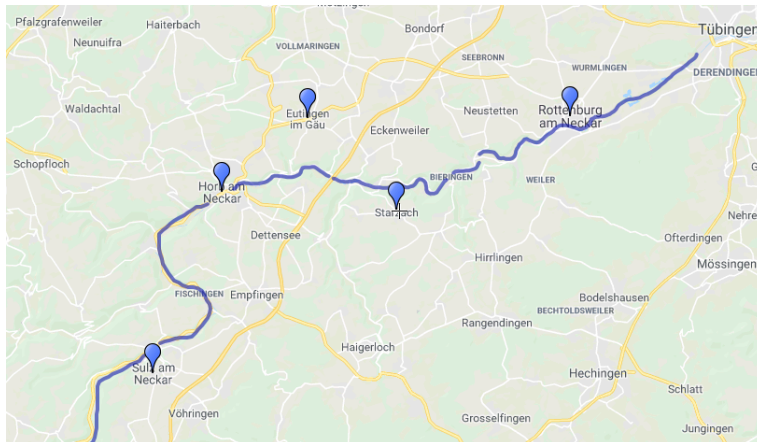


Figure 2 – Geographical area of Neckar-Erlebnis-Tal

Source: (Google, 2019)

By administration, the area belongs to three different Regierungsbezirke (districts) and three Landkreise (counties) as shown in *Figure 3 – Administrative Subdivision of the NET area*.



Figure 3 – Administrative Subdivision of the NET area

NET was founded in 2001 originally to coordinate and promote tourism, leisure activities, and events.

From the very beginning, the idea was not only to make the region profit from the direct effects of leisure and business tourism as one of the most important sectors contributing to the Gross Domestic Product (GDP) – especially in Germany – (World Travel and Tourism Council, 2017; 2018), but also to support business development in the region by improving and communicating SLF: quality of life, education, wellbeing of skilled workers etc. become more and more important (An et al., 2014; Clodniŕchi, 2017; Curran et al., 2016; Döring et al., 2010; Johnston and Huggins, 2016; Lawton et al., 2013; You and Bie, 2016).

An indicator for this purpose is, that all three chairmen sent by the towns (including the author of this report, see Appendix 1 – Current jobs of the author) are within the municipalities responsible for business development as much as tourism.

In 2016/17 NET commissioned Kohl & Partner (K+P, www.kohl-int.com/en) to develop a new strategy that will be implemented in 2019/20. As the agency is specialized in hotel and tourism consulting, their paper (Seiz and Wehling, 2018) does not discuss in detail the business development related aspects. The strategy to manage them has to be developed by NET and is proposed in this case study.

The new strategy is in the following referred to as ‘NET 4.0’ according to the sequence shown in *Table 1 – Strategies in NET*.

Stage	Strategy
NET 1.0	NET as an organization to promote tourism, to organize events, cooperate in a network for culture, tradition and nature preservation
NET 2.0	NET going online via social media to engage with and enable participation of followers, citizens and fans
NET 3.0	NET establishing a new strategy to focus on day trips and quality rather than quantity; networking with new partners
NET 4.0	NET strategy for diversification to marketing SLF in a network with non-THE businesses

Table 1 – Strategies in NET

The nomenclature is intentionally analogue to that of websites and the ‘Industry 4.0’ concept, as the strategies are increasingly influenced by digital technologies – and, moreover, as former strategies in all mentioned cases are still functional.

1.2 NET – Vision, mission and objectives

There are several definitions of the purpose and the mission of NET (see *Table 2 – Mission statements of NET*).

Definition by...	Purpose
Name of the association	Experience (i.e., visitor can experience the river Neckar valley)
Official statute (due to legal requirements)	The purpose of the association is supporting the conservation of local culture, traditions, and history, sports, nature as well as presenting the history of river Neckar. The purpose of the association is realized in particular by organizing events for the general public, which present local culture and history, support nature and environmental protection, and carrying out events for physical exercise.
Paper on new strategy	Touristic development of the region, sited between Black Forest and Swabian Alp Cooperate in a network to build a small destination/To empower the region

Table 2 – Mission statements of NET

Sources: (NET, 2018) (Seiz and Wehling, 2018)

The vision is defined in a new strategy (Seiz and Wehling, 2018, p. 47-48), subsumed under the headlines ‘Approach to strategic orientation’ and ‘Guidelines to strategic orientation’ (see Appendix 2 – Core touristic competencies of NET), the scenario agreed by the board should be as shown in *Table 3 – Vision of NET*.

Vision of NET
NET is a simple cooperation in marketing; focused on common, most important topics
NET is a platform for cooperation with private organizations; it encourages their participation in the association’s work

Table 3 – Vision of NET

Objectives are defined in the paper as well (ibid., see *Table 4 – Objectives of NET*).

Objectives of NET
Marketing the natural assets, public sector and private sector resources
Promote the experience of culture, nature, geology, regional products, and history
Further development of the tourist infrastructure: <ul style="list-style-type: none"> • Expansion of the tourism / gastronomy and cultural offer for strengthening the region • Bicycle tourism infrastructure • New products
Involvement of the locals (tourism is economic as well as living area)
Internal marketing (companies, decision-makers and locals)
Expand value creation partnerships
Form networks for quality development

Table 4 – Objectives of NET

According to the objectives presented above, NET currently sees its market in tourists (potentially or actually) visiting the region. The second target group consists of organizations that build a network with NET, most of them are from the tourism, hospitality and events (THE; Evans, 2015, p. 2) business or closely related to it. They contribute financial, human, and knowledge resources.

The new market is outside this group, as it will be small and medium enterprises (SME) with a need for knowledge on SLF to use them as a marketing tool.

1.3 Intersections in Tourism and Business Development

As quoted above, on the macro or State level the Ministry of Economic Affairs, Labour and Housing (2016) stresses the need of Baden-Württemberg to attract both skilled workers and companies for numerous reasons like demographic, technological, and societal change (which will be discussed in this report later).

As Friedman said in 2005, 'it's a flat world': companies as well as employees are more globally mobile than ever. Both (especially in the service sector) have more freedom to choose their location independent from suppliers, workforce, or customers. Therefore, marketing the location outside is of growing importance.

On the micro level of small and medium enterprises (SME), skills shortage, need for innovative potential, and the proverbial 'war for talents' are issues. Towns and villages suffer indirectly by the limited growth potential of SMEs (and therefore e.g. stagnation in taxes and image) and directly because of their own need for skilled employees to manage the current and future developments. To show themselves as attractive spaces to live, to work, and to drive businesses, 'small towns must sell themselves' (Apolitical, 2018; Ceric and Crawford, 2015).

In between those levels are regional associations like NET that can support businesses, villages, and towns to gain attractiveness on a more and more competitive market (see *Figure 4 – Identification of key areas for NET's strategy*), if the association is well-funded. Currently, NET has limited resources. To address that, financial and human

resources can be consolidated from tourism and business development budgets, and fees by non-THE businesses.

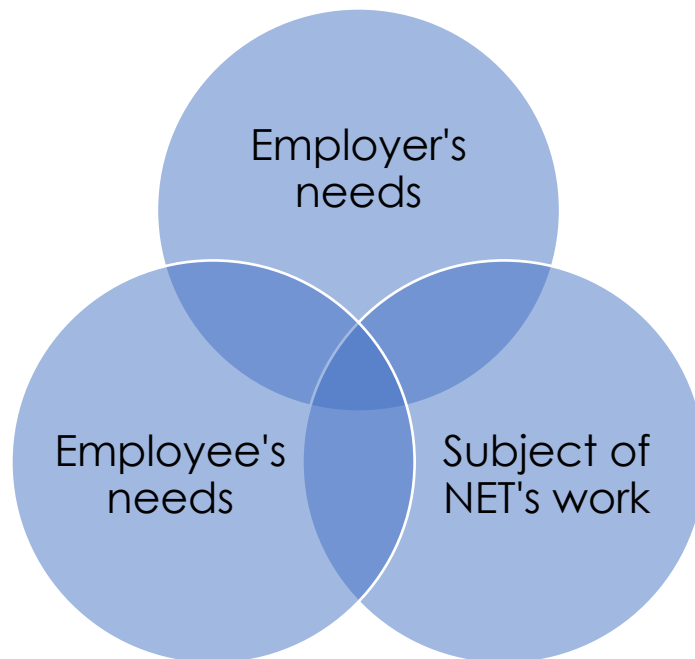


Figure 4 – Identification of key areas for NET's strategy

2. Macro environmental analysis

This case study starts with analyzing the external or macro environment rather than discussing the internal resources first like e.g. Evans (2015) suggests.

Evans points out that 'socio-demographic, technological, economic, environmental and political factors are certainly beyond an individual organization's control' but he also mentions that 'in some cases an organization may be able to exert some influence over some of the factors' (ibid., p.240). Although it may not be able to influence macro-trends, NET belongs to the latter mentioned exceptions. There are several reasons for this:

- NET and its members (on the basic level through the towns and villages all current and future citizens of the region) itself are largely influenced by external factors like societal, cultural, technological, political trends
- NET plays an active part of the town's, villages', state and regional strategies to cope with, possibly change, and adapt to trends; it can – to a certain amount – utilize powers of the region, counties, state etc. to change external factors
- To address identified key issues, NET will cooperate with its competitors in the sense of 'coopetition' (see chapter 3.3)
- The key question is, how the region can deal with the identified change and trends – what and how can they be influenced, and what role NET 4.0 could play in the overall strategy

NET's strategy NET 4.0 will have to be flexible to adapt to external factors, therefore they are analysed first (Anand, 2016). As strategy in unforeseen circumstances or a changing environment can be 'less about a plan and more about adjusting to a shifting situation' (Saylor Academy, 2012).

Although the NET region is situated in Baden-Württemberg, the scope will be broader, as companies act in a global environment. Moreover, people from the whole of Europe (job mobility, migrants) and beyond (potential of immigrants) play an important role as and for tourists, workforce, and inhabitants.

Hoffmeister-Kraut (Baden-Württemberg International, 2016, p.5) has pointed out, that

‘[...] economy and society, enterprises and their employees will be facing enormous changes in the years to come. Innovation cycles are becoming ever shorter, whereas the technological development is proceeding faster and faster. New digital technologies increasingly interact with the production processes of enterprises and change them significantly. The Connected Industry, that means the interaction of industrial production and the latest information and communication technologies, plays a central role, especially in medium-sized enterprises, and changes the working environment.’

The external factors mentioned in this brief summary by the Minister of Economic Affairs, Labour and Housing will in the following be analysed. Evans (2015) suggests to use a STEEP approach to analyse the macro-environment for THEs (see *Figure 5 – Main features of STEEP analysis*), adding the natural environment as a highly influential factor to the usual PEST. In case of NET, ‘law’ is also added for the sake of completeness.

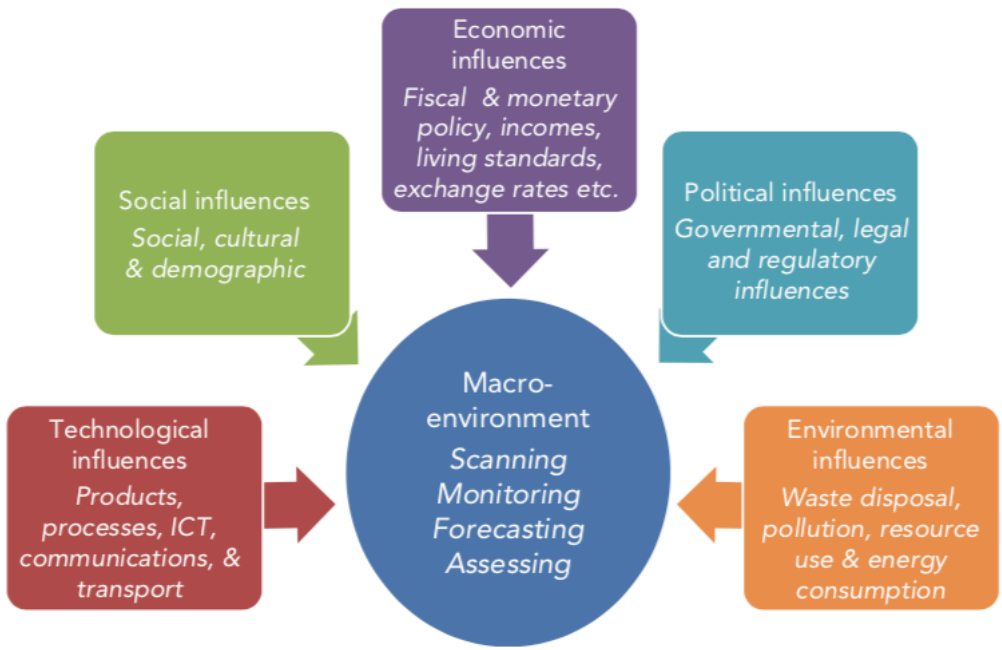


Figure 5 – Main features of STEEP analysis

Source: (Evans, 2015, p. 244)

