

Financial, Public and Regional Economics

Comparative Study on the Competitiveness of Romanian and Bulgarian Tourism Industry

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Abstract: Tourism is one of the most important sectors of the global economy, given its contribution as the main generator of jobs and sustainable development path for developing countries. Many experts consider this sector as one of the sectors with the greatest potential to deliver internationally development and economic growth. Thus, tourism can be an important driver of economic growth and prosperity, especially in emerging economies, and a key element in reducing poverty and regional disparities. Despite its potential contribution to economic growth, development of the tourism sector may be hampered by a number of economic and legal barriers that can affect its competitiveness. In this context, the World Economic Forum proposes, through the Tourism Competitiveness Index (TCI), in addition to a methodology for identifying key factors that contribute to increasing the competitiveness of tourism, also tools for analysis and evaluation of these factors. Thus, this study² aims at analyzing the determinants underlying TCI in terms of two directly competing states, Romania and Bulgaria, to highlight the positive effects through the benefits of the analyzed markets, in terms of competitiveness in tourism sector. The purpose of this analysis is to provide some answers, especially from the perspective of the necessity of strategies that should be adopted on market competitiveness in the two countries and the exposure of the factors that could explain the different performance of the two national economies in the tourism sector.

Keywords: tourism; competitiveness; tourism competitiveness index

JEL Classification: L83

Introduction

Tourism is an industry that benefits from highly optimistic predictions for the future; its importance becomes increasingly larger at the global, regional, national and local levels.

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Another aspect to be highlighted concerns that tourism, as a phenomenon, as well as activity, is unique in its own way just by that dependency which manifests the environment, social and cultural aspects and of their values. Because of this dependency, tourism has an undeniable interest in ensuring their sustainability.

Tourism and travel industry represents a sector with its own identity found in a dynamic evolution. At a country level, the upward trend in the sector contribute to increasing employment, increase national income and improve the balance of payments.

The activity of the touristic sector is measured by different indicators and national economies are ranked according to these within international rankings. Also, the travel industry is characterized by a number of specific issues, of which we selected those considered relevant.

1. Theoretical Perspectives on Tourism Competitiveness

At the end of this century and millennium, travel and tourism industry is, worldwide, the most dynamic sector and, at the same time, the most important generator of jobs. From the economically point of view, the tourism also represents the main source of recovery of national economies of those countries with important tourism resources and it exploits them properly. Action occurs on many levels, from stimulating economic development to improve the social structure, from superior capitalization of resources to improve living conditions.

Analyzing the research in the field of tourism, indicate a growing interest to researchers, as it has been highlighted in several recent studies (Hazari & Sgro, 2004; Balaguer & Cantavella-Jorda, 2002; Lanza et al., 2000; Dritsakis, 2004; Durbarry, 2004; Eugenio-Martin, Morales, & Scarpa, 2004; Maloney & Rojas, 2005; Eugenio-Martin, Martin-Morales & Sinclair, 2008; Croes & Vanegas, 2008; Sequeira & Nunes, 2008), and numerous empirical studies on current development indicates that tourism will play an increasingly important direction for future research.

Competitiveness has been identified in the literature in the field of tourism as a key to the success of tourism destinations (Kozak & Rimmington, 1999; Crouch & Ritchie, 1999; Mihalic, 2002; Buhalis, 2000; Dwyer & Kim, 2003; Gooroochurn & Sugiyarto, 2005; Mazanec, Wöber & Zins, 2007), competitive development of tourism products indicating a direct effect - in the sphere of production and distribution of tourism services - and indirectly through the multiplier effect on related industries.

Tourism competitiveness has become a central topic of interest, and in the last ten years, there were three prominent magazines have dedicated obvious importance of

this topic, namely “Tourism” (1999), “Tourism Management” (2000), and “Tourism Economy” (2005), and also a series of indicators of competitiveness. These indices include The Global Competitiveness Report of the World Economic Forum (WEF), The World Competitiveness Report prepared by the International Institute for Management Development (IMD) and the World Travel and Tourism Council Competitiveness Report.

Competitiveness was defined as the ratio of reference with which is measured success (Porter, 1990; Dollar & Wolff, 1993; Krugman, 1996), but, however, currently the definition focuses mainly on key elements such as technology and innovation (Fagenberg, 1996; Lall, 2001; Wignaraja, 2004).

The studies seem to suggest that the destinations which enjoy a greater number of tourist arrivals and expenditures, or enjoyed a larger market share in relation to the world market than the others, are considered to be competitive (Hassan, 2000; Sahli, 2006; Craigwell, 2007). Some researchers link the term competitiveness by improving the quality of the citizens life and sustainable development of destinations (Crouch & Ritchie, 1999; 2006; Dwyer et al., 2004), a similar position being found in the definition of Hong (2008) “...the competitive position (with high profits and constant growth) of the tourism industry of a nation relative to the global market of tourist industries in other nations, whether developed or developing countries, which therefore increases the real income and standard of living of its citizens.”

