

## FACTORS DETERMINING THE INTERNATIONAL TOURISM BUSINESS: AN ECONOMIC APPROACH


**Abstract:** New forms of tourism bring with them new environmental challenges and more demanding standards for sustainable development. With ongoing expansion the tourism sector can expect to face increasingly stringent conditions on growth and development and be called upon to justify its claims on environmental resources with a firm commitment to their sustainable management.

The growth of tourism refers to the gradual evolution of tourism which is an important factor for the productivity of a country's economy. When is measured the economic impact of tourism, it should be underline the essential causality among real gross domestic product, real effective exchange rate and international tourism. In addition, the study covers estimation which measured the effect of tourism on economic development in Macedonia and Greece.

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### *1. Introduction*

**T**he role of tourism to the economic growth and to the progress of modern societies has become a common awareness in political authorities worldwide. For this reason many attempts are being made in order to develop tourism, being amongst the most important sectors of economic activity, to the benefit of their economies as quickly and as effectively as possible. The contribution of the tourist sector is beneficial for a country's economy due to its influence on sectors other than the foreign exchange sector. Here are included, for example, the employment sector, the business sector, the income sector, the cultural sector and the fiscal sector. Also, there is need to underline the essential meaning of international tourism and trade, which are expected to be quite dependant on the exchange rate regimes. The international trade is another argument commonly used to justify the exchange rate policy. In this sense, more fixed exchange rates are expected to promote international trade and tourism via reduced uncertainty in the international transactions. However, the empirical literature is not conclusive in this task. The evidence about the effect of less exchange rate volatility on trade is mixed (McKenzie, 1999). The results are very sensitive across studies, depending on countries and periods considered.

## ***2. The impact of macroeconomic factors for competitive tourism business***

Competitiveness was defined as a destination's capacity to reach its objectives in the long run in a more efficient way than the international or regional average. This means that a competitive destination is able to realize a higher profitability than the average, with low social costs and without damaging the environment and available resources.

From the beginning, a clear distinction was made between indicators of competitive performance, and factors that contribute to competitiveness. The former are historic measures that describe how a destination has performed in the past. For most of these indicators, market shares can be derived. The latter are capabilities or conditions that it is believed will contribute to or detract from the ability of a destination to be competitive in the future. The WES approach originated in a demand by the Inter-American Development Bank for the analysis of the competitive positions of a number of countries in the Caribbean area. Special attention was given to explaining the differences in the competitive positions of these Caribbean destinations and to formulating how to improve these positions. Long-term competitiveness was the focus.

Typical of the WES approach is the attention paid to macro-economic factors. Application of multiple regression analysis shows the impact of the income factor on the generating markets and the real exchange rate.

Countries like the Bahamas and Barbados were found to be too expensive due to an over-valued currency. Fiscal policies in a number of Caribbean destinations were tourism-unfriendly. Heavy taxes on tourism necessary raw materials had a very detrimental effect. A second relevant factor – for the Caribbean – related to industrial relations. In the more traditional tourism countries of the Caribbean area, these relations were not good and were responsible for low room occupancy rates in hotels. Another relevant factor in the competitiveness of different countries was the presence or absence of a destination management or tourism policy in general.

## ***3. WES approach in the modern society***

Based on this approach, the conducted research suggest that not all destinations had the ability to or were prepared to respond to future growth products such as adventure tourism, eco-tourism and all-inclusive accommodation.

The WES approach reveals a number of decisive factors of competitiveness:

Macro-economic factors include these variables:

- income-generating countries
- real exchange rate
- availability and cost of capital
- fiscal policy(import taxes, cost price increasing taxes, taxes on profit, tourism tax, cruise tax)

Supply factors:

- tourist product (attractions, accommodation, price level)
- labour (availability, cost, quality and training)
- infrastructure (transport, public utilities) Transport factors:
  - availability of regular services
  - availability of charter services
  - availability of cruise services

Demand factors:

- market dependence
  - penetration in distribution channels
  - marketing efforts
  - presence in future growth product markets
- Tourism policy:
- institutional framework

- policy formulation
- planning capacity
- commercialization
- government budgetary support.

So, competitiveness has become a central point of tourism policy. As competition increases and tourism activity intensifies, tourism policy focuses on improving competitiveness by creating a statutory framework to monitor, control and enhance quality and efficiency in the industry, and to protect resources.

