

THE ANALYSIS OF COMPETITIVENESS IN THE TOURISM SECTOR IN THE ACTUAL CONTEXT OF ECONOMIC CRISIS

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Abstract

The past few years have witnessed many storms in the Tourism sector. Under the influence of an extremely volatile world economy (financial crisis, commodity and oil price rises, sharp exchange rate fluctuations, increase terrorism acts in several region with tourism potential) Tourism demand slowed significantly. Yet, despite the current difficulties, the Tourism sector remains a critical economic sector worldwide and one that provides significant potential for economic growth and development internationally. A growing national Tourism sector contributes to raise national income, employment, and can improve a country's balance of payments. The sector is thus an important driver of growth and prosperity and, within developing countries, it can play a leading role in poverty reduction. Despite the overall importance of developing the Tourism sector, many obstacles at the national level continue to hinder its development. This analysis aims to serve two purposes. First, we intend to provide useful comparative information for making decisions related to business and tourism development. Second, and more importantly, we hope that the analysis provides an opportunity for the Tourism industry to highlight the obstacles to Tourism competitiveness.

Key words: *competitiveness, tourism sector, tourism, performance, economic growth.*

JEL classifications: *D12, F14, L83*

1. INTRODUCTION

Tourism is one of the largest industries in the global economy and has been both a key driver and a beneficiary of the prolonged period of economic growth seen in recent years. It also has significant social and cultural benefits because of its potential to promote understanding and international relationships. These socioeconomic dimensions make tourism a vital component of globalization.

The importance of the sector worldwide is strengthened by increasing volume and complexity of tourism supply that have generated a real development of tourism industry; by the specific business environment which take proportions more than any other service sector.

Economic advantage that is represented by international tourism, specially, has led many developing countries to increase their efforts to develop tourism industry as an activity susceptible to provide one part from necessary currency in order to develop the national economy.

Such tourism is characterized by a strong competition between countries. Economic concept of competitiveness in tourism is defined as the ability to face competition in an effective and profitable market.

Thus, the countries have increasingly needed a new tourism policy that will affect the competitive position of the current conditions of competition.

The starting point in setting the strategy for improving the competitive position is the determinant elements of competitiveness, which are mainly:

I. The factorial conditions, as:

- natural and cultural resources;
- capital resources and infrastructure;
- human resources.

Combining these three groups of factors, we can obtain the basis of the competitive position of a country.

II. The structure and quality of those which offer tourism services that are the destination and experiences related to it. The competitive position of a country is determined in a large extent by diversity of tourist destinations, their degree of specialization and not least the quality of bidders.

An important competitive factor is the quality tourist product given by natural (environmental), material (a base hotel, catering, transport, sports, etc.) and immaterial (administration, information, organization, etc.) quality.

Market structure and organizational structure, distribution circuits, as determinants of their competitive position are strongly influenced by enterprise's size. Face to face global competition, many small and mediate enterprises have difficulties in setting up a single purpose in distributing their products worldwide. The situation is generally valid, but on the other hand, they have costs of production and marketing of medium level and generally prove difficult to achieve internal savings needed for

development. Given these difficulties, in the context of competition of big companies, penetration and resistance on market competition will become increasingly dependent on the degree in which they will be opened to cooperation and will be able to quit a part of their entrepreneurial autonomy in order to ensure their economic survival in the tourism sector.

IV. Conditions of manifestation of demand and supply adjustment, basic elements of competitiveness, due to size and market structure (market share of tourism specific income level and social level, to the degree of saturation), determinate by travelers' experience to new products. Tourists and consumers are an important competitive advantage for a country, tourists which give priority to quality serve as a permanent control of quality and contribute substantially to competitive advantage. To adapt the offer to consumer needs it must be spotted new trends and new possibilities of making tourism product.

The extent to which these determinants may contribute to the competitive position depends on the type of destination and the level of socio-economic development, topographical features, climate, culture, political factors etc.

2. COMPETITIVENESS – BENCHMARKS IN THEORY AND PRACTICE OF TOURISM ECONOMY

The term competitiveness is probably one of the most widely used terms embraced by policy-makers in tourism. Most tourism strategies and policies mention competitiveness as a concern. A key policy issue for countries is to understand how they can strengthen the position of their tourism economies as global tourism destinations: the challenge is to remain competitive within a sustainable development context. The competitiveness challenge is particularly relevant for many economies that have reached a stage of relative maturity in their tourism development, following a sustained period of growth since the 1950s. Sustainability goes hand in hand with competitiveness because tourism growth needs to balance economic development with social, cultural and environmental goals to ensure a long-term future for the sector. Sustainability is therefore to be considered as an important driver for competitiveness. Current concerns about climate change, environment or highly volatile energy prices highlight the need to strengthen coherence between different policies to create a win-win solution that will both support sustainability and drive competitiveness in tourism.

