

GLOBALIZATION IN TOURISM SECTOR

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Abstract

The paper points to recent developments in the tourism sector and highlights the leading factors of the internationalization of tourists travel and of tourism services, including information technologies, as well as the internationalization of hotel and tourism enterprises. Without neglecting the huge subsector of small and medium-sized enterprises, it describes typical features related to the composition of the labour force and to working conditions. It raises questions concerning the difficulties faced by the sector in attracting and retaining skilled workers in enhancing the skills of newcomers to the labour market in order to stabilize the sector's labour force, while increasing the productivity of enterprises and the quality of services. Particular emphasis is put on new forms of management entailing new skills requirements, with a general tendency towards increased worker responsibility in an environment of flat hierarchies, multiskilling and teamwork.

Key words: labour market, productivity, quality of services.

JEL classification: F16, F42, J24, L83, L86.

1. ECONOMIC CONCEPT

As an economic concept, tourism is defined in “demand side” terms, as it comprises all services and goods consumed by tourists as well as all investments made to satisfy that consumption. A tourist has been defined by the United Nations as a traveller or visitor. “Tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes. The “persons” referred to are termed “visitors”, that is “any person, who travels to a place, outside his/her usual environment for a period not exceeding 12 months and whose main purpose of visit is other than the exercise of an activity remunerated from within the place visited”. (Tourism Satellite Account (TSA): The conceptual framework, part of the conference report on the Enzo Paci, World Conference on the Measurement of the Economic Impact of Tourism (Nice, France, 15-18 June 1999)) Expenditure made by, or on behalf of, the visitor before, during and after the trip and which expenditure is related to that trip

and which trip is undertaken outside the usual environment of the visitor. A ‘visitor’ can be either a same-day traveller or a tourist, while a ‘visit’ or ‘trip’ encompasses travel undertaken for business purposes or for personal reasons (not necessarily for leisure). Some forms of travel are excluded, namely that undertaken by migrants, diplomats and military personnel when taking up appointment. Commuter travel is also excluded because it is considered to be part of the ‘usual environment’. (World Tourism Organization (WTO) - *Tourism 2020 vision, A new forecast*, Executive Summary, Madrid, 1999, p. 3). The credibility and international comparability of “tourism statistics” heavily depend on:

1) a consensus regarding the choice of “tourism characteristic industries”, those industries on which tourism demand has the most important direct impact, and an estimation of the “tourism ratio” of their output;

2) the methods used to calculate the indirect effects on the output of many other industries.

Statistical presentations differ in whether they include such indirect or induced effects in the measurement of tourism in the economy. Probably the most inclusive choice of industries is the one adopted by the World Travel and Tourism Council (WTTC), a private organization. Travel & Tourism is a collection of products (durables and non-durables, consumer and capital) and services (activities) ranging from airline and cruise ship fares, to accommodations, to restaurant meals, to entertainment, to souvenirs and gifts, to immigration and park services, to recreational vehicles and automobiles, to aircraft manufacturing and resort development. (OECD: *Measuring the Role of Tourism in OECD Economies - The OECD Manual on Tourism Satellite Accounts and Employment*, Paris, 2000, p. 16) It takes into account industries whose “tourism ratio” is low but whose products and services represent high value, such as the construction and operation of transport infrastructure.

2. IMPORTANCE OF INTERNATIONAL TOURISM

Tourism across national borders represents a variable but generally large proportion of total tourism. Especially in a number of developing countries a significant proportion of gross domestic product is generated by activities designed to satisfy international tourism, which thus represents an

important export activity in many countries. Globally, the World Tourism Organization (WTO) predicts that the number of international tourists will reach almost 1,6 billion by the year 2020 (as opposed to 565 million in 1995), and that international tourism receipts will exceed 2,000 \$ billion. (Poon I., 2000) The estimated growth of world international tourism arrivals of 4,5 % per annum will pose enormous challenges and opportunities for those regions and countries seeking to benefit from tourism while avoiding its negative impacts.

The top ten tourism destinations in the world in terms of tourism receipts are the United States, Spain, France, Italy, United Kingdom, Germany, China, Austria, Canada and Greece.

For many countries, international tourism is an indispensable source of foreign currency earnings. According to the World Tourism Organization,

tourism is one of the top five export categories for 83% of countries and the main source of foreign currency for at least 38% of them.

In 1998, international tourism and international fare receipts (receipts related to passenger transport of residents of other countries) accounted for roughly 8% of total export earnings from goods and services worldwide. Total international tourism receipts, including those generated by international fares, amounted to an estimated 532 billion \$, surpassing all other international trade categories.