2. Tourism Competitiveness Index - Meaning and Calculation Methodology

Tourism competitiveness analysis is based on a series of eight indicators, such as price competitiveness index, Human Tourism index, infrastructure, environment index, the technology index, human resources index, index of openness, social index, whose value on a scale from 0-100 shows the performance of each country compared to other countries. A value of 0 represents the lowest index value and the highest value is 100. Data sources for these indicators are represented mainly by development indicators developed by the World Bank, ONU and the WTTC (World Travel and Tourism Council) reports.

Global analysis of competitiveness in tourism involves comparing values in terms of the eight indices of all countries analyzed. The competitiveness index is obtained by taking a simple average of the values of the eight indexes, after the previous one, it has given the same degree of importance to each of them.

International Economic Forum introduced Tourism and Travel Competitiveness Index (TTCI) in order to measure the factors and policies that make attractive travel and tourism sector in different countries. TTCI is based on three categories

of variables that facilitate or drive travel and tourism industry's competitiveness by: subindex framework, business environment and infrastructure subindex, human, cultural and natural resources subindex, Subindex framework encompasses political issues and in general elements controlled by central authorities. It is divided into five pillars: legislation, sustainable development, safety and security, health and hygiene, prioritization of travel and tourism. Each pillar is composed by several variables. Government legislation reveals the influence of attractiveness in the development sector, either for or against its development.

The sustainable development of the environment measures the stringent of environmental legislation in each country. It includes variables such as the rate of carbon dioxide emissions, the percentage of endangered species. Safety and security take into account the degree of crime and violence, as well as terrorism and the car accidents. Pillar "health and hygiene" is essential for the competitiveness of tourism and travel. Variable components of this pillar are: access to drinking water, the number of doctors per capita, number of beds in the hotel. Government may channel funds needed for the essential development projects clarifying that the tourism and travel sector is a primary concern and reflecting this in budgetary priorities.

Given parts of TCI, it is noted that at least most of them cannot be measured directly by means of standardized statistical indicators, the elements is determined on the basis of surveys conducted among specialists, either among customers . So TCI is largely the result of perceptions formed concerning the tourism performance of a region or country, and these perceptions are influenced by the messages conveyed through communication. In this context, TCI not only shows tourism competitiveness in the strict sense, but also the effects that communication processes, techniques of message transmission have had on specific tourism activities.

The analysis of the TCI structure shows that while countries with advanced economies are more efficient in terms of the legal, business and human resources, they are clearly lagging behind the emerging countries in terms of price competitiveness. So, one of the safest ways to enhance the competitiveness of international tourism market consists of obtaining better price-value ratio than the competition. Moreover, favorable price-value ratio must be signaled on the market through communication and promotion strategies that ensures clues and signals to a wider and diverse audience.

So, comparing the competitiveness level of tourism of the two analyzed countries, it is observed that in the classification made using TCI, Romania is in 2011, on 63 place of the 139 countries, evolving from the previous classification, produced in 2010, when the rank was 66. Romania has achieved the best score on safety and security pillar, 5.1 out of 7 possible points; this score is slightly higher than the first

place finisher¹. In the context of European tourism, Romania ranks 34th out of 42 positions, one of its direct competitors, Bulgaria, is seven places above in 27th place.

Between 2009-2011, Romania managed to climb three places in the ranking of TCI, which may, among other things, evidence of increased effectiveness of communication in tourism. In terms of its direct competitors, neighboring or in the same region countries, we can see that Romania occupies a very bad position, and is clearly surpassed both its western neighbor, Hungary, as well as its direct competitor on all tourist markets, Bulgaria. The result is particularly interesting as it can be noted that some of the countries ahead of Romania (Czech Republic, Hungary, Poland, Slovakia) can't benefit, for example, the opportunities offered by a coastline that can be exploited for tourists.

Romania and Bulgaria has a relatively good picture regarding the legal due, especially, to their position as members of the European Union. According to WEF, Romania is above Bulgaria on the top six specific chapters for the pillar of laws and specific rules, being surpassed only of two of the nine chapters. It is noted that Romania was able to get a better picture than its direct competitor to what is the legal affairs, and is, apparently, a more attractive destination for foreign direct investment, including in the tourism sector.