Much of the research on competitiveness in tourism relates to its application at a destination and country level. At the level of a destination, the focus is on destination benchmarking to assess tourism performance in specific destinations and the perception of tourists of specific destination attributes (e.g. attractions, shopping facilities, and friendliness

of the local population). It also addresses several other key dimensions such as price and quality, sustainability, positioning at national and international levels and the competitive position of the destination.

Competitiveness is no longer a simple concern on how a destination increases its market share of visitors and financial returns from tourism. Presently, competitiveness is rather about how tourism policies can reach into consumer decision-making in relation to tourist trips so as to maintain and enhance the appeal, value-added and competitiveness of OECD countries as destinations. The global increase in the number of destinations competing for visitors means that market shares for some destinations will decline, although the total volume of tourists continues to increase. Competitiveness is also about attracting and holding the resources required for tourism in the economy and generating profitability from these resources. For example, culture as a creative resource and its integration into tourism to leverage competitive advantage in attracting high spending visitors is now becoming recognized as a vital element to consider in developing policies to differentiate one destination from another. It is also being harnessed in sophisticated uses of destination branding.

With the process of globalization, destinations are increasingly concerned about how trends in the market will impact upon the competitiveness of the tourism sector. For example, growing destination substitution arising from the expansion of the number of locations has followed the standard product life cycle model, with saturation of the product offerings and maturity leading to limited growth.

In the present global and rapidly changing market the capacity to compete lies at the heart of national and industry efforts aimed to attract national and international visitors. The capacity to compete depends on the investments made to create an attractive and safe product, enhance its quality and provide for a friendly and encouraging competition environment. It brings into the picture the tourism enterprise and hence trade in tourism services, as well as tourism destinations whose quality „tourism product " is the sum of contributions and processes resulting from many stakeholders, both private and public. The notion of quality of the tourism product includes assurance of safety and security as a basic factor. Quality also includes a professional approach to do things right at all times and meet legitimate expectations of consumers.

The tourism industries face strong price competition from developing country competitors. This reflects the relatively high labor intensity of a service oriented activity in comparison with those of their new competitors in, generally, lower wage developing countries. While economic growth stimulate tourism demand, it also leads to tourism goods becoming relatively more expensive than products from other sectors such as electronics and communications which have been more successful in

extracting productivity gains. Tourism is thus particularly exposed to competition from lower cost destinations. But, in addition, it is competing for resources of land, labour, capital and entrepreneurial talent within its own economy against other industries which have demonstrated far greater scope for productivity improvement and which may also be less exposed to wage competition from lower wage developing countries. Even a growing tourism industry may be losing share of GDP in the total economy if other sectors are growing even more quickly as a result of higher productivity growth or export price appreciation. Indeed WTTC economic data indicates that most economies experienced a decline in travel and tourism share of national income.

In many cases these economies have benefited from high growth financial or technology sectors experiencing strong productivity growth and/or increasing international prices from energy or commodity exports. Weak productivity performance and declining competitiveness vis-à-vis emerging destinations and competing industries have led to an ageing tourism infrastructure and the need to reinvent product, attract fresh investment and innovate. Responses to these problems faced by tourism destinations and enterprises in developed economies could be looked for in a number of areas. OECD members possess a potential knowledge advantage over their developing country competitors from an educated workforce, access to technology, managerial and business skills, stable and experienced political and bureaucratic leadership, well established banking and financial institutions, marketing skills and

experience, and generally effective infrastructure. One area of structural change which brings both benefits and concerns is the growth of large global travel and tourism networks which benefit from vertical, horizontal and diagonal integration, economies of scale and scope, and which will be capable of funding very large investments in modern electronic databases and marketing. Large travel and tourism operators, most of which are located in developed countries, are likely to cater for a growing share of main stream and mass tourism tourist movements, accommodation and related services.

3. ANALYSIS OF COMPETITIVENESS IN THE TOURISM SECTOR WORLDWIDE - FORECAST AND DEVELOPMENT

Evolution of both national and international tourism is characterized, in the world, with a rising trend due to the influence of economic, demographic, political, and social factors. International tourism has, in this situation, the biggest increase because people desire to visit other countries to discover other civilizations, habits and by technical progress made in transport, which allows travelers progress faster and more comfortable distance from increasingly long.