As a by-product of the rapid fall in the real costs of long-distance travel, the developing regions of the world participate fully in the worldwide growth of international tourism. However, market shares vary strongly from one county to another and within very short periods, reflecting the economic or security crises affecting different countries or regions.

Table 1 - World Tourism Organization regions

Northern Africa	Algeria, Morocco, Sudan, Tunisia
Western Africa	Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, Gambia, Ghana, Guinea, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone, Togo
Middle Africa	Angola, Cameroon, Central African Republic, Chad, Democratic Republic of the Congo, Equatorial Guinea, Gabon, Sao Tome and Principe
Eastern Africa	Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Malawi, Mauritius, Réunion, Rwanda, Seychelles, United Republic of Tanzania, Uganda, Zambia, Zimbabwe
Southern Africa	Botswana, Lesotho, Namibia, South Africa, Swaziland
Northern America	Canada, Mexico, United States
Caribbean	Anguilla, Antigua and Barbuda, Aruba, Bahamas, Barbados, Bermuda, Bonaire, British Virgin Islands, Cayman Islands, Cuba, Curaçao, Dominica, Dominican Republic, Grenada, Guadeloupe, Haiti, Jamaica, Martinique, Montserrat, Puerto Rico, Saba, Saint Lucia, Saint Martin, Saint Kitts and Nevis, Saint Vincent and the Grenadines, Trinidad and Tobago, Turks and Caicos Islands, US Virgin Islands
Central America	Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama
Southern America	Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Guyana, Paraguay, Peru, Suriname, Uruguay, Venezuela
North-eastern Asia	China, Hong Kong (China), Japan, Republic of Korea, Macau, Mongolia, Taiwan (China)
South-eastern Asia	Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam
South Asia	Bangladesh, Bhutan, India, Islamic Republic of Iran, Maldives, Nepal, Pakistan, Sri Lanka
Oceania	American Samoa, Australia, Cook Islands, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, North Mariana Islands, New Caledonia, New Zealand, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Vanuatu
Northern Europe	Denmark, Finland, Iceland, Ireland, Norway, Sweden, United Kingdom
Western Europe	Austria, Belgium, France, Germany, Luxembourg, Netherlands, Switzerland
Central and Eastern Europe	Armenia, Azerbaijan, Belarus, Bulgaria, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Republic of Moldova, Poland, Romania, Russian Federation, Slovakia, Turkmenistan, Ukraine, Uzbekistan
Southern Europe	Albania, Bosnia and Herzegovina, Croatia, Greece, Italy, Malta, Portugal, Slovenia, Spain, The former Yugoslav Republic of Macedonia, Yugoslavia
East Mediterranean Europe	Cyprus, Israel, Turkey:
Middle East	Bahrain, Dubai, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libyan Arab Jamahiriya, Oman, Saudi Arabia, Syrian Arab Republic, Yemen

Source: World Tourism Organization (WTO): *Tourism highlights 2000*

3. A CHANGING TOURISM INDUSTRY

Mass tourism in and from the industrialized countries is a product of the late 1960s and early 1970s. Since then a number of interrelated developments in the world economy, such as overall economic growth and various other socioeconomic changes, government policies, technological revolution, changes in production processes and new management practices, have converted part of the industry from mass tourism to so-called new tourism. The latter connotes the idea of responsible, green, soft, alternative and sustainable tourism, and basically refers to the diversification of the tourism industry and its development in targeted, niche markets. Competition in the new tourism is increasingly based on diversification, market segmentation and diagonal integration.

The identification and exploitation of niche markets has also proven to be a great source of revenue within new tourism, suggesting that further diversification and customization can be expected in the years to come. Market segmentation – as exemplified by ecotourism, cultural tourism, cruise and adventure tourism – is clearly in evidence and is experiencing great success. New niche markets are constantly being identified in the attempt to further diversify the industry. Customization has also begun to play an important role in the industry.

Tourism players are attempting to gain a competitive edge by catering for the individual needs of clients. The tourism product has thus been transformed over time from being completely dominated by mass tourism to an industry that is quite diversified and caters more to the individual needs of its participants.

4. CHANGING CONSUMER PREFERENCES

Today, new consumers are influencing the pace and direction of underlying changes in the industry. The “new tourists” are more experienced travellers. Changes in consumer behaviour and values provide the fundamental driving force for the new tourism. The increased travel experience, flexibility and independent nature of the new tourists are generating demand for better quality, more value for money and greater flexibility in the travel experience.