On the other hand, the opacity of government decisions and transaction costs required to start a business, affects the image of Romania. The image that a country manages to create on its legislative framework in business is reflected in the yearbook published by the World Bank, "Doing Business" reached the 2011 edition. According to this paper, Romania is ranked 56th (down by two places from 2010), while Bulgaria is situated five positions above, on 51 place (similar to the previous year).² From the legal point of view, Bulgaria also notes the speed with which a business can be started, there are four procedures that have to be accomplished and average number of days required to meet the legal requirements for starting a business is 18 days.³

Research in the area of tourism focused more and more on issues regarding sustainable development, and the concept of sustainable tourism became current vocabulary research. In this context, "sustainable tourism develops the idea of serving the needs of present tourists and the tourism industry and at the same time protecting the environment and opportunities for the future." It aims to meet all the needs of economic, social, aesthetic, etc. of the "actors" of tourism while maintaining cultural and environmental integrity, biological diversity and all systems that support life.

¹The Travel and Tourism Competitiveness Report 2011. *World Economic Forum*, 2010, p. 318.

² Doing Business in 2011, p. 12.

³ Doing Business in 2011, p. 152.

Although there is a quasi-general view that the natural environment through attractive tourism locations that provide is the essential element in tourism development, it becomes increasingly clear that policies and environmental sustainability factors are crucial for improving the way in which a country can be assured that it will continue to be an attractive destination in the future. So through the pillar on environmental sustainability should be assessed rigorous government regulations on environment in each country, and the extent to which they are actually implemented and respected.

According to the WEF report, Romania managed to create a better image than Bulgaria under pillar “environmental sustainability” getting better scores on five of the seven indicators calculated by the WEF in this chapter. It seems that Romania has managed to ensure greater sustainability of tourism development and at the same time, benefit from better environmental conditions, which are more strictly protected than in Bulgaria. At the same time, Romania has to recover from Bulgaria in terms of protecting endangered species and involvement in international treaties on the environment.

In Romania, the strategies proposed and promoted through various communication campaigns want to place sustainable tourism through following fundamental principles:

- environment itself, has an intrinsic and irreproducible value that is very important for tourism activities. This value should not be altered because it should benefit future generations;
- sustainable development of tourism requires a balance between the demands of tourists and specific destination;
- tourism activities should benefit not only for tourists and the local community, but also the environment.

Communion tourism - environment must be maintained on two axes so that, once, touristic activity must be sustained by long-term opportunities in the environment and tourism, in turn, must not cause environmental degradation; tourism development sector must be carried out in accordance with the specific environmental, social, cultural and economic planning that takes place.

Among the methods for analyzing the competitiveness of the tourism industry, we chose the competitiveness index calculation, analysis at NUTS II regions, calculating descriptive statistics and using Box-Plot charts to highlight the differences in competitiveness between Romania and Bulgaria.

Table 1

Country	Price competitiveness Index	Inx on Human Tourism	Infrastructure Index	Environment index	Technology index	Human resources Index	Openness Index	Social Index	Competitiveness environment Index*
Bulgaria	58,46	80,04	64,05	67,86	69,23	71,60	76,42	60,89	68,57
Romania	66,28	24,61	42,77	71,22	58,8	63,01	72,79	71,79	58,91

Source: World Travel and Tourism Council (WTTC), 2011.

Note: * Average index was calculated by the arithmetic average of indices for which data are available.

The competitiveness index represent the average of all index values assuming that all of them have the same importance.

According to it, Romania in tourism competitiveness is exceeded by Bulgaria (68.57%), but is more competitive against its competitors in terms of price (as illustrated in hotel room prices, the taxation in tourism, power parity index purchase), openness to trade and tourism, the environment (carbon dioxide emissions are lower than in Bulgaria, but the population density is higher) and in the social sector.

Analysis was performed only on data provided by the World Travel and Tourism Council (WTTC) in the "Gazette of competitiveness", which is actually an analytical framework that restores indicators of policy and the developments that have impact in travel and tourism industry, compare national statistics and government policies, indicate the effectiveness of national policies to attract foreign direct investment and tourists spending a competitive market, show the importance of strategic planning and the need for tourism to be included in government policies and decisions.

3. Descriptive Elements and BOX-PLOT: Romania vs. Bulgaria

In the present study, for the statistical analysis, we chose SPSS analysis of certain indicators that help me in setting preferences hierarchy of one of the two countries analyzed, namely, Romania or Bulgaria, by tourists. We considered regions in the whole country, called NUTS II.

Table 2. Regions NUTS2 – Bulgaria (6 regions)

Severozapaden	North-West
Severoiztochen	North Central
Yugozapaden	North-East
Severen_tsentralen	South-East
Yugoiztochen	South-West
Yuzhen_tsentralen	South Central

Data source: EUROSTAT Database - Regional statistics by NUTS classification, 2011

Table 3. Regions NUTS2 – Romania (8 regions)

Nord-Vest	North-West
Centru	Center
Nord-Est	North-East
Sud-Est	South-East
Sud-Muntenia	South-Muntenia
Bucuresti-Ilfov	Bucharest-Ilfov
Sud-Vest_Oltenia	South-West-Oltenia
Vest	West

Data source: EUROSTAT Database - Regional statistics by NUTS classification, 2011