### ***3. Overview of DPPD and Destination management***

Destination policy, planning and development (DPPD) and destination management (DM) are the other two categories in which innovation has crucial role for success in tourism development. Innovation can help to build up strategies for tourism destination. These strategies include: build responsible tourism; foster a culture of conservation; develop an environmental focus; make tourism a lead sector; adapt strategies of development; develop the service sector; strengthen distribution channels; focus on product development at home; build a dynamic private sector- don't be afraid of new tourism, let quality be the guide and build public/private sector cooperation.

In addition, DPPD is essentially an intellectual process that uses information, judgement and monitoring to make macro-level decisions regarding the kind of destination that is desirable, the degree to which ongoing performance and related changes in the nature of visitation and the physical character of the destination are contributing to the achievement of the kind of destination that stakeholders want. Destination management is more a micro-level activity in which all the stakeholders carry out their individual and organizational responsibilities on a daily basis in efforts to realize the macro-level vision contained in policy, planning and development. Contemporary tourism policy focuses on competitiveness and sustainability, which are also the major parameters of tourism destination management (TDM). Successful TDM involves economic/business management skills balanced with environmental management capabilities. Economic/business skills are those related to effective resource development and deployment. Strategic planning is the cornerstone of DPPD. For destination purposes, strategic planning may be defined as the process whereby an organization analyses the strengths and weaknesses with respect to the supply development and demand development, decides the position it seeks to attain, and defines strategies and programmes of activity to achieve the aims. It describes the process of developing long-term plans for tourism development and marketing. It should provide a common structure and focus for all of the destination's management activities.

As addition, Ritchie-Crouch model focuses on those activities that implement the tasks prescribed by the DPPD. As such, it seeks to enhance the appeal of the core resources, strengthen the quality and effectiveness of the supplying factors and resources, and adapt best to the constraints or opportunities imposed or presented by the qualifying and amplifying determinants. In the model, destination management consists of nine components and recognizes the innovation as need for accesses goals: organization, marketing, quality of service experiences, information/research, human resource development, finance and venture capital, visitor management, resource stewardship and crisis management. The DPPD component creates the framework for a competitive destination. So this involve the means of new way of thinking to make a success development in tourism by all participants on their own way.

### ***4. Analysis of competition models in accessing tourism sustainability***

Many attempts to access tourism sustainability concentrate on measuring environmental and cultural heritage conservation to the exclusion of considering how and if, tourism can contribute to the enhancement of resident quality of life. Another point of view is to go on to outline an alternative approach to assessing tourism based on expanding the concept of yield to include a

range of dimensions other than finance. Broader approaches provide a number of indicators that would allow tourism to be judged and compared to other development options in terms of its contribution to the improvement of a range of dimensions.

Needless to say, the analysed competition models are of a different nature.

However, each of them has the merit of emphasizing one or more particular aspects:

- The Poon concept emphasizes innovation, quality and making tourism a lead sector
- The WES approach emphasizes macro-economic factors and tourism policy
- The Ritchie and Crouch model emphasizes destination policy, planning and development, and destination management.

I.The major competition variables by model:

Variable	Poon	WES	Ritchie-Crouch
Comparative advantage	+	+	++
Tourism policy	+	++	++
Strategic planning	+	+	++
Demand factors	-	++	+
Supply factors	-	++	++
Price	-	++	+
Innovation	++	-	+
Macro-economic factors	-	++	+
Exchange rate	-	++	-
Axis of development	++	-	+
Accessibility	++	++	++
Marketing	+	+	+
Image	-	-	++
Quality	++	+	+
Strategic alliance	++	-	+
Attractions	-	+	++
Supplying and supporting factors	+	-	++
Promotions	-	+	+
Human resources	++	+	++
Environment	++	-	++
Destination management	-	+	++
Qualifying and amplifying fact	-	-	++
Audit	-	-	++
Entrepreneur-oriented	++	-	-
Destination-oriented	++	++	++

Source:Poon(1993)

From the table could be concluded that competitiveness of a destination is not a matter of just one or two factors; tourism is a complex issue, and many factors are involved. The Ritchie–Crouch concept is by far the most comprehensive model, but WES models also contain a great variety of components. Poon’s concept is based on a large number of factors, but focuses more on typical factors such as innovation, quality and the role of tourism in the development of a destination, region or country. The Ritchie–Crouch and WES models have one common denominator. All emphasize strategic planning (tourism policy), attractions, supply and demand factors, and accessibility.