The new consumers also reflect demographic changes – the population is ageing, household size is decreasing and households have greater disposable income. Changing lifestyles of the new tourists are creating demand for more targeted and customized holidays. A number of lifestyle segments – families, single parent households, “empty nesters” (i.e. couples whose children have left home), double-income couples without children – will become prevalent in

tourism, signalling the advent of a much more differentiated approach to tourism marketing.

Changing values are also generating demand for more environmentally conscious and nature-oriented holidays. Suppliers will therefore have to pay more attention to the way people think, feel and behave than they have done hitherto.

In recent years the niche market has become an important factor in the tourism industry reflecting the need to diversify and customize the industry and ensure the sustainability of the product. The main niche markets (sports travel, spas and health care, adventure and nature tourism, cultural tourism, theme parks, cruise ships, religious travel and others) hold great potential and are developing rapidly.

The rapid growth and development of the cruise tourism industry opens key opportunities but also poses a number of threats to their Caribbean destinations. The environmental and economic impacts of cruise tourism are increasing the subject of discussion. Moreover, given the pace and magnitude of its development, the cruise industry is directly competing with land-based tourism and, as a result, poses a growing threat to hotels and other land-based resorts and businesses in the Caribbean. (United Nations and World Tourism Organization - *Recommendations on tourism statistics*, United Nations, Series M, No. 83, New York 1994, pp. 9, 20)

5. TECHNOLOGY IN TOURISM

On the demand side, consumer preferences for flexible travel and leisure services provide a strong impetus for new tourism. On the supply side, technology plays an important complementary role in engineering new tourism. The applications of technology to the travel and tourism industry allow producers to supply new and flexible services that are cost-competitive with conventional mass, standardized and rigidly packaged options. Technology gives suppliers the flexibility to react to market demands and the capacity to integrate diagonally with other suppliers to provide new combinations of services and improve cost effectiveness.

In the travel and tourism industry a whole range of interrelated computer and communication technologies is being introduced. The system of information technologies (SIT) comprises computerized reservation systems, teleconferencing, video text, videos, video brochures, computers, management information systems, airline electronic information systems, electronic funds transfer systems, digital telephone networks, smart cards, satellite printers, and mobile communications.

Each technology component identified in the SIT – for example, computers – can be and usually are fully integrated with the other components. For example, computer-to-computer communications allow hotels to integrate their front offices, back

offices and food and beverage operations. This internal management system for hotels can in turn be fully integrated with a digital telephone network, and they then together provide the basis for linkage with hotel reservation systems which can be accessed by travel agents through their computerized reservations terminals (CRTs). Computerized reservations systems have emerged as the dominant technology among others being diffused throughout the travel and tourism industry.

In the United States, travel agents are using satellite printers at corporate offices to issue tickets directly at the point of demand. Interactive automated ticket machines (ATMs) have also been introduced. These consist of a computer with an attached printer that enables passengers to research schedules and fares, make reservations, purchase tickets and obtain boarding passes without the intervention of a human agent.

The Internet is a global network connecting millions of computers. As of 2000, the number of Internet users was above 200 million worldwide, and that number is growing rapidly, involving more than 100 countries. It is estimated that there were 63 million World Wide Web users in Europe in 1999. The United Kingdom, with almost 13 million Internet users, currently registers the highest number of users among the European countries. Use of the Internet for travel booking and planning is increasing rapidly. The rapid diffusion of information technologies throughout the travel and tourism industry is expected to improve the efficiency of production and the quality of services provided to consumers, and to generate increasing demand for new services.

6. ECONOMIC INTEGRATION

The world economy is currently witnessing two distinct trends – globalization and regionalization – and within this context States as well as companies are pursuing a variety of different strategies in order to become more competitive.

Shifting patterns of production and consumption across the world are also reflected in the rise of new international tourism destinations, particularly in the East Asia and Pacific region. This has given rise to increasing regional, intra-regional and interregional competition and to new challenges in terms of investment needs and human resources development, especially with regard to training and labour mobility.

The impact of trade blocs on the hotel, tourism and catering sector can be gauged by the strategies adopted to create an environment conducive to tourism development. The European Union has launched a wide range of initiatives and activities through a variety of programmes in such broad areas as sustainable development, dissemination of information, training and enterprise promotion.

(World Tourism Organization (WTO) - *Tourism 2020 vision, A new forecast*, Executive Summary, Madrid, 1999, p. 3)

The main thrust of social policy in the European Union is the improvement of labour market conditions with a special focus on those excluded from the labour market and the unemployed. European Union labour laws and social policy are having a positive impact on the tourism sector. Of importance here is the Maastricht Social Protocol which has benefited seasonal and part-time workers and small businesses. Other policies that have proved beneficial to the development of tourism include the free movement of workers across Europe, harmonization of qualifications and tax incentives for education and training.