Table 5 – STEEPL Analysis for NET shows a summary of the findings:

Socio-demographic	<ul style="list-style-type: none"> • High sense of location • High loyalty to region vs. high mobility (e.g. digital nomads; worldwide travelling) • Sharing Economy • New values of millennials and Gen Z/Skilled professionals • Well informed consumer/employees • Empowered consumers/employees • Digital touchpoints • Mistrust in media • Dark Social • Demographic change • Migration • Nationalism, populism, hate speech • Urbanization vs. counterurbanization and counterurban mobility • Younger population in cities, elderly on the countryside
Technological	<ul style="list-style-type: none"> • Disruptive change (e-mobility, renewables; service industry; social/health service; IoT, AI, deep learning) • Robotics/KI/autonomous driving (substitute of service industry) • E-government, Social Media • Strengthened digital networks (connections and information)
Economic	<ul style="list-style-type: none"> • Full employment leads to higher costs and lack of skilled workers • Lowest youth unemployment in EU, lowest jobless rate since 1980 • Increasing importance of soft locational factors • Employment rates are projected to rise • Skills shortage • War for talents • Low availability and high cost of land in urban areas • Cluster • Networks (e.g. OEM) • Decentralized Manufacturing (3D-Printing, ALM, Mini Factories, Mass Customization etc.) • Digital labor, Arbeit 4.0 • High costs of commuting and its impact on health costs • Migrants as a necessary workforce and innovation source • New ways of employee recruitment (social media, employer branding) • Increasingly fragmented markets • Increased complexity for marketing
Environmental	<ul style="list-style-type: none"> • Pollution leads to need for traffic reduction, new emission standards, no-car-zones • Overcrowded, scarce natural areas • Rising restrictions on land use for housing and industrial purposes • Subsidies for public transport and daily bicycle commuting • Weekenders from metropole areas searching for health, experience, adventure on countryside
Political	<ul style="list-style-type: none"> • Reduction of urban sprawl • Dealing with immigration; facilitating entrance for skilled migrants • Industry 4.0 (Cluster, innovation, universities, infrastructure) • Need for innovation leads to promoting brain circulation, labor mobility, focus on families instead of individuals, upskilling and training etc. • Promotion of and subsidies for equal chances and infrastructure in rural areas
Legal	<ul style="list-style-type: none"> • Complex European Jurisdiction • Restrictions to tourist offices

Table 5 – STEEPL Analysis for NET

Sources: (Abousleiman, 2019) (Agora Verkehrswende, 2017) (Baden-Württemberg International, 2016) (Backman and Nilsson, 2018) (Bagloee et al., 2019) (Barslund and Busse, 2016) (Bosetti et al., 2015) (Demary, 2019) (Destatis, 2019) (Ellis and Rocks, 2019) (EPSC, 2017) (Europe Economics Blog, 2016) (Facchini and Lodigiani, 2014) (Fassio et al., 2019) (Federal Institute for Research on Building, Urban Affairs and Spatial Development, 2019a; 2019b) (Gelauff et al, 2019) (Goonewardena, 2018) (Grand Coalition for Digital Jobs, unknown) (Guyter, 2019) (Henger and Oberst, 2019) (Hennig-Thurau, 2013) (Heywood, A., 2011) (ILO, 2018) (IREUS, 2012) (Jirásková, 2015) (Kannan and Li, 2017) (Khreis et al., 2017) (Kuron et al., 2015) (Labrecque et al., 2013) (Leeflang et al., 2014) (Mäding, 2006) (Mascheroni, 2007) (MBO Partners, 2018) (McGee and Chazan, 2018) (Mourtzis and Doukas, 2012) (Nefedova et al., 2016) (Newman et al., 2017) (Nichol, 2016) (Nieuwenhujsen and Khreis, 2016) (OECD, 2018) (Rauch et al., 2017) (Reichenberger, 2018) (Remoundou et al., 2016) (Schmidt, 2017) (Schwarzwald Tourismus and Landkreis Rottweil, 2018) (Sibum, 2018) (Sivertzen, 2013) (Stephen, 2016) (Stutzer and Frey, 2007) (Swart et al., 2018) (Thompson, 2018) (Trading Economics, 2019a; 2019b) (Yadav et al., 2013) (Voigtländer, 2019) (WYSE Travel, 2018)

As the region and NET is influenced by numerous known and unknown factors, the STEEPL analysis is extensive, complex, but nonetheless fragmentary and limited in its accuracy (see *Table 6 – Limitations of a STEEPL-Analysis*). Evans (2015, p. 244) even mentions ‘some doubt over the value of carrying out a macro-environmental analysis at all’.

Short Case Illustration: Peak Car

Current trends in manufacturing like ‘peak car’ (Ellis and Rocks, 2019), that will influence especially the highly automotive dependent state of Baden-Württemberg, are just one example for limitations of a STEEP analysis: The trade union IG Metall (IG Metall, 2019) estimates, that ‘more than a third of Germany’s 210000 jobs in engine and transmission production will disappear by 2030’ (Bauer et al., 2018; Behrmann, 2019). Disruptions of that scale (‘Carmaking is a pillar of the German economy. Peak car poses a mortal threat to the industry’; Behrmann, 2019, p.21), are hardly to be influenced – and it will be more than a challenge to adapt to them.

Table 6 – Limitations of a STEEPL-Analysis

Nonetheless, being aware of its limitations, the STEEPL gives some insights into the situation and the trends that have to be scanned, monitored, and considered in the strategic concept NET 4.0. Some directly relevant key trends discovered in the STEEPL analysis are shown in listed in *Table 7 – Selected influential trends* and described in more detail in appendix 3.

Field	Trend	Details
Socio-demographic	The choice is at the millennials	Millennials are considered to be less loyal to employers, have increased geographic and workplace mobility, profit from and decide by high availability of information, and search for an active live-style.
		They search both for attractive cities as for a cheaper live-style, space, or family friendliness. Therefore, counterurban mobility, liquid migration, and digital nomady are on the rise.
		Due to skills shortage, continuously low unemployment rates demographic change, higher workplace mobility, millennials hold more bargaining power than ever before in the labour marketplace
Technology	Rethinking location	Companies become more mobile, too.
Economic	Cities no longer pay off	Cities become more expensive for companies and employees. Changes in individual mobility have a strong influence.
Environmental	Renaissance of rural life	Health and environmental issues lead to less attractive cities and initiatives against commuting.
Political	Fishing for human capital	Initiatives support a culture of welcoming for and integration of self-initiated expatriates (SIEs), immigrants, and migrants.
Law	Appraising Complexity	Law influences the way employees, employers, municipalities, organizations etc. communicate and cooperate. Due to globalization and digitalization, legislation is in some aspects complex and therefore an issue for SMEs and organizations

Table 7 – Selected influential trends

Sources: (Abousleiman, 2019) (Adcock, 2017) (Agora Verkehrswende, 2017) (Anand, 2016) (Anenberg et al., 2019) (Bagloee et al., 2019) (Bosetti et al., 2015) (Bradford, 2019) (Carta and De Philippis, 2018) (Ceric and Crawford, 2015) (Deloitte, 2018) (Destatis, 2019) (Dickerson et al., 2014) (EPSC, 2017) (Facchini and Lodigiani, 2014) (Fassio et al., 2019) (Gelauff et al, 2019) (GPSM, 2015) (Graves, 2018) (Khreis et al., 2017) (KPMG, 2017) (Levels, 2016) (Li and Pollmann-Schult, 2016)

(Lorenz, 2018) (Mascheroni, 2007) (Mauss et al., 2016) (MBO Partners, 2018) (McGee and Chazan, 2018) (McGregor, 2017) (Nefedova, 2016) (Nieuwenhujsen and Khreis, 2016) (OECD, 2018) (Rauch et al., 2017) (Reichenberger, 2018) (Remoundou et al., 2016) (Silvanto et al., 2015) (Thompson, 2018) (Trading Economics, 2019a, 2019b) (Umweltbundesamt, 2019)

Conclusion on macro-environmental analysis

Change in society, industry, and values is gaining momentum.

Information guiding the often complex choices is needed, therefore distributing SLF to and via employers and employees by the NET 4.0 strategy is seen as a chance. The capabilities of NET to successfully implement it, will be discussed in the following chapters.

3. Micro-Environmental Analysis

According to Evans (2015, p. 265), the micro or near

‘environment is that which immediately surrounds a business, the parts of which the business interacts with frequently and over which it may have some influence. For most purposes we can identify competitors, suppliers and customers as comprising the main constituents of this layer of the environment.’

Before analysing it by Porter’s Five Forces model and Strength, Weaknesses, Opportunities and Threats (SWOT; Evans, 2015, p. 304), this case study will discuss some specifics of NET: the role of SLF and suppliers, that of price and customers, and that of cooperation and competition.

In the field of regional competition, NET has two classes of competitors (see *Table 8 – Differentiation of competitors*).

Competition	Competitors	Characteristics
Tourism/ Living	Swabian Alps, Black Forest, Lake Constance, Stuttgart area	Highly, international attractive touristic areas (Very) High living costs; Scarcity of land and living space
NET 4.0 (delivering SLF)	Chambers of Commerce; Chambers of Crafts; Regional Development Agencies	All agencies cover just a part of the NET regions, as it belongs to three Landkreise (counties) and three Regierungsbezirke (districts); the decree extensive budgets

Table 8 – Differentiation of competitors

In the following, when speaking of ‘competitors’, the area of NET 4.0 is addressed.

3.1 The role of soft locational factors and suppliers

Location factors are usually differentiated in 'hard' and 'soft', the latter ones subdivided into enterprise and personnel related – see *Figure 6 – Classification of location factors after Grabow*. A more detailed model has been presented by MacCarthy and Atthirawong, 2003 (see Appendix 3 – Location Factors).

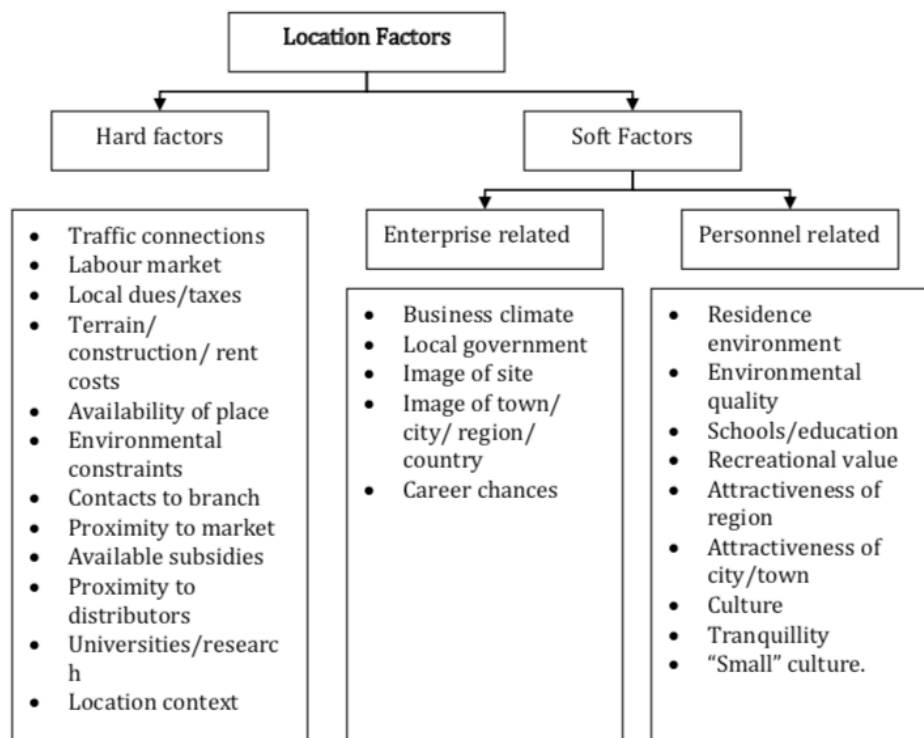


Figure 6 – Classification of location factors after Grabow

Source: (Kinkel, 2004, p. 43)

Döring et al. (2010, p. 242) argue, that:

‘classic location theory and the related political [...] has been called into question in recent years. On the one hand, mere experience has contributed to a conclusion quite contrary to what was postulated by location theory. The agglomeration of businesses in space and the associated economic growth at local and regional levels were at their highest where the cost of living and office costs were high, industrial real estate reserves were low, subsidies were either minimal or not offered at all, and the burden of local taxes and duties was comparatively high. This experience can be explained by the fact that modern economies are increasingly developing into service and knowledge economies, in which factors formerly considered relevant – like raw materials or the sales market orientation of businesses – are becoming less and less important.’