Two indicators can appreciate evolution of international tourism: the arrivals/departures of tourists and income/expenditure of international tourism.

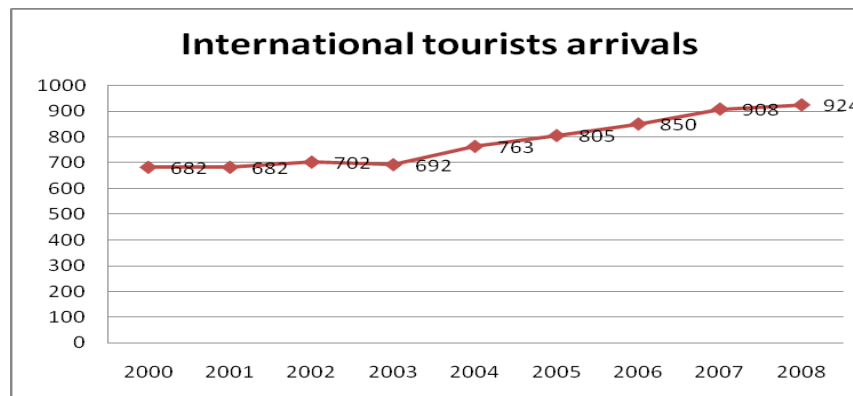


Figure 2 - Arrivals of international tourists

Source: WTO

In 2008, international tourist arrivals reached 924 million, 16 million more than in 2007, representing an increase of almost 2%. As a consequence of the global economy extremely volatile (financial crisis, increasing fuel prices, fluctuations in currency exchange rates), tourism demand has dropped significantly. In the last six months of 2008 was a negative evolution of their number, decreasing by 1%, the amended plan, and 3% in Europe.

For all of 2008, the only region that has seen a stagnation of international tourist arrivals has been Europe and the best performances were recorded in the Middle East (11%), Africa (5%) and America (4%). Most foreign visitors come from Europe (94.9%). Among EU countries, tourists who visited mostly our country last year were the Hungarians (35%), followed by Bulgarians (20.0%), Germans (9.4%), Italian (7.8%), Polish (5.0%), Austrians (3.8%) and French (3.3%).

Regarding departures, from Romania, last year, went out of our country, 13 million people, 79.4% of them preferring to travel by road transport. In consumer preferences for tourism products have been found the following tourist destinations (and the only with a positive trend in 2008): Honduras, Nicaragua, Panama, Uruguay, Korea, Macau, Indonesia, India, Egypt, Lebanon, Jordan, Morocco and Turkey.

Yet the world in rankings conducted by the World Tourism Organization (Table 1), it appears that the countries of Europe are very well positioned in terms of competitiveness, the first four places being practically occupied by European countries (Sweden, Austria, Germany, France).

An international comparison of national performance in tourism from a research study published by the World Economic Forum report on competitiveness in the tourism and travel since 2009. The research was done taking into account 133 countries that were analyzed and classified on the basis of 70 indicators.

The table below presents the competitiveness of the EU-27, and reflects the general competitiveness - both at European level and worldwide -; and detailed using three key indicators: legal framework,

infrastructure and business environment, human, cultural and natural resources, as it provides the methodology for assessing the World Economic Forum.

Romania is positioned unfortunately in last place in the European Union, but the indicators "legal framework and infrastructure and business environment" positions our country on the penultimate place, ahead of Poland.

In the past 10 years, institutions in Romania's tourism sector have suffered many changes, with the inconsistent approach to the planning and development of tourism and the ranking of our country to position 61 in Europe. Although the basic infrastructure of tourism in Romania is well developed, however, requires significant upgrading and improving it to sustain growth and to allow Romania to compete in foreign markets where it is positioned in the place 64.

But tourism performance is dependent on the natural, social and cultural environment, most often, this indicator is practically featuring central tourism product of the country. Romania holds 77 place, which lies ahead of Latvia and Lithuania.