The North American Free Trade Agreement (NAFTA) benefits the travel and tourism industry in many ways. It promotes demand for direct air and charter/tour bus travel in the region, guarantees that tourism companies will receive national treatment in all three countries and maintains high quality of tourism services by encouraging the expansion of telecommunications links between the United States and Mexico.

MERCOSUR is, in economic terms, the world's fourth largest trade bloc, covering a population of 205 million people. Economic integration, through the practice of free trade with no tariff or pre-tariff restrictions between the member States of the bloc, has led to increasing cross-border flows of labour, goods and investment. MERCOSUR's concern is to tackle labour relations, employment and social security issues and the short-term negative effects of integration on labour in the member States. (OECD: *Measuring the Role of Tourism in OECD Economies - The OECD Manual on Tourism Satellite Accounts and Employment*, Paris, 2000, p. 16)

Tourism development is a priority on the agenda of the Association of South-East Asian Nations (ASEAN). Its development strategy incorporates: promotion of sustainable tourism development; preservation of cultural and environmental resources; provision of transportation and other infrastructure; simplification of immigration procedures; and human resources development. A plan of action on ASEAN cooperation in tourism shows the emphasis that is being placed on investment in human resources development, with a special focus on tourism education and training with a view to upgrading the skills needed to meet the demand for improved service quality and professionalism in the tourism and travel industry and thereby sustain ASEAN's overall competitive advantage. Cooperation in tourism education and training is being intensified through the sharing of resources, skills and training facilities provided by tourism training institutions through technical assistance and experts.

7. INFORMATION TECHNOLOGY IN THE TOURISM INDUSTRY

The use of information technology in the tourism industry is determined by such factors as the scale and complexity of tourism demand and the degree of expansion and sophistication of new tourism products. Tourism plays an important role in a significant number of developing countries, many of which enjoy a competitive advantage. Current changes in the hotel and tourism industry in the context of globalization, as described in this report, show that there are more opportunities in the field of e-commerce than in any other existing technology which developing countries can exploit to their advantage in order to improve the marketing of their tourism products. However, in the developing countries, tourism development is constrained by a number of factors which have been summarized by UNCTAD. These are: generally weaker bargaining position towards international tour operators; long distances and less than acute or no competition in high air fares; global distribution systems and computer reservation systems owned by large international airlines; and an increasingly competitive global tourism sector where natural competitive advantages are becoming less significant (United Nations and World Tourism Organization - *Recommendations on tourism statistics*, United Nations, Series M, No. 83, New York 1994, pp. 9, 20)

Computer software represents one of the largest segments of services delivered through the cross-border mode of supply, with a growing number of developing countries using the Internet both to market and to deliver these services. Electronic commerce facilitates access to new markets, as well as being cost saving and time saving. However, its effectiveness depends to a large extent on the establishment of a sound telecommunications infrastructure; in most low-income countries, that infrastructure is inadequate. A wide range of factors prevent the great majority of developing countries from accessing foreign markets through the Internet. Those factors include monopoly pricing for long-distance telephony, uncertainty about the regulatory environment, lack of human resources, lack of awareness among developing country companies of the relevance of the digital economy, and the high cost of setting up, upgrading and redesigning a significant e-commerce site. (United Nations and World Tourism Organization - *Recommendations on tourism statistics*, United Nations, Series M, No. 83, New York 1994, pp. 9, 20)

The status of the developing countries' readiness for e-commerce is an important issue. United States, Germany, Japan and the United Kingdom account for 80% of all Internet users.

Providers of tourism services must also have the capacity to invest in or have access to the physical infrastructure for logistics services and information technologies. The major obstacle to increased use of e-commerce in developing countries is the lack of pervasive low-cost telecommunications, broadcasting, Internet services and associated infrastructures, especially in rural areas. At the same time there is a need to involve more hotel and tourism enterprises from developing countries in the actual use of information technologies and information networks. If African businesses fare better than consumers in terms of accessing e-commerce, they nevertheless face the same infrastructure problems, although progress has been made in the development of e-commerce activities.

The shortage of IT specialists on the market, especially in the developing countries, is a serious impediment, given the rapid growth in Internet use. The demand for IT skills is increasing and the need for retraining of existing employees in both the public and private sectors in tourism is clearly felt.

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