The authors have mentioned the growing importance of SLF in their analysis from 2010. A more recent study of Clodnițchi (2017) confirms that prognosis and lists several reasons:

- Relocation of companies is easier due to lower transportation costs, trade liberalisation, low or no custom duties, political stability, extraordinary wealth, globalization etc.
- For the workforce, open borders, pull-factors like information about attractive countries, experience via tourism, low transportation costs, push-factors (forced migration) etc. are to be considered

Hence, Clodnițchi (2017, p. 634) summarizes:

‘the increased global competition in the high-skilled job sector has become a major concern in the developed countries. The rapid development of the internet, the improvement of road and flight infrastructure and the cost decrease for communication and transportation have all contributed to the increase of offshore outsourcing.’

Besides creative work (e.g. website and brochures), suppliers of NET cooperate in a win-win-relation. THE businesses and organizations provide information e.g. on tourist attractions, accommodation, events to be published as touristic and as SLF. In return, they profit from the marketing initiatives they are presented in.

3.2 The role of Price

According to Evans (2015, p. 81)

‘Bull (1995) argues that the basis for tourism lies in building upon free resources (or ‘renewable resources’ as they are sometimes termed) with a mixture of public sector and private sector resources.’

In the case of associations as NET, distributing information on resources and SLFs can hardly be priced in. The customers, i.e., companies that will use the information and the network, will pay annual contributions that are not sufficient to pay the costs of NET. In respect of income, the municipalities will not mainly profit from contributions, but from effects like region branding, flourishing THE and non-THE businesses.

On the other hand, the true costs will not be transparent, as municipalities as well as other members provide professional as well as voluntary workforce to drive NET 4.0.

Therefore, the ‘price’ dimension might be visualized by an extension to Bowman’s Strategy Clock (Evans, 2015, p. 342-344), shown in *Figure 7 – Extended Strategy Clock*.

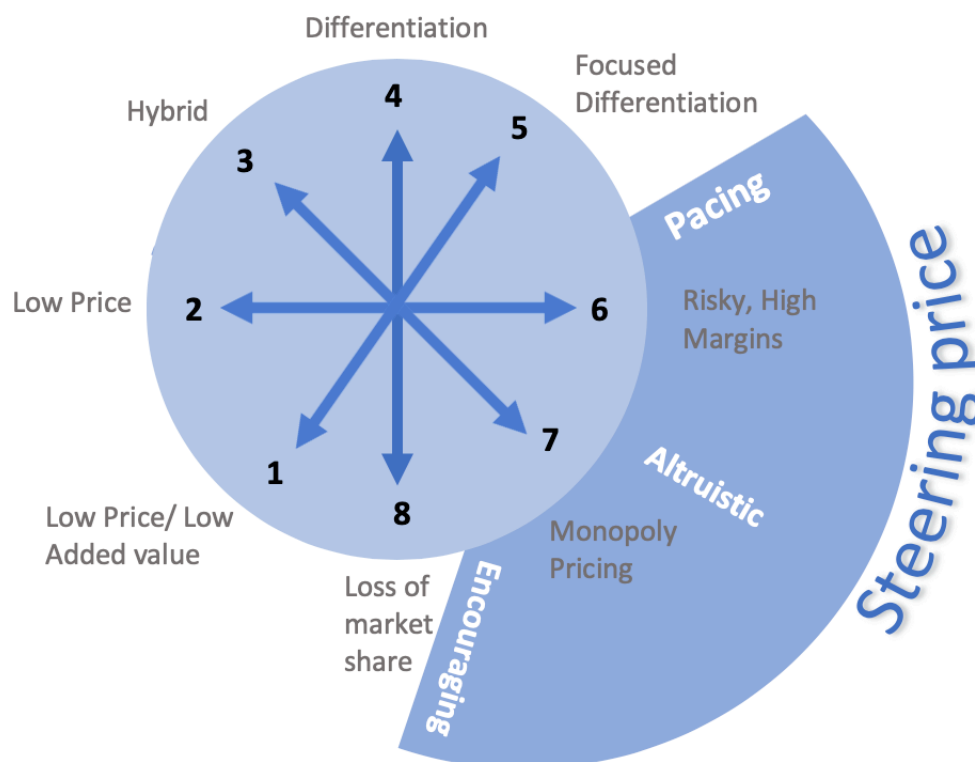


Figure 7 – Extended Strategy Clock

In addition to conventional strategic pricing, it is suggested that there might be ‘steering prices’, used by associations, municipalities, clubs etc. (see *Table 9 – Altruistic Pricing Model*) with an altruistic character:

Segment	Characteristic	Example
Pacing	High price, mid perceived value	High land prices in suburbs to slow down urban sprawl
Altruistic	In between	Symbolic annual fees for NET members
Encouraging	Very low price for low perceived value	Nearly free selling of listed buildings to avoid their decay

Table 9 – Altruistic Pricing Model

Although the financial situation is an important factor for NET, ‘price’ (especially the amount of fees for members) is not seen as a key factor in the following.

3.3 The role of Coopetition

The third specific aspect is competitive rivalry. Evans (2015, p. 274) states that ‘in some sectors of THE competitive rivalry is fierce, while in others it is less intense or even non-existent since oligopolies or monopolies are formed.’

In case of regions itself, and the towns and villages within them, the ‘competitors both compete and cooperate with each other’ (Bengtsson and Kock, 2000, p. 411; see *Figure 8 – Dimensions of Coopetition in NET*).

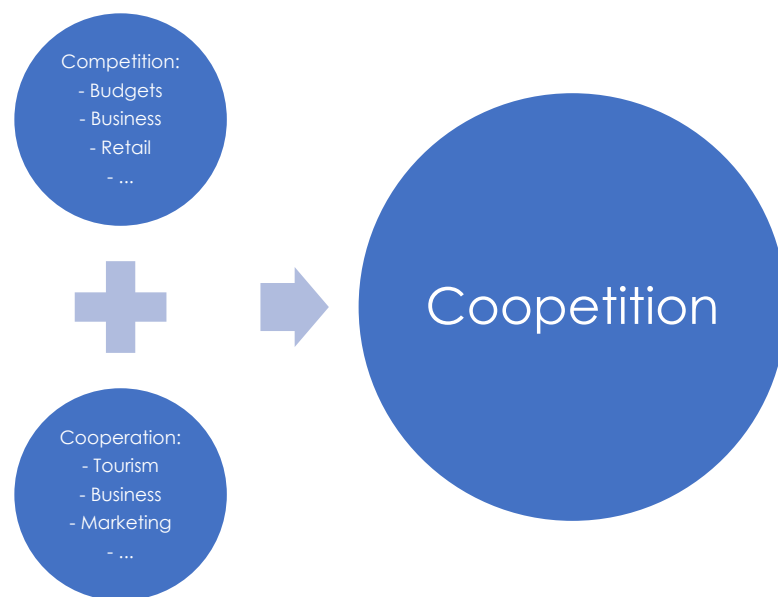


Figure 8 – Dimensions of Coopetition in NET

This situation can be described as ‘coopetition’ (Bengtsson and Kock, 2000; Bengtsson and Raza-Ullah, 2016), which is seen as a highly complex phenomenon ‘due to the fundamentally different and contradictory logics of interaction that competition and cooperation are

built on' (Bengtsson and Kock, 2000, p. 411) with fluid boundaries.

Resende et al. (2018) have identified critical success factors for a coopetitive cooperation like the experience of synergy, clear control and standardization, and adaptability and alignment in general, and – in the THE case of gastronomy – trust, culture, sharing, conflict management and governance.

Networks like NET may be seen as panels, where the areas of cooperation, competition, and coopetition are continuously negotiated and utilized on a mainly operational and tactical level, in case of board and plenum meetings even strategic level.

3.4 Competition – Porter's Five Forces

Nonetheless, competitors have to be taken into consideration. Evans (2015, p. 266) recommends Porter's Five Forces (see *Figure 9 – Porter's Five Forces for NET 4.0*), as 'although originally developed with commercial businesses in mind the framework can provide valuable insights for most organizations, destinations or attractions':

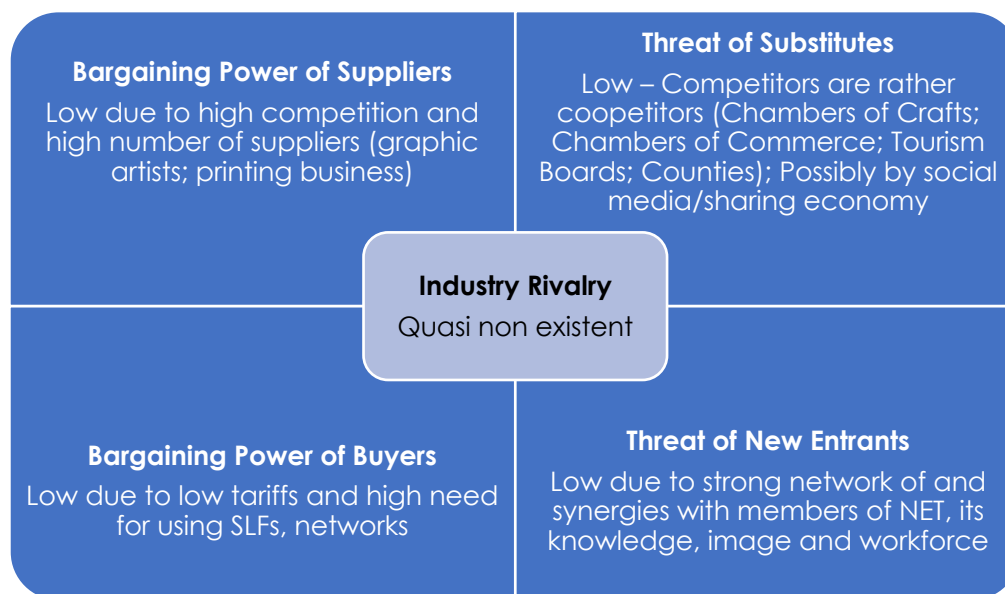


Figure 9 – Porter's Five Forces for NET 4.0

Source: (based on Porter, 1985)

3.5 SWOT Analysis for NET 4.0

There are some specifics of SWOT analysis in the THE and neighbouring sectors. E.g., Evans (2015, p. 305) mentions they 'often rely very heavily on resources which are natural or which cannot be easily replicated or moved elsewhere'.

For this case study, the following SWOT analysis (see *Table 10 – SWOT Analysis for NET 4.0*) focuses on the direct environment of the NET 4.0 strategy rather than the whole context. This is done, as an extensive and holistic SWOT analysis on tourism by K+P (Seiz and Wehling, 2018, p. 44, see Appendix 2 – Location Factors) already exists. Additionally, a local SWOT by Schwarzwald Tourismus and Landkreis Rottweil (2018) is taken into consideration.

Strength	Weaknesses
<ul style="list-style-type: none"> • Natural resources, infrastructure, quality of living • Geographic location (near metropole areas; numerous high tech clusters) • Existing, working network of NET • Additional human resources within municipalities accessible and available 	<ul style="list-style-type: none"> • Region is 'stuck in the middle' with many comparable competitors and few USPs • Unknown brand 'Neckar-Erlebnis-Tal' • Lack of human resources for NET itself • Low budget for marketing
Opportunities	Threats
<ul style="list-style-type: none"> • Winning over digital nomads • Location branding • Synergies tourism/business development • Consolidating budgets 	<ul style="list-style-type: none"> • Non-sufficient human and financial resources; absence of project owner • Ignoring the existing strategy of K+P • Outdated and non-contemporary THE (accessibility; marketing; hotels etc.)

Table 10 – SWOT Analysis for NET 4.0

Sources: (Baden-Württemberg International, 2016) (Seiz and Wehling, 2018) (Schwarzwald Tourismus and Landkreis Rottweil, 2018) (WYSE Travel, 2018)

The internal factors strength and weaknesses are to be discussed in detail in the next chapter, hence threats and opportunities have to be considered in the following.

Threats to NET 4.0

Regarding the threats, there are issues with touristic performance (see *Table 11 – Threats due to issues in the THE sector*):

Sector	Issues
Tourism	<ul style="list-style-type: none"> • Accessibility for disabled people, esp. in historic buildings • Accessibility and quality of guidance of tourist offices • No bookable tours or package holidays
Hospitality	<ul style="list-style-type: none"> • Number of overnight stays is below average in the state • Decrease in overnight accommodations • Outdated hotels • Seasonal peaks • Low numbers of foreign visitors • Few youth hostels • Strong competitors (Black Forest, Swabian Alps, Lake Constance, metropole area of Stuttgart) • Few hotels classified; only one 4-Star-Hotel • Customer satisfaction is below average
Events	<ul style="list-style-type: none"> • Discontinuation of core event 'Mobile without cars' with thousands of participants (safety and financial reasons) • No regional event

Table 11 – Threats due to issues in the THE sector

Sources: (Seiz and Wehling, 2018) (Schwarzwald Tourismus and Landkreis Rottweil, 2018)

Analysis has shown, that hotels for touristic and health purposes in general (Deutscher Heilbäderverband, 2015) and especially in the

region (Seiz and Wehling, 2018; Schwarzwald Tourismus and Landkreis Rottweil, 2018) are in constant decline. In the past, they have contributed to tourism in the region on a large scale.