In addition to new ways to look at types of tourism development, such a change in thinking about tourism can contribute to two important changes in the planning and management of tourism in regional destinations — the use of a different set of assessment criteria for evaluating tourism development proposals, and more extensive use, of sustainability monitoring systems. The change in thinking about tourism and its potential role for development would change the focus of assessments of tourism development proposals to include audits of the value of the proposed tourist markets and the associated tourism distribution systems that would result from the proposed tourism development, for existing or desired nontourism products and services.

The second key change in tourism planning and management that would result from a focus on the potential role tourism can play in a broader sustainable development framework for a destination region is that of supporting the need for comprehensive sustainability monitoring systems. Despite a widespread recognition that a core element of sustainable development is the monitoring of different areas or dimensions of sustainability (Devuyst, D. and Hens, L. 2000 ), there has been little progress in the development and use of sustainability monitoring systems for tourism development (Choi, H. C. and Sirakaya, E., 2006; Ko, T.G., 2005; Twining-Ward, L. and Butler, R., 2002 ). Ko (2005) reviewed 12 studies where a sustainability assessment for tourism had been completed and concluded that the overall assessment was often based on the judgment of the author using a limited range of indicators with little discussion of how or why those indicators were chosen or how the indicators would be measured in a completed system. It can be further argued that few, if any, of the systems described in the tourism literature are based on the perspectives of the residents and/or other key stakeholders in the destination regions. In other studies, for example, are used tourism academics to determine a list of sustainability indicators to assess tourism development. Others looked at the perspectives of local tourism industry members on sustainability and tourism and found significant discrepancies between what the tourism industry respondents saw as the goals of sustainable tourism and the measures they selected as indicators (Hebestreit, C., *et al.*, 2005 ). The tourism industry respondents recognised the potential for tourism to contribute to a broad range of community development factors but selected mostly indicators of the economic success of tourism business.

## **5. Conclusion**

New forms of tourism bring with them new environmental challenges and more demanding standards for sustainable development. With ongoing expansion the tourism sector can expect to face increasingly stringent conditions on growth and development and be called upon to justify its claims on environmental resources with a firm commitment to their sustainable management. Rather than opposing change, or merely accepting and accommodating change, the tourism industry must take the high ground and help orchestrate and manage change to its advantage and that of the environment which nurtures it.

Tourism is dynamic, as are all the elements which comprise it. By adapting to accommodate changing preferences and types of visitors, destinations hope to remain viable and sustainable in tourism into the future. It is essential, however, that such change does not include such an overtaxing and subsequent degradation of the resources which first attracted tourists that the destination loses all semblance of its former self, for few such destinations have managed to survive such a process in the extremely competitive industry that is tourism. Destinations which rely totally on completely contrived attractions are more vulnerable than most to competition, since such attractions can most often be developed at any location. Given the attraction to most consumers of new items and facilities over existing ones, new developments are likely to attract the market away from existing destinations.

Environmental considerations are not the only changes facing the uncertain world of tourism, although they may ultimately prove to be the most persistent and demanding through time. Tourism also needs conditions of peace, prosperity, freedom, security, and the absence of threats to health and wellbeing, in order to flourish. Dramatic events can alter the political geography of the globe; natural and human-induced disasters can destroy the attraction of established tourist

destinations; severe fluctuations in economic circumstances can affect profoundly propensities to travel, as well as the viability of tourism business and the prospect of public sector support; technology in all its facets can alter irrevocably the spatial and temporal dimensions of tourism operations. Added to these uncertainties is the problem of long-term planning horizons for investment in tourism versus short-term decision making of tourists indulging in unpredictable and seemingly fickle choice behaviour. Advanced technologies, changed managerial behaviour, new environmental laws, better planning and development control procedures, and innovative environmental management systems will be critical means towards achieving and maintaining sustainable tourism while accommodating growth (Buckley 1995). Sustainable growth of tourism in a changing world is attainable given the commitment of all stakeholders—tourists, the community and the public and private sector.

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