Table 1 - Competitiveness in the tourism sector in the European Union

Country	Rating		Legal framework	Infrastructure and business environment	Human, cultural and natural resources
	European level	World			
Austria	2	2	4	6	7
Germany	3	3	13	3	9
France	4	4	8	7	11
Spain	5	6	29	8	5
Sweden	6	7	12	14	8
Great Britain	7	11	28	11	6
Netherlands	8	13	22	9	17
Denmark	9	14	10	10	28
Finland	10	15	5	25	21
Portugal	12	17	15	24	16
Ireland	13	18	7	22	32
Cyprus	15	21	25	13	37
Belgium	16	22	21	32	20
Luxembourg	17	23	20	16	42
Greece	18	24	18	27	27
Czech Republic	19	26	16	36	34
Estonia	20	27	17	21	47
Italy	21	28	46	26	22
Malta	22	29	11	31	52
Slovenia	24	35	38	33	61
Hungary	25	38	26	42	59
Slovakia	26	46	34	54	55
Latvia	27	48	32	43	86
Lithuania	28	49	30	46	89
Bulgaria	29	50	56	48	46
Poland	32	58	72	68	29
Romania	36	66	61	64	77

Source: WTO

While tourism in Romania has started to grow by an impressive rate (74.89% in 2008 versus 2003), expressed in international visitors, revenue from tourism of our country remained significantly away from neighboring countries. For 2009 represent only 1.86% of total revenues in the European Union, the increasing share, reach in the year 2019 a share of 3.39%.

It expects GDP from tourism businesses to reach 10.8 billion that it will record an upward trend in 2019 so it should be 29.9 billion ron. (Table 2).

A surprising development recorded a GDP from tourism economy respectively 36.03% in 2019 compared to 2009.

Table 2. Estimates and forecasts in Romanian tourism sector

Romania	- mld ron -					
	2009			2019		
	Absolute values	% of total	Growth*	Absolute values	% of total	Growth*
Personal Travel & Tourism	15.7	3.9	1.8	37.6	4.7	4.3
Business Travel & Tourism	2.4	0.5	-1.4	5.1	0.4	3.1
Government Expenditures	1.4	4.4	4.0	3.5	4.6	4.7
Capital Investment	8.8	7.3	2.6	23.3	7.7	5.3
Visitor Exports	4.6	1.9	-6.8	10.5	1.0	3.8
Other Exports	6.6	2.7	8.7	30.0	2.9	11.2
Travel & Tourism Demand	39.5	4.8	3	110	5.2	5.9
Gross Domestic Product						
Travel & Tourism Industry	10.8	3.4	-4.0	29.9	2.5	5.8
Travel & Tourism Economy	28.9	6.8	-2.4	80.2	6.6	5.8

Source: World Travel & Tourism Council

The Union estimated the growth of GDP from tourism enterprises at 65.60% while the economic contribution of tourism is increasing, 64.50% in 2019 compared to 2009.

In Romania, tourism is a main exporter, with visitors who inject foreign currency directly in the national economy thus an important element in the formation of GDP. Estimates are positive, indicating an increase in exports to both national (+3.8%) and EU (3.7%).

Table 3. Estimates and forecasts in UE's tourism sector

European Union	- mld USD -					
	2009			2019		
	Absolute values	% of total	Growth*	Absolute values	% of total	Growth*
Personal Travel & Tourism	966.7	10	-3.3	1486.5	8.9	2.5
Business Travel & Tourism	231.6	1.4	-9.0	341.2	1.3	2.2
Government Expenditures	118.8	3.3	3.4	170.3	4.0	1.9
Capital Investment	302.9	9	-8.0	485.6	9.3	3.0
Visitor Exports	423.6	6.1	-4.7	720.0	5.4	3.7
Other Exports	387.3	5.5	-1.2	727.3	5.4	5.0
Travel & Tourism Demand	2430.8	10.3	-4.1	3930.8	9.5	3.2
Gross Domestic Product						
Travel & Tourism Industry	580.6	3.4	-4.0	882.5	3.1	2.5
Travel & Tourism Economy	1667.5	9.9	-3.5	2585.4	9.5	2.7

Source: World Travel & Tourism Council

In 2009 public institutions are expected to spend 4% and the private sector will spend 2.6% more. The situation is reverse in the European Union where development investments are a downward trend (-8%).

4. CONCLUSIONS

We can conclude that tourism has an enormous importance in the world owing to the diversity of tourist offers, which led to a true development of tourism industry. The national and EU analysis underlines the importance of tourism characterized by strong competition between countries.

Romania has an enormous potential which can turn into a tourist destination for the whole year. For this, it is important, firstly, understanding and maximizing all opportunities offered by sites of natural and cultural heritage. Geographical positioning Romania will support the development of a unique tourism product, however, found it impressive progress in recent years the number of tourists.

Upgrading, promotion and investment are vital for Romania to become an international tourist destination of success.

It required a new direction and commitment to investment, especially as Romania has remained behind Bulgaria, here we talk about tourism revenues, to ensure that the tourist potential is not hindered by poor planning and a lack of support infrastructure.

In coming years, it is expected that tourism becomes an important element in the formation of GDP and estimates are mostly positive concerning our country.

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