Today, there are trends to a more global tourism, to high-spec hotels with a broad range of wellness-offerings (ABTA, 2018; Euromonitor International, 2018; Southan, 2019), to sharing (e.g. Airbnb), and to city travels on the one hand, and less public spending on cure on the other. Small, often outdated hotels and boarding-houses cannot compete. Additionally, owners frequently struggle to find staff and successors for their business.

In contrast to that, business hotels and motels near the Autobahn are on the rise. In Stuttgart only, 5000 additional overnight accommodations are planned to be built until 2020 (Leibfried, 2018; not including unofficial accommodations like Airbnb). Some hotels – mainly for business purposes – along the Autobahn are projected in the NET region, too.

Opportunities for NET 4.0

Most of the threats cannot be influenced by NET, therefore it has to focus on improving and communicating the opportunities: While overnight tourism in NET is currently in decline, day trips, that already contribute most to touristic spending, are on the rise (e.g. Staatliche Schlösser und Gärten Baden-Württemberg, 2018; Zeiner et al., 2018). For the NET as a typical destination for bicycle tours, day trips, and business tourism, this might be seen as an opportunity rather than a

threat. On the one hand, attractiveness for day trips may contribute to the SLFs.

On the other, visitors on day trips are a target group for location branding (Ceric and Crawford, 2015) by NET and its partners including non-THE businesses.

There is competition with the nearby (60 km) Stuttgart metropole area, ranked the fifth best city to find a job worldwide (Movinga, 2019; see *Figure 10 – Job opportunities in Stuttgart*).

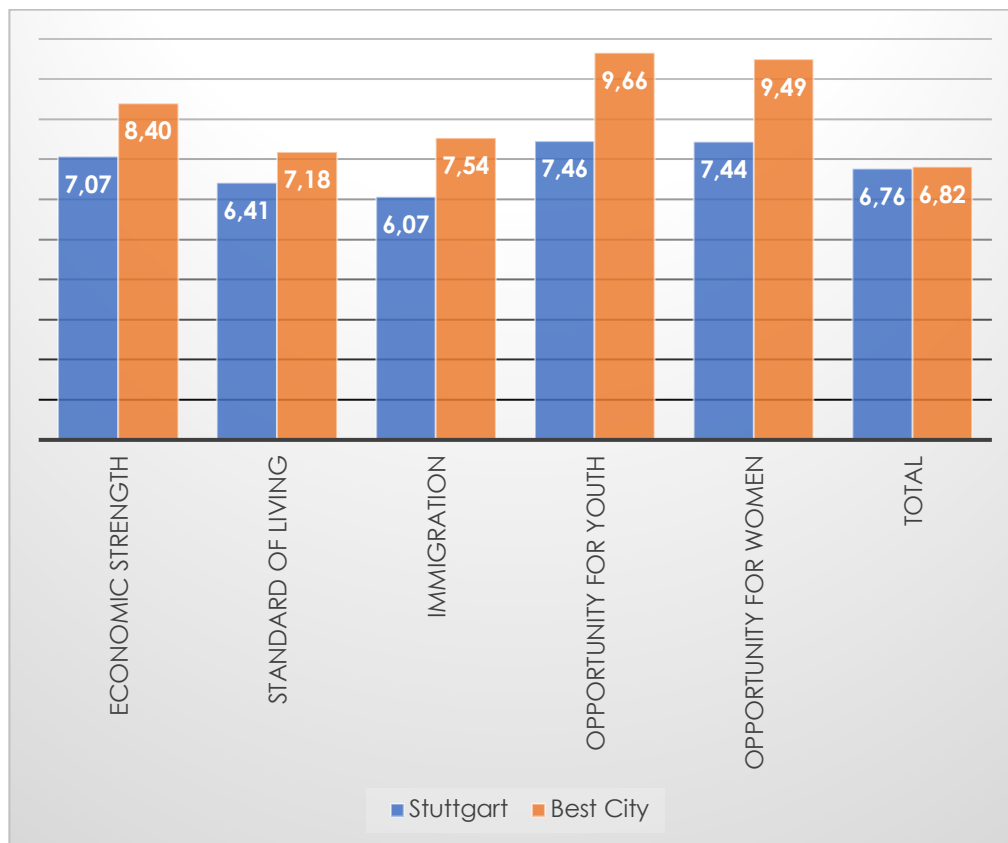


Figure 10 – Job opportunities in Stuttgart

Source: (Based on Movinga, 2019)

In the same report, Stuttgart is ranked 30th (of 100) in the highest cost of living (Movinga, 2019), with serious problems to find accommodation (Möbert, 2017; 2018).

Hence, the rural alternative of the NET region delivers in the long run options for skilled employees to work and settle down in the sense of counterurbanization. In the short run, they visit the area as day-trippers for leisure activities, as Backman and Nilsson (2018, p. 133) found out that:

‘built heritages and cultural environments are strategic resources with the potential to improve regional attractiveness and are hypothesized to play a significant role to explain growth in the level of human capital’

The topics of following *Figure 11 – Examples of impacts of tourism on destination areas* are superimposable with the chances and risks for migrants and immigrants, that relocate in the region with a focus on leisure activities and SLFs in general.

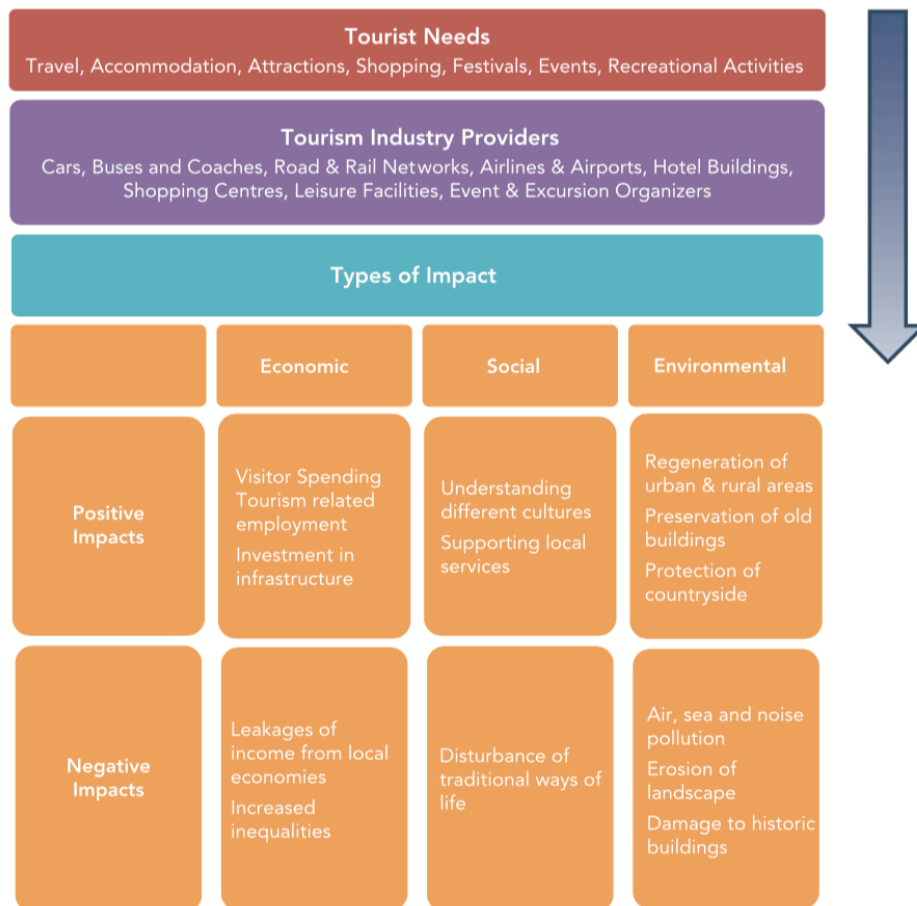


Figure 11 – Examples of impacts of tourism on destination areas

Source: (Evans, 2015, p. 60)

Another chance to convince skilled employees is business travel as one of the oldest forms of tourism. Marques and Santos (2017) point out that

‘Today, Business Tourism (also known as Meeting Industry) represents a significant role on local and regional economies and reveals a considerable potential for development. In this context, Destination Management Organizations (DMO), and more specifically Convention & Visitors Bureaus (CVB), play a key role in providing the structure associated with the territory and the management, planning and development of destinations, especially those who want to position themselves as Business Tourism destinations.’

Germany, and especially the State of Baden-Württemberg, belongs to the most important destinations worldwide for business as well as academic tourism (e.g. conferences, meetings etc.; Rodríguez et al., 2012; see *Table 12 – Number of international association meetings per country*).

Rank	Country	Number of meetings	Participants
1	USA	941	424000
2	Germany	682	246045
3	United Kingdom	592	192544
4	Spain	564	327996
5	Italy	515	172274

Table 12 – Number of international association meetings per country

Source: (ICCA; 2017)

4. Analysis of the internal factors

Evans (2015, p. 74) recommends to consider the following topics in the internal analysis:

- Operational context: including the competencies, resources and competitive advantage
- Human, financial and product/market aspects

In the following, these aspects will be discussed after outlining the structure and future diversification approach of the association.

4.1 Structure of NET

NET has got two classes of members – passive and active ones (see

Table 13 – Member structure of NET):

Membership	Role	Members
Passive	<ul style="list-style-type: none"> • Political influence: Advisory; 1 voice in decision making through speaker • Financial: Small annual fees (EUR 50 to 250) • Human capital: Participation in committee and board/plenum meetings • Contribution: Expertise, ideas, additional funding, driving tourist attractions, ambassadors for NET etc. • Benefit: Participation in marketing activities, advertising, network etc. 	<ul style="list-style-type: none"> • Restaurants • Hotels • Golf-club • Camping site • Canoeing rental company • Nature conservancy club (ranger) • Cultural clubs • Breweries • ...
Active	<ul style="list-style-type: none"> • Political influence: Decision makers; 9 voices in decision making • Financial: Annual fee according to number of inhabitants (EUR 1200 – 12.000) • Human capital: Participation in committee and board/plenum meetings, municipality employees' workforce • Contribution: Expertise, ideas, additional funding, driving attractions, ambassadors for NET, acquiring subsidies, office, workforce etc. • Benefit: Improvement in tourism, image, attractiveness, network 	<ul style="list-style-type: none"> • Municipalities of three towns and two villages in the upper Neckar valley

Table 13 – Member structure of NET

The executive board is composed of a president and vice-presidents (usually employees of the three towns), the treasurer and the secretary (send by the two villages). Moreover, a speaker of sustaining members belongs to the executive board. An advisory council (mainly consisting

of the majors) decides on budgets, the plenum on strategy. Operational work is done by the board itself together with a part-time employee in the NET's office. The structure, frequent communication path and the ways of decision making are visualized in *Figure 12 – NET's Structure*.

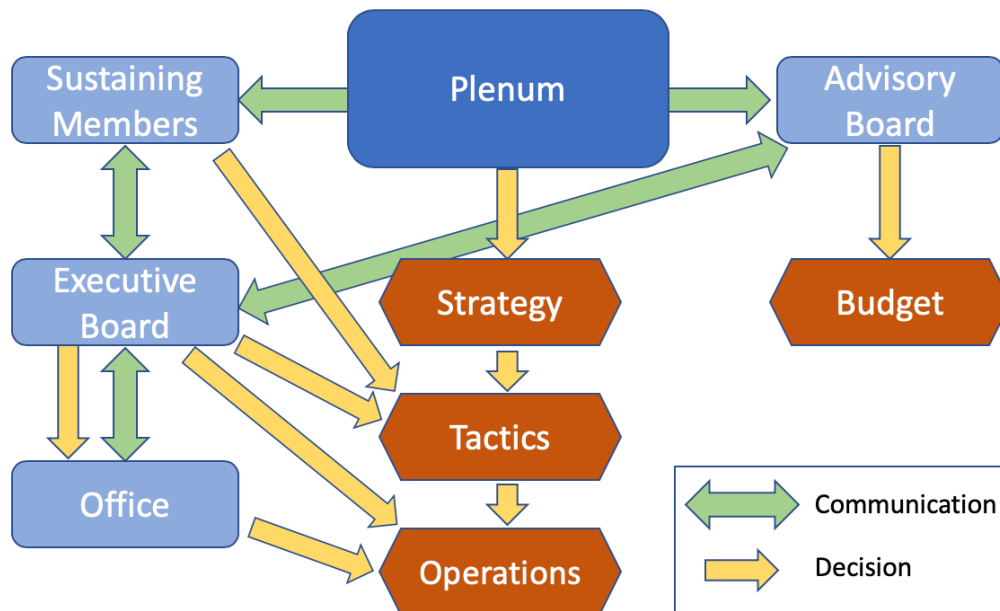


Figure 12 – NET's Structure

4.2 Ansoff Matrix

In this case study, NET will additionally to its existing purposes conquer a new market with a new product (see *Table 14 – Ansoff Matrix*) in the sense of a diversification strategy.

	Existing Products	New Products
Existing Markets	Market penetration strategy Deliver Information more regularly and efficient to existing partners in THE; reactivate network	Service development strategy New tools to deliver information (newsletter, templates, social media); new attempts to enhance network
New Markets	Market development strategy Deliver information to production business/non-THE partners	Diversification strategy New tools to deliver information to new customers; Information terminals/interactive touchscreen kiosk; workshops for non-THE

Table 14 – Ansoff Matrix

4.3 Competencies: NET as an entrepreneur

Although NET was founded in 2001, it is an entrepreneur in the new market of delivering knowledge on SLF to companies. As an introduction to the internal analysis, a short review (largely based on Aulet, 2013) on NET is given in *Table 15 – NET's qualities as an entrepreneur*. The scoring is an internal estimation based on the question, if NET's quality in that field contributes to the new market.

Field	Question	NET's quality	Score 0-5
Knowledge:	What was the focus of your work?	Tourism marketing, events	5
Capability:	What are you most proficient at?	Knowledge and information exchange; research; cooperation on a regional level; flexibly dealing even with organizing big events	5
Connections:	Who do you know that has expertise in different industries? Do you know other entrepreneurs?	Board members and municipalities have connections to almost every company and organization in the region	5
Financial assets:	Do you have access to significant financial capital, or will you be relying on a meagre savings account to start out?	Current budgets are not sufficient; new members and budgets from municipal business development can enlarge them	4
Name recognition:	What are you or your partners well-known for?	Organizing big events (e.g. 'Heimattage' with 180 events and 300000 visitors); board members are known for business development	3
Past work experience:	In previous jobs you've held, what inefficiencies or 'pain points' existed?	Knowledge and discussions about skills shortage vs. the attractiveness of the region	3
Passion for a particular market:	Does the new business idea excite you?	Whereas the NET is in several studies ranked as 'not a competitive tourism destination', the SLFs are both excellent and needed by companies	4
Commitment:	Do you have time and effort to devote to this endeavour? Are you ready to make a new venture your primary (or only) focus?	Board members already engage in marketing their own local areas; a more regional focus will enhance that through synergies and networking	5
		Average:	4,25

Table 15 – NET's qualities as an entrepreneur

Source: (Based on Aulet, 2013; Heimattage: Schwarzwälder Bote, 2013)

Table 16 – Financial impact of different strategies shows the impact of different strategies on the financial situation of NET for the first year: municipalities agree on an additional budget for business development, first non-THE companies sign a membership (a 5-year-scenario based on the forecast is given in *Figure 15 – Income by business development scenario* on p. 57).

			Current Strategy	New Strategy	New Strategy and NET 4.0
Income	Fees	from active members	20000	30000	30000
		from passive members	6000	8000	8500
		non-THE	0	0	2500
	Other	General	1000	1000	1000
		Business Development Budget	0	0	10000
			27000	39000	52000
Spending	Nature preservation		-5000	-5000	-5000
	Marketing	Print	-500	-2500	-3000
		Ads	-1000	-5000	-5000
		Fairs	-15000	-20000	-25000
		Events	-1000	-2000	-2000
		Online	-1000	-3500	-3500
		Social Media	0	-500	-500
	Other	Office; Hospitality;...	-3300	-4000	-4500
			200	-3500	3500

Table 16 – Financial impact of different strategies

Whereas SMEs in the region are the target market, mid-size companies are seen by NET as the beachhead market (Moore, 2004). They can easily contribute financially by paying annual member fees and actively cooperate with the association, and they can use delivered

information on SLF on their websites and in their marketing efforts (see *Table 17 – NET's performance in the beachhead market*). Smaller companies struggle with efficient marketing and (human) resources for cooperation. They will get at least basic information for free (possibly as a freemium model).

Criteria	NET	Score 0-5
Are the target customers well-funded and are they accessible to our sales force?	The necessary funding is sufficient; NET has access to all potential customers	5
Do they have a compelling reason to buy?	Skills shortage forces customers to use all potential marketing instruments, including information on SLF	5
Can NET today, with the help of partners, deliver a whole product to fulfil that reason to buy?	The information on SLF will be available at the beginning of 2020; the structure for networking already exists	4
Is there no entrenched competition that could prevent us from getting a fair shot at this business?	There is competition (e.g., chamber of commerce and chamber of crafts); there will be competition	3
If we win this segment, can we leverage it to enter additional segments?	Information on SLFs can be delivered to small businesses within the region, and to companies outside the region (e.g. travel agencies; nearby SMEs)	5
	Average:	4,4

Table 17 – NET's performance in the beachhead market

Source: (Based on Moore, 2004, p. 39)

	Definition	Beachhead Market	Score 0-5
End User	Who is using the product?	Employees and their families	2
Application	What does he use the product for?	Deciding between places to work and live	3
Benefits	What is the value, the additional profit for the end user?	Transparent information; subsequent justification of decisions	3
Lead Customers	Lighthouse customers, that will be followed by others	About 40 companies in the region	5
Market Characteristics	What helps or hinders the implementation?	SLF can be distributed via websites, fairs, brochures, social media; integration in websites may be hindered by corporate identity guidelines	4
Partners/ Players	Who has to contribute to the product?	Website agency; translators; members of NET	5
Size of the Market	Rough estimation of potential customers	150-250 customers	5
Competition	Who is making similar products?	Chambers of commerce and crafts; other touristic organizations and associations (not for the same area and in the same quality)	4
		Average:	3,9

Table 18 – Market research for NET's SLF

Source: (Based on Aulet, 2013, p. 34)

The lower average score in market research (see *Table 18 – Market research for NET's SLF*) compared to the other tables shows, that the product is not picture perfect.

The low scores in 'End User' (or consumer), 'Application' and 'Benefits' respect that

- There are numerous push and pull factors driving job mobility and corresponding decision making
- Information on the region and the SLF is already available; NET will not be able to answer every aspect in detail and exhausting (e.g. location of schools, local infrastructure, living space etc.)
- The number of potential future employees researching for SLF, e.g. integrated in the websites of companies, is unknown

Source: (Cruz et al., 2015) (Kangas et al., 2016) (Molloy et al., 2017) (Tegze, 2017)

On the other hand, the costs for customers for the strategic alliances with NET are low (annual fees; effort to use information on SLFs), and the quality of the provided information is high due to the superior level of continuously updated knowledge of NET.

To complete the analysis of NET's entrepreneurial qualities, a draft for a buyer persona (see *Table 19 – Beachhead Market Persona*) and an example for the usage of SLF by SME (see *Figure 13 – Example Use of SLFs delivered by NET*) is given.

Name	Jutta Drais (female)
Environment	Head of HR in a 'hidden champion' business with 350 employees; organic growth of 5% p.a.
Personal Information	Born in the region Family with 2 children (2, 5) 34 years old
Career Context	Diploma from German Secondary School; Gap year of voluntary work in the social sector Studies of economic psychology in Heidelberg Year abroad in US
Information Sources	Websites Fairs Conferences Regional networks (Chamber of Commerce; Business Development Agency)
Purchasing Criteria in Prioritized Order	Additional Value (highest priority) Reliability (high priority) Ease of use (medium priority) Costs (low priority)
Other Noteworthy Items	Is experience and health oriented High expectancy on purchases, travels Focused on efficiency

Table 19 – Beachhead Market Persona

Sources: (Statista, 2019)

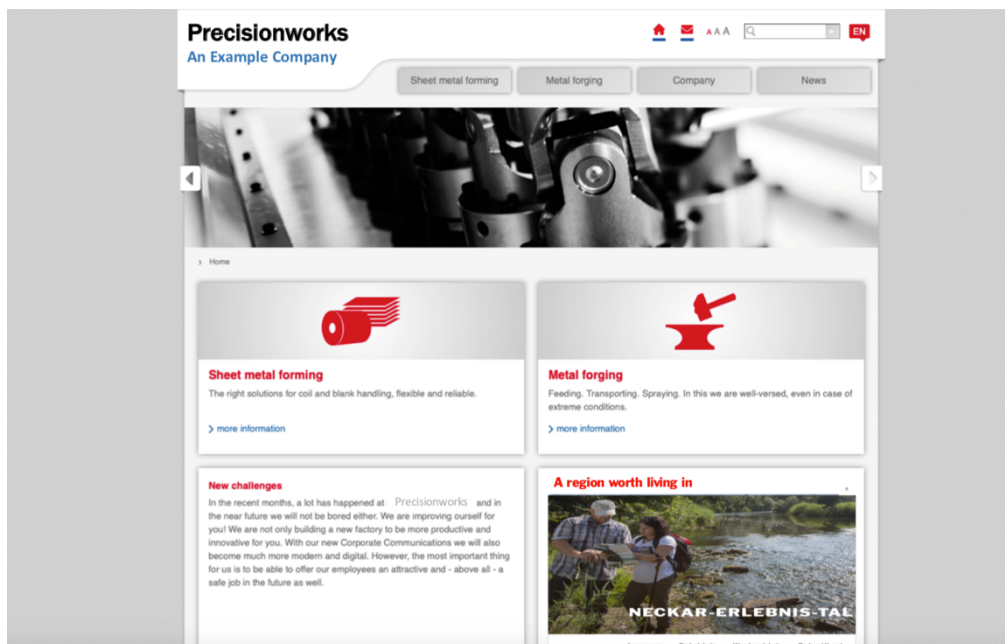


Figure 13 – Example Use of SLFs delivered by NET

4.4 Resources: Overcoming the bottleneck

According to Leeflang (2014, p. 1):

‘Wharton Professor George Day identified the widening gap between the accelerating complexity of markets and the capacity of most marketing organizations to comprehend and cope with this complexity.’

As mentioned above in the SWOT analysis, a weakness of NET is seen in the lack of human resources to deal with an increasing complexity. Currently, a high level of resources on the strategical level is opposed to a lack of a true project owner or even a part-timer on the operational level (see ***Fehler! Verweisquelle konnte nicht gefunden werden.***).

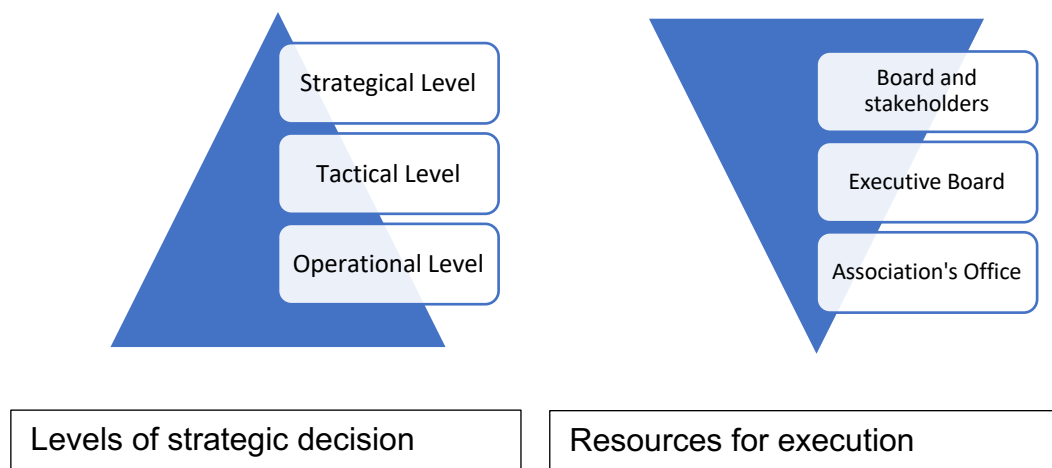


Figure 14 – Resources on decisions and execution

Source: (Based on: Evans, 2015, p. 20)

This is addressed, as well as the lack of sufficient budget by the NET 4.0 strategy (see *Table 20 – Resources of NET*) and by involving external capabilities.

Type	NET Currently	NET Future
Human	Part-timers; additional support by municipal employees	1 Full-time employee
Financial	EUR 20.000 plus member contributions p.a.	Increased member contributions for SLF
Physical	Office; booth for fairs; signposting	
Operational	Website	Data bench; Website extension for professional use
Intangible	Established brand; knowledge about THE sector and SLF; network of partners	Enhanced network of partners, associations, coopetitors; collaboration

Table 20 – Resources of NET

Source: (based on Evans, 2015, p. 79)

4.5 External capabilities

According to Assael (1985) '[...] positioning a service is more difficult than positioning a product because of the need to communicate vague and intangible benefits.' *Table 21 – Service characteristics and implications for marketing* shows some reason for the issues:

Characteristics of service	Marketing implications	Positioning tactics and strategies
Intangibility	Sampling difficulty Strain on promotional element of marketing mix No patents possible Difficult to judge price and quality in advance	Focus on benefits and attributes Increase tangibility of service Use brand names Use personalities to personalise service. Develop reputation
Inseparability	Requires presence of producer Direct sale Limited scale of operations	Learn to work in larger groups Work faster Train more service providers
Heterogeneity	Standard depends on who and when provided Difficult to assure quality	Careful personnel selection and training Ensure standards are monitored Pre-package service Emphasise bespoke features
Perishability	Cannot be stored Problem with demand fluctuations	Match supply and demand effectively (e.g. reduce prices during off-peak)
Ownership	Customer has access to but not ownership of service activity or facility	Stress advantages of non-ownership (e.g. permit easier payment system)
Standardisation	Difficulty in consistency of service delivery	Create uniformity. Instil company's ethos in personnel

Table 21 – Service characteristics and implications for marketing

Sources: (Cowell, 1989) (Ellis and Mosher, 1993) (Blankson and Kalafatis, 1999)

Moreover, today's marketing via social media is often the 'pinball way' (Hennig-Thurau, 2013) – it is not projectable and predictable. In combination with a lack of human resources, NET is facing difficulties in implementing and controlling NET 4.0.

External capabilities can help answering the connected questions. In addition to the existing competencies of NET to market THE services, its customers will support the strategical targets.

Marketing of SLF is done by NET addressing employees directly, and via employers. Both will use digital and social media marketing with special requirements (Labreque et al., 2013; Leeflang et al., 2014; Kannan and Li, 2017; Felix et al., 2017) and topics identified by Stephen (2016; p. 17):

- Consumer digital culture
- Responses to digital advertising
- Effects of digital environments on consumer behavior
- Mobile environments
- Online word of mouth (WOM)

Therefore, companies are ambassadors that know about the 'vague and intangible benefits'. The reasons for cooperation are:

- High need of companies and organizations for employer branding including soft location factors
- Companies profit from investment into soft location factors in aspects of employer branding

Additional motivators are shown in *Table 22 – Mutual benefits for NET and non-THE business*:

Benefits for NET	Benefit for business
<ul style="list-style-type: none"> • Sponsoring • Joined bargaining power in politic decisions • Support for tourism in citizenship • Using well-known companies for image transfer • Join forces, combine resources to enhance competitiveness • Learning from each other • Risk deuction • Building networks • Improving capability to fulfil business needs (provider perspective) 	<ul style="list-style-type: none"> • Using brand, image, reputation of the region • Attractive environment for skilled workers • Employer branding, image building by communicating cooperation with NET • Diversification • Industrial tourism (visitors in production facilities, product presentation) • Improving capability to fulfil business needs (customer perspective)

Table 22 – Mutual benefits for NET and non-THE business

5. Recommendation for Management Strategies

Key aspects of NET's strategy and the motivation for diversification have already been mentioned through the analysis. To formulate a holistic approach, a differentiation strategy is formulated and proposed. A balanced scorecard (BSC) is used to formulate it more precisely.

5.1 Porter's Generic Strategies

As shown above, 'price' is not an issue for marketing NET 4.0, but costs are – in the sense, that non-THE businesses engage with a mutual exchange and cooperation with NET in addition to existing competitors (see Appendix 4 – Competitors of NET). They need at least time to deal with the SLFs provided by NET instead or in addition to work with content delivered by competitors. To convince non-THE businesses doing so, a differentiation strategy (see *Table 23 – Porter's Generic Strategies*) is recommended.

		Competitive Advantage	
		Lower Cost	Differentiation
Competitive Scope	Broad Target	Cost Leadership	Differentiation
	Narrow Target	Cost Focus	Differentiation Focus

Table 23 – Porter's Generic Strategies

Source: (Aziri and Nedelea, 2013, p. 7)

Table 24 – Differentiation Strategy of NET shows, how the cooperation with NET differentiates from its competitors:

Differentiation	Case of NET 4.0
By creating products that are superior to competitors' by virtue of design, technology, performance etc.	Information on SLF by NET is <ul style="list-style-type: none"> • more up-to-date • supra-regional • better informed by customer contacts and NET's experts • better oriented on consumers' needs
By offering a superior level of service.	<ul style="list-style-type: none"> • NET's members are locals • NET's members help with SLFs as well as business development in general • They are frequently in contact with companies and organizations
By having access to superior distribution channels.	<ul style="list-style-type: none"> • NET's members are already in contact with most SME-customers
By creating a strong brand name through design, innovation, advertising, frequent flyer programmes and so on.	<ul style="list-style-type: none"> • NET is a known brand for marketing tourism, events and attractions • NET profits from the brand image of the towns and villages
By distinctive or superior product promotion.	<ul style="list-style-type: none"> • NET can utilize municipal communication channels (websites, events, press releases, social media channels, placards etc. to market SLFs • NET shows presence at supra-regional fairs • NET cooperates on a supra-regional level with state associations etc.

Table 24 – Differentiation Strategy of NET

Source: (based on Aziri and Nedelea, 2013, p. 7-8)

5.2 Balanced Scorecard

According to Anand (2016), the Balanced Scorecard (BSC) is helpful to formulate a strategy, containing both realistic and aggressive targets in

two steps, a strategy map and the actual BSC with appropriate measures. In this early stage – the strategy has to be communicated to and agreed with the plenum – the following *Table 25 – Strategy map for NET* and *Table 26 – Balanced Scorecard for NET* are just sketches.

Perspective			
Customer	Enhance customer satisfaction	Be provider of choice	Increase public confidence
Financial Concerns	Increase net income		
Internal Processes	Improve communication efficiency	Enhance network	Improve marketing
Learning and Growth	Increase knowledge about SLF	Improve CRM skills and knowledge	Increase knowledge about THE and non-THE businesses

Table 25 – Strategy map for NET

Perspective	
Customer	Objective: Deliver most useful and up-to-date information on SLF Measure: Number of posts used by customers Targets: 10 new customers using information 1 st year, then 5 p.a. Initiatives: Launching channels for THE and non-THE customers
Financial Concerns	Objective: Increase budget Measure: Net income Targets: Increase net income from non-THE by €1250 p.a. Initiatives: Win new customers
Internal Processes	Objective: Enhance network and gain knowledge Measure: Number of customers regularly participating in network Targets: Win five customers to participate in network p.a. Initiatives: Networking events, marketing
Learning and growth	Objective: Knowledge on customers' & end-users' SLF-needs Measure: Number of contacts to customers and end-users Targets: 5 Interviews per year; 1 end-user survey per 5 years Initiatives: Interviews, surveys (executed by university)

Table 26 – Balanced Scorecard for NET

Sources: (Kaplan and Norton, 2001) (Mohammadi et al., 2018)

Figure 15 – Income by business development scenario shows the financial impact in € of the scenario assumed in the BSC.

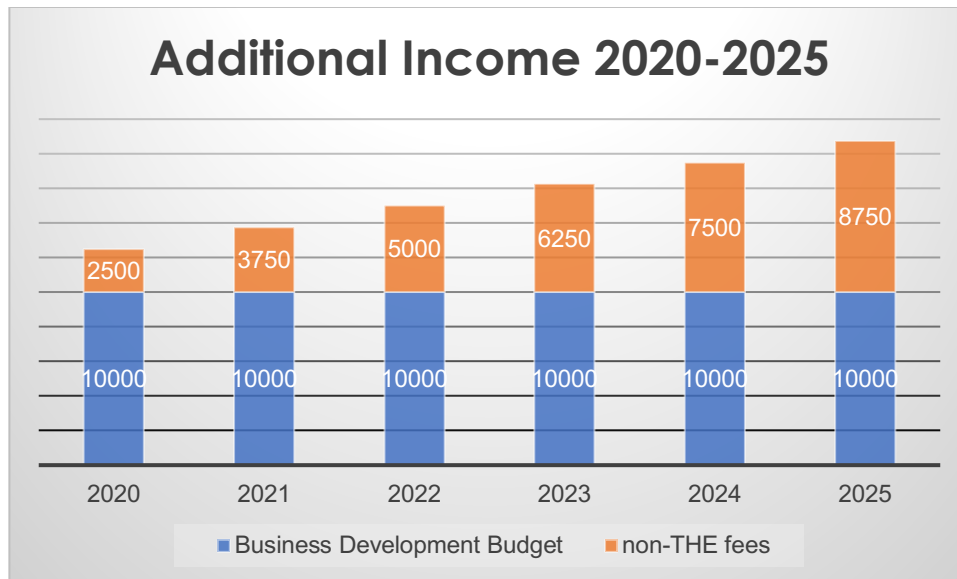


Figure 15 – Income by business development scenario

6. Conclusion on NET 4.0

NET's original purpose was both marketing tourism and supporting business development. As the analysis has shown, the region is not a strong touristic destination and has not the potential to become one. Therefore, allocation of resources will not be sufficient for NET to fulfil its purposes in a more complex environment. It is necessary to act on increasing number of channels (like social media) to communicate and market the advantages of the region. As competitors like Black Forest, Swabian Alp, Lake Constance, and the metropole area of Stuttgart are strong, NET has to boost its marketing.

A chance to do so is the NET 4.0 strategy: By diversifying the product range into delivering information on SLFs to and cooperate with non-

THE businesses, synergies are used, budgets can be consolidated, and additional value is created.

This will allow NET to augment its budgets and resources in general – and become more of a learning organization.

Figure 16 – Combined Strategy 2020 – Map and Figure 17 – Strategy 2020 – NET 4.0 Balanced Scorecard show a summary of the proposed solution.

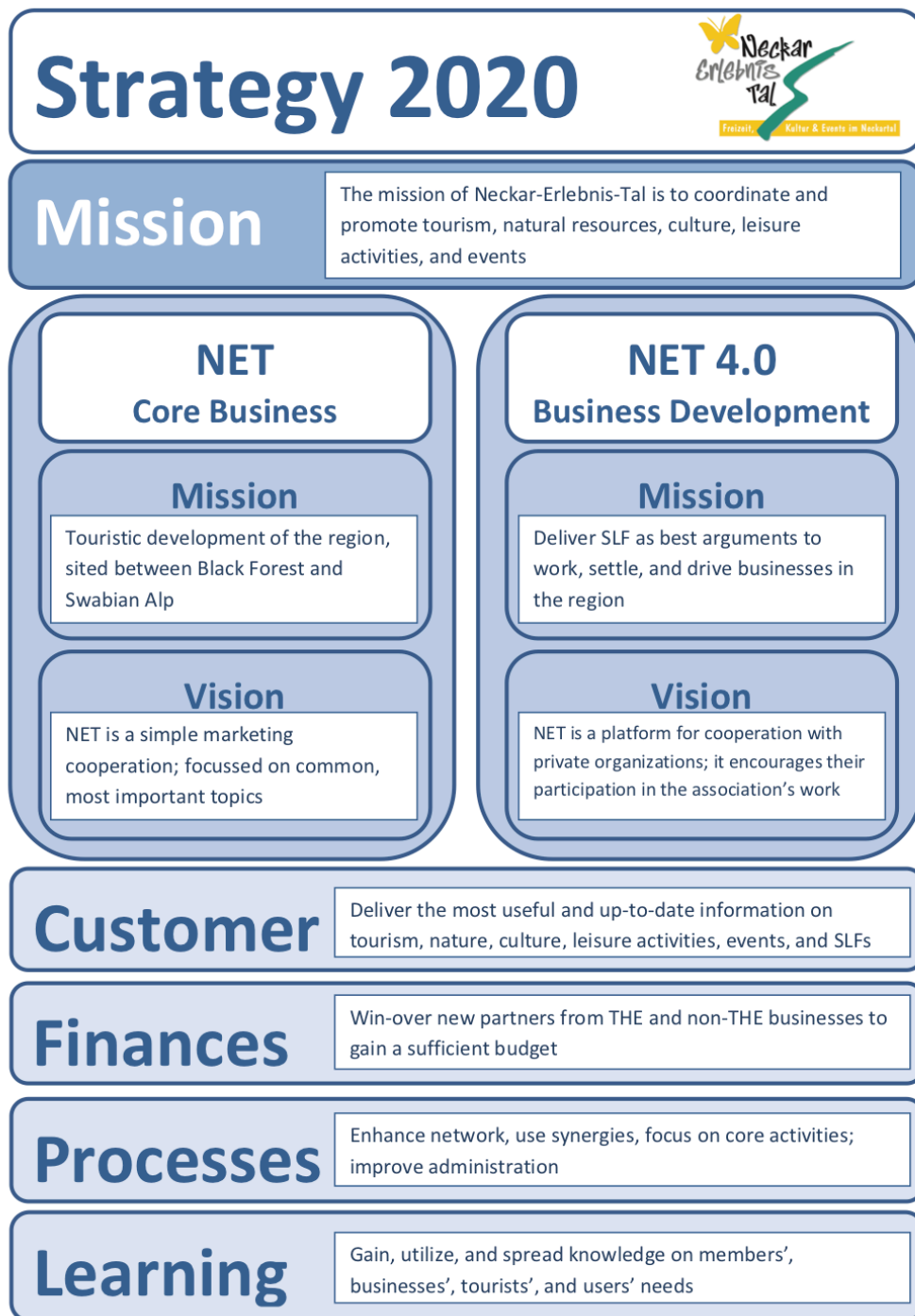


Figure 16 – Combined Strategy 2020 – Map



Figure 17 – Strategy 2020 – NET 4.0 Balanced Scorecard

7. References

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8. Appendices

Appendix 1 – Current jobs of the author

The author of this report currently has three jobs (*Table 27 – Jobs of the Author*):

Job Title	Task of the author
Business Developer (Part time, 50%)	Acquire business customers who buy land in a business park. Includes being member of the competence board of the regional association for business development.
Chief of Office for Culture, Public Relations, Tourism (Part time, 50%)	Event management, press work, social media, tourism marketing, presentations etc. Includes being chairman of NET and member of the board of the local tourist association
Director Steinbeis Consulting impulses.ideas.innovations (self-employed)	Business consulting; assistance at local Business School Alb-Schwarzwald

Table 27 – Jobs of the Author

Appendix 2 – Core touristic competencies of NET

K+P has analyzed and rated core competencies of NET (Seiz and Wehling, 2018, p. 21-23, see *Table 28 – Core competencies of NET*).

Competency	Rating
Cycling	<ul style="list-style-type: none"> • High potential due to certified long-range cycle route (well known, highly frequented)
Hiking	<ul style="list-style-type: none"> • Some non-competitive, substandard trails • Some high-quality, certified trails, professionally marketed • High competition from well-known neighboring regions
Watersports	<ul style="list-style-type: none"> • High potential of the topic is not used appropriately • Unique products and capable providers (canoeing, punts)
Events	<ul style="list-style-type: none"> • Unique, nationwide known events • Lack of regional events that appreciate the river and characteristics of NET
Culture/History	<ul style="list-style-type: none"> • Charming small cultural events • Beautiful historic town centres • Unique cultural locations (museums, galleries)
Business, Infrastructure, Living	<ul style="list-style-type: none"> • Outstanding location for business • High living quality • Soft location factors highly important • High potential for lateral partnerships (tourism – economy – communities)

Table 28 – Core competencies of NET

By K +P, all competencies are seen as having high or outstanding relevance – in case of cycling, culture and watersports significantly higher than the neighboring competitors (see *Figure 18 – Relevance of core touristic competencies*):

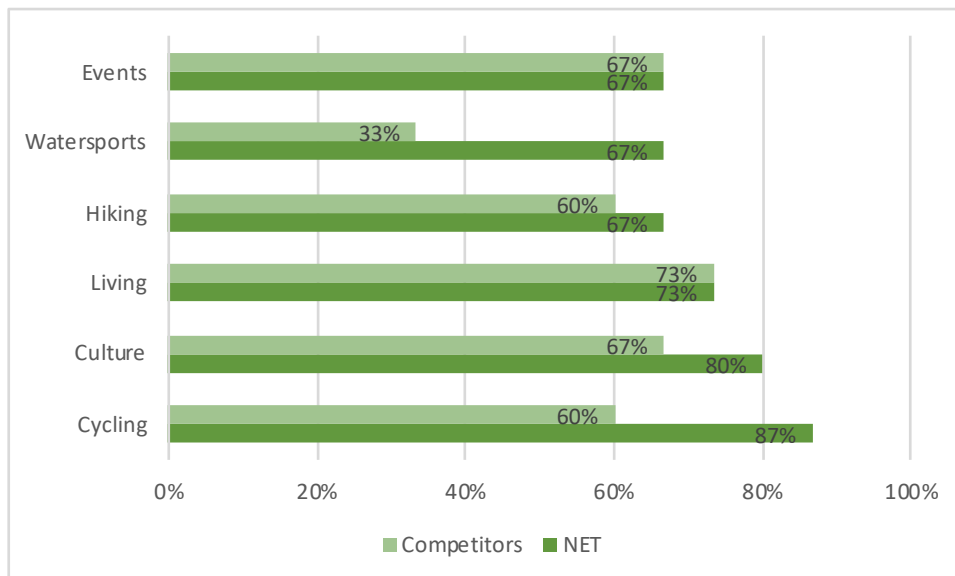


Figure 18 – Relevance of core touristic competencies

Strength	Weaknesses
<ul style="list-style-type: none"> Premium product 'Neckartalradweg' (cycle route) Geographic location (near metropole areas; neighboring well-known tourism destinations Black Forest and Swabian Alb) Public transport system Strong business location Proximity to Stuttgart area (day trippers, weekenders) 	<ul style="list-style-type: none"> Geographic location (stuck in the middle between Black Forest and Swabian Alb; high competition) Many competencies – besides cycling none is outstanding Small revenue and profit from cyclists (fast travelling through NET) Unknown brand; low budget for marketing Lack of human resources

Table 29 – Strength and weaknesses analysis with focus on tourism

Strategic marketing 'proximity'
<ul style="list-style-type: none"> • Focusing on local recreation • Gaining additional tourists from neighbouring Black Forest and Swabian Alb • Additional target groups: motor caravaners, business travellers, locals, skilled workers • Target marketing in focused areas: website, special topic folders and maps, fairs, radio spots, social media
Strategic topic 'quality first'
<ul style="list-style-type: none"> • Cycling • Hiking • Daytrips • Towns • Focus limited resources on marketing outstanding high-quality products
Structure 'broad based'
<ul style="list-style-type: none"> • Cooperation with private organisations

Table 30 – Guidelines for strategic orientation

Appendix 3 – Current Trends for STEEPL Analysis

Socio-Demographic – The choice is at the millennials

According to Evans, socio-demographic influences consider the following topics (see *Table 31 – Socio-demographic influences*):

Topic	Impacts
Social culture	Values, attitudes and beliefs – the impact on demand for products and services, attitudes to work, savings and investment, ecology, ethics, etc.
Demography	The impact of the size and structure of the population on the workforce and patterns of demand
Social structure	The impact of attitudes to work and products and services.

Table 31 – Socio-demographic influences

Source: (Evans, 2015, p. 247)

Two groups to deal with are presented in *Table 32 – Target groups for NET 4.0*:

Target Group	Characteristics
Customers	Companies in the region as customers and partners
End User/ Consumer	People who choose to stay in the region as tourists, employees or employers, and often their accompanying family

Table 32 – Target groups for NET 4.0

In the following some characteristics of the latter, who will use the information provided by NET 4.0, will be discussed: Millennials are considered to have increased geographic and workplace mobility, profit from and decide by high availability of information, and search for an active live-style.

Due to skills shortage, continuously low unemployment rates (Destatis, 2019; OECD, 2018; Trading Economics, 2019a, 2019b), demographic

change, higher workplace mobility, millennials according to KPMG (2017, p.1):

‘[...] hold more bargaining power than ever before in the labour marketplace. Companies need to be aware of how to move that power in their favour, alluring them with the right selling points, and plying them with the right perks to make them stick around once they’re through the door.’

Moreover, ‘this generation of professionals’ sense of loyalty has retreated as well’ (Deloitte, 2018, p. 27). *Figure 19 – Characteristics of different generations* shows some of the characteristics of them and the following ‘Generation Z’.

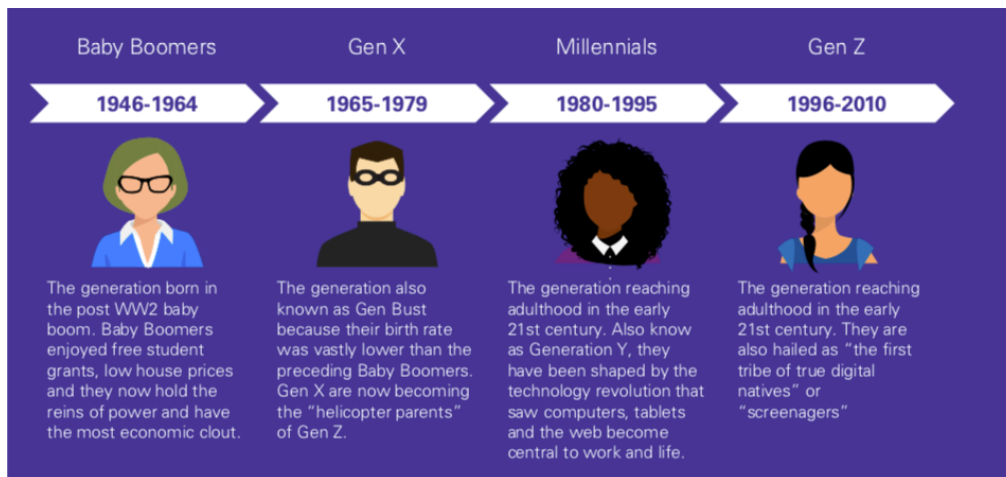


Figure 19 – Characteristics of different generations

Source: (KPMG, 2017, p.4)

Although NET operates within Baden-Württemberg, the target group has to be seen globally. As Thelen (2018) points out, ‘Germany is looking ahead at a demographic time bomb’ and therefore has a ‘desperate need for immigrants’. For this reason, the report mainly focuses on global rather than regional socio-demographic trends.

One example of the differences between both is homeownership.

Currently 'the majority of Germans live in medium-sized cities and so-called Speckgürtel – suburban areas around large urban centres. The dream of owning a house in the country is shared by many' (Agora Verkehrswende, 2017, p. 32). Looking to the United Kingdom (UK), Hackett (2011, p.3) notes:

'home ownership is now on a downward trend, as a result of various social, economic, political and demographic changes. The talk of aspiration and security through home ownership has given way to serious concerns about widening housing inequalities, falling house prices, under-supply of new homes, and a shift away from reliance on asset-backed welfare and housing as a private investment.'

For the United States (US), Choi et al. (2018) state that 'millennials are less likely to be homeowners than baby boomers and Gen Xers.'

Currently, Germany has one of the lowest homeownership rate in advanced economies (Germany: 44% – below the 70% average in EU) and a large rental sector (Andrews and Caldera Sánchez, 2011; Lennartz, 2014; Bouyon, 2015; Kaas et al., 2019). Even if e.g. the Federal Ministry of Interior, Building and Community (2018) and the Federal Institute for Research on Building, Urban Affairs and Spatial Development (2019b) have approved a large budget to support affordable homeownership, people may still refuse to buy as 'young households are more mobile than older households: they are more likely to move to a new home' (Halket and Vasudev, 2014, p.1). This will affect the NET region in multiple ways (Table 33 – Consequences of low homeownership rates):

Favourable	Unfavourable
<ul style="list-style-type: none"> • Higher workplace mobility due to lower homeownership may allow employees to migrate or immigrate into the region • Digital technologies allow for remote work • Scarcity of available affordable living spaces in metropole areas may encourage families to (re)settle on the countryside 	<ul style="list-style-type: none"> • Scarcity of available affordable and attractive houses in the NET region may prevent families from (re)settling in the area • Lower homeownership rate may make residents more mobile and willing to resettle elsewhere

Table 33 – Consequences of low homeownership rates

If there is an increasing ‘globalization of consumers’ (in the sense of home-buyers or ‘job-buyers’) like e.g. Guyter (2019), Shah (2012) or the United Nations Development Programme (as early as 1998) suggest, trends from other countries may have impacts in Germany. E.g., in the US Winchester ‘has discovered that, while young high school graduates do leave small towns for big cities, others, in their thirties, forties and fifties are making a return’ (Apolitical, 2018). The Guardian notes that ‘the millennials done with city life – and city prices’ (Graves, 2018) – they search for a cheaper live-style, space, or family friendliness. Bradford (2019) even prognoses ‘the future is rural’ and live will become more locally focused (see also Abousleiman, 2019). Remoundou et al. (2016, p. 1664) mention ‘counterurban mobility’ as well as ‘counterurbanization as resistance to crisis’ in the urban areas. Nefedova et al. (2016, p. 196) have introduced the concept of ‘liquid migration’ between urban, rural-urban and rural areas, that questions the principle of ‘permanent place of residence’: People no longer insist

on settling permanently. This is taken to extremes by 'digital nomads' (Mascheroni, 2007; Reichenberger, 2018; Thompson, 2018), that are often travelling and at the same time work remotely. Estimations count from currently 4.8 million digital nomads in the US only, seeing a 'rising trend' (MBO Partners, 2018) to the speculative prognosis of one billion digital nomads in 2035 by 'nomadlist'-founder Levels (2016).

Another indicator for a more ‘globalized’ thinking as well as citizens become more labour mobile or willing to resettle is the informed customer – according to Swart et al. (2018, p. 4330) due to the

‘rise of mobile technology, growing supply of available information, and increased number of available social media platforms have created a media landscape in which users can choose to connect to public life however and wherever they prefer’

The change in socio-cultural aspects by digital technologies is still gaining momentum. E.g., the new 5G standard delivers a 10 times faster mobile broadband (European Commission, 2018), the ‘gigabit society’ by 2025 (Federal Institute for Research on Building, Urban Affairs and Spatial Development, 2019; European Commission, 2019a) will have new options to work mobile and networked, e.g. with the internet of things (e.g. Cirillo et al, 2019; Euchner, 2018).

Besides data safety, another downside of digital technologies has to be mentioned, as it currently influences migration and immigration: Hate speech (Chetty and Alathur, 2018; Pejchal, 2018; Ueda et al., 2019) in combination with the rise of populism, visible especially in social media, may slow down job mobility of skilled foreigners (Nowicka, 2018; Savimäki et al., 2018; Wirz et al., 2018).

Hate Speech

Hate speech is an offensive kind of communication mechanism that expresses an ideology of hate using stereotypes. Hate speech targets different protected characteristics such as gender, religion, race, and disability.

Table 34 – Definition of Hate Speech

(Chetty and Alathur, 2018, p. 108) “

On the other hand, social media is a chance, as Newman et al. (2017, p.9) point out: 'echo chambers and filter bubbles are undoubtedly real for some, but we also find that – on average – users of social media, aggregators, and search engines experience more diversity than non-users.' Therefore, they might be more open to diverse teams as well as changing to new discovered options (companies, regions, places to live). E.g., Deloitte (2018, p. 1) notes:

'While young workers believe that business should consider stakeholders' interests as well as profits, their experience is of employers prioritizing the bottom line above workers, society and the environment, leaving them with little sense of loyalty.'

But from the companies' view, social media may help 'understanding and influencing what applicants know about the job, work environment and employer'. As 'pre-career Millennials place more importance on interesting work, achievement, good co-workers and doing work that helps people' (Kuron et al., 2015).

Additionally, 'sense of place' may play a role in winning over millennials. Wang and Xu (2015, p. 242) have defined the term as 'meanings, knowledge, attachment, commitment and satisfaction that an individual or group associates with a particular place'. Not exclusively for the tourism sector, Liu and Cheung (2016, p. 188) and Iorio & Wall (2012, p. 1446) found out, that

'sense of place plays an important role in encouraging local indigenous who have moved out of the community and their descendants to return and participate in tourism-related businesses. Among this group of residents, cosmopolitan locals play a significant role in leading tourism development towards a more sustainable path. Cosmopolitan locals are 'local people with vision and experience in the outside world who, having seen new potentials in their place of origin through their external exposure, return to take initiatives.'

Social media also helps alumni to keep their sense of place and connections to their place of growing up (Schofield and Fallon, 2012). The conclusion on the influence of socio-cultural factors is manifold, ambiguous and contradictory:

- Higher mobility may help and/or hinder migration and immigration to and from the region
- Social media might help and/or hinder the image of the region

The ambiguity contributes to the need for NET 4.0: Potential employees (in some cases returners or cosmopolitan locals) search for information to make decisions on jobs and areas to live permanently or temporary. To attract empowered consumers (Labrecque et al., 2013)

or employees, that have more options to make a choice, trustworthy facts about SLFs in the region are required by companies.

Technology – Rethinking location

As shown above, technological trends like Industry 4.0, IOT, digitalization etc. largely influence or even dominate the socio-cultural dimension – especially in the sense of personal decisions for jobs and place of residence. Companies have in the past been less mobile. But Rauch et al. (2017, p. 185) point out:

‘Traditional centralised manufacturing systems will be replaced in future more and more through decentralised and geographically dispersed manufacturing strategies. So-called distributed manufacturing systems represent an ideal approach to meet challenges regarding individualisation of products, customer proximity or more sustainable production. Networks of smart and agile micro-production units lead to a rationalisation of the supply chain and therefore to an increase of sustainability.’

There is further evidence (e.g. Adcock, 2017; Anand, 2016; McGregor, 2017) that companies will no longer be as sedentary as before. In this aspect of rethinking location, too, NET 4.0 might contribute SLFs, e.g. to attract potential investors for business areas and industrial parks within the region.

Economic – Do cities no longer pay off?

Most trends mentioned in *Table 5 – STEEPL Analysis for NET* in the economic field are influential, but not specific to the German job

market. The following *Table 35 – Key facts on the German job and property market* shows some regional characteristics:

Specifics
As compared with other EU countries, many women work in Germany: 18.4 million of them in 2017. This equated to a good 75 percent of women aged between 20 and 64. Within the EU, only Sweden and Lithuania have a higher quota of working women. That said, most women in Germany are employed on a part-time basis.
Germany has the lowest rate of youth unemployment in the EU. Seven percent of those aged 15 to 24 were out of work in 2016. The EU average was just shy of 19 percent.
Unemployment is on the decline in Germany. In 2017, the unemployment rate was 5.7 percent, meaning that fewer people were out of work than at any time since reunification in 1990.
Almost one in five jobs in Germany is under threat from digitization. This is what the OECD has calculated – it found that 18 percent of jobs in Germany entail a 'high automation risk'.
One much-discussed issue in Germany is the looming skills shortage. A study conducted by Prognos economic researchers concluded that around three million jobs could be unfilled by 2030. Among other things, there is a lack of doctors and nursing staff.
High demand of business properties and real estates, combined with a shortage of supply, are driving up rents here again. Investors are therefore increasingly compromising in terms of location and property quality.
It is [...] becoming increasingly difficult for potential tenants to rent large interconnecting space in their desired locations.

Table 35 – Key facts on the German job and property market

Source: (Sibum, 2018) (DZ BANK AG, 2018, p. 3-4)

Even in cooperation with State institutions, municipalities and regional associations within the region, NET will not be able to influence the two economic trends regarding labor (skill shortage, high job mobility, need for migration and immigration) and location (digitalization, decentralization, and land shortage especially in metropole areas) on a

supra-regional or even regional scale. But for the third underlying trend to extend the search for potential business locations into the countryside despite the favors of cities, NET 4.0 may deliver some arguments like shown in *Table 36 – Push and pull factors for companies*.

Push factors (out of the city)	Pull factors (into the countryside)
High costs	Reduced costs
Scarcity of land	Availability of land
Traffic	Improved infrastructure (digital, consume, logistics and transport)
Health issues	
Environmental issues	Nature

Table 36 – Push and pull factors for companies

The fourth identified influential trend is seen economical as well as environmental and political: new forms of mobility which will lead to disruption in society, and in the economic aspect to massive changes in the automotive industry situated in the NET region. Political, societal, and medicinal (controversial) discussions on the impact of commuting may accelerate approaches to reduce individual mobility (Carta and De Philippis, 2018; Dickerson et al., 2014; Li and Pollmann-Schult, 2016; Lorenz, 2018; Mauss et al., 2016), hence SMEs will have to adopt their capabilities. For this processes of innovation, external impulses, knowledge, and workforce is necessary.

Environmental – Renaissance of rural life

Adding to the arguments given above, Stuttgart is number three in the top-ten list of cities with the highest numbers of premature deaths due to air-pollution in Europe (Anenberg et al., 2019), and one of the ten

cities in Germany that exceeds harmful particle emission (PM10) most often (Umweltbundesamt, 2019). Ten thousands of premature deaths due to the exposure of fine particles are expected by the German Partnership for Sustainable Mobility (GPSM; 2015). Therefore, radical initiatives have been started like laying down environmental quality standards, emission reduction, product regulations, setting emission ceilings, right for clean air, new mobility (including cycles, improved public transport), low emission zones, environmental traffic management, truck transit bans, or speed limits.

The environmental problems have already lead to a new credo: 'Attractive cities are not car friendly' (Agora Verkehrswende, 2017, p. 24). There will be 'no-car'-zones and even automated driving might lead to less individual mobility with owned cars (Bagloee et al., 2019; Gelauff et al, 2019; McGee and Chazan, 2018; Khreis et al., 2017; Nieuwenhujsen and Khreis, 2016).

One way to address the problems are the before mentioned digital technologies': together with 'new business models' they 'can achieve advances in efficiency even in the short term. They limit environmental damage less through reducing the need for transportation or through shortening routes than by changing people's behaviour.' (ibid., p. 20). Changes force companies to large investments – and to decisions for alternative locations. E.g., Daimler (2019) has built its new Testing and Technology Centre 135 kilometers south of its headquarters in the rural area of Immendingen. In conclusion, for both employees and

employers the trend of urbanization is no longer seen as irreversible. Municipalities notice a high demand for business and private property along the well-developed lines of communication (Autobahn, high-speed railway).

Political – Fishing for human capital

Given the skills shortage issues and demographic developments with e.g. an ageing society, the European Political Strategy Centre (EPSC, 2017, p. 18) notes:

‘More than ever before, human capital is the one resource that can propel firms and economies to higher levels of productivity and competitiveness. Globalisation has fostered a global competition for talent, as knowledge economies increasingly rely on highly-skilled workers.’

Despite current public controversies on it when it comes to dealing with refugees (Mushaben, 2017; 2018; The Economist, 2018), multiple initiatives drive a culture of welcoming since more than a decade (see *Table 37 – President of the European Commission on Migration*).

Short Case Illustration: Jose Manuel Barroso on migration

‘Skilled labour migration into Europe boosts our competitiveness and therefore our economic growth. It also helps tackle demographic problems resulting from our ageing population. This is particularly the case for highly skilled labour. With today's proposal for an EU Blue Card we send a clear signal: highly skilled immigrants are welcome in the EU!’

Table 37 – President of the European Commission on Migration

Source: (Der Spiegel, 2007)

Politician respect and support employers initiatives for gaining skilled employees, self-initiated expatriates (SIEs), immigrants, and migrants as contributors to research activities, knowledge creation, and innovation (Bosetti et al., 2015; Ceric and Crawford, 2015; Facchini and Lodigiani, 2014; Fassio et al., 2019; Silvanto et al., 2015).

Chances to attract SIEs, who deliberately decide for a country, are good: Germany ranked 15th best country (but 28th for foreign born) and 16th for 'Health-Adjusted Life Expectancy' in the World Happiness Report (Helliwell et al., 2018), it is ranked 5th in the Human Development Index (United Nations Development Programme, 2019). As growth in the metropole areas is limited due to scarcity of land and exhausted capacities of transport systems, rural development programs like LEADER (Liaison entre actions de développement de l'économie rurale) from the European Network for Rural Development (ENRD) favour regions like NET.

Law – Appraising complexity

Law influences the way employees, employers, municipalities, organizations etc. communicate and cooperate. Due to globalization and digitalization, legislation is in some aspects complex and therefore an issue for SMEs and organizations (e.g. General Data Protection Regulation and other regulations; European Commission, 2019b). Moreover, the Directive (EU) 2015/2302 of the European Parliament (EUR-Lex, 2019) restricts services of tourist information offices. The

complexity of these and other juridical issues cannot be discussed in this case study. Nonetheless, NET has to consider them.

Appendix 4 – Location Factors

Major Factors	Sub-Factors
Costs	Fixed costs; transportation costs; wage rates and trends in wages; energy costs; other manufacturing costs; land cost; construction/leasing costs and other factors (e.g. R&D costs, transaction and management costs etc.)
Labour characteristics	Quality of labour force; availability of labour force; unemployment rate; labour unions; attitudes towards work and labour turnover; motivation of workers and work force management
Infrastructure	Existence of modes of transportation (airports, railroads, roads and sea ports); quality and reliability of modes of transportation; quality and reliability of utilities (e.g. water supply, waste treatment, power supply, etc.) and telecommunication systems
Proximity to suppliers	Quality of suppliers; alternative suppliers; competition for suppliers; nature of supply process (reliability of the system) and speed and responsiveness of suppliers
Proximity to markets/ customers	Proximity to demand; size of market that can be served/potential customer expenditure; responsiveness and delivery time to markets; population trends and nature and variance of demand
Proximity to parent company's facilities	Close to parent company
Proximity to competition	Location of competitors
Quality of life	Quality of environment; community attitudes towards business and industry; climate, schools, churches, hospitals, recreational opportunities (for staff and children); education system; crime rate and standard of living
Legal and regulatory framework	Compensation laws; insurance laws; environmental regulations; industrial relations laws; legal system; bureaucratic red tape; requirements for setting up local corporations; regulations concerning joint ventures and mergers and regulations on transfer of earnings out of country rate
Economic factors	Tax structure and tax incentives; financial incentives; custom duties; tariffs; inflation; strength of currency against US dollar; business climate; country's debt; interest rates/exchange controls and GDP/GNP growth, income per capita
Government and political factors	Record of government stability; government structure; consistency of government policy; and attitude of government to inward investment
Social and cultural factors	Different norms and customs; culture; language and customer characteristics
Characteristics of a specific location	Availability of space for future expansion; attitude of local community to a location; physical conditions (e.g. weather, close to other businesses, parking, appearance, accessibility by customers etc.); proximity to raw materials/resources; quality of raw materials/resources and location of suppliers

Table 38 – Location factors

Source: (Based on MacCarthy and Atthirawong, 2003, p. 797)

Appendix 4 – Competitors of NET

Competitor	Goal	Target Group
Wirtschaftsförderung	Three regional business development agencies	Business, skilled employees, citizens
IHK	Two associations as networks for business and region	Members (companies)
HWK	Two associations as networks for craftsmen	Members (skilled craftsmen)
DEHOGA	Association for hotels and gastronomy	Members
...		

Table 39 – Some Competitors for NET 4.0 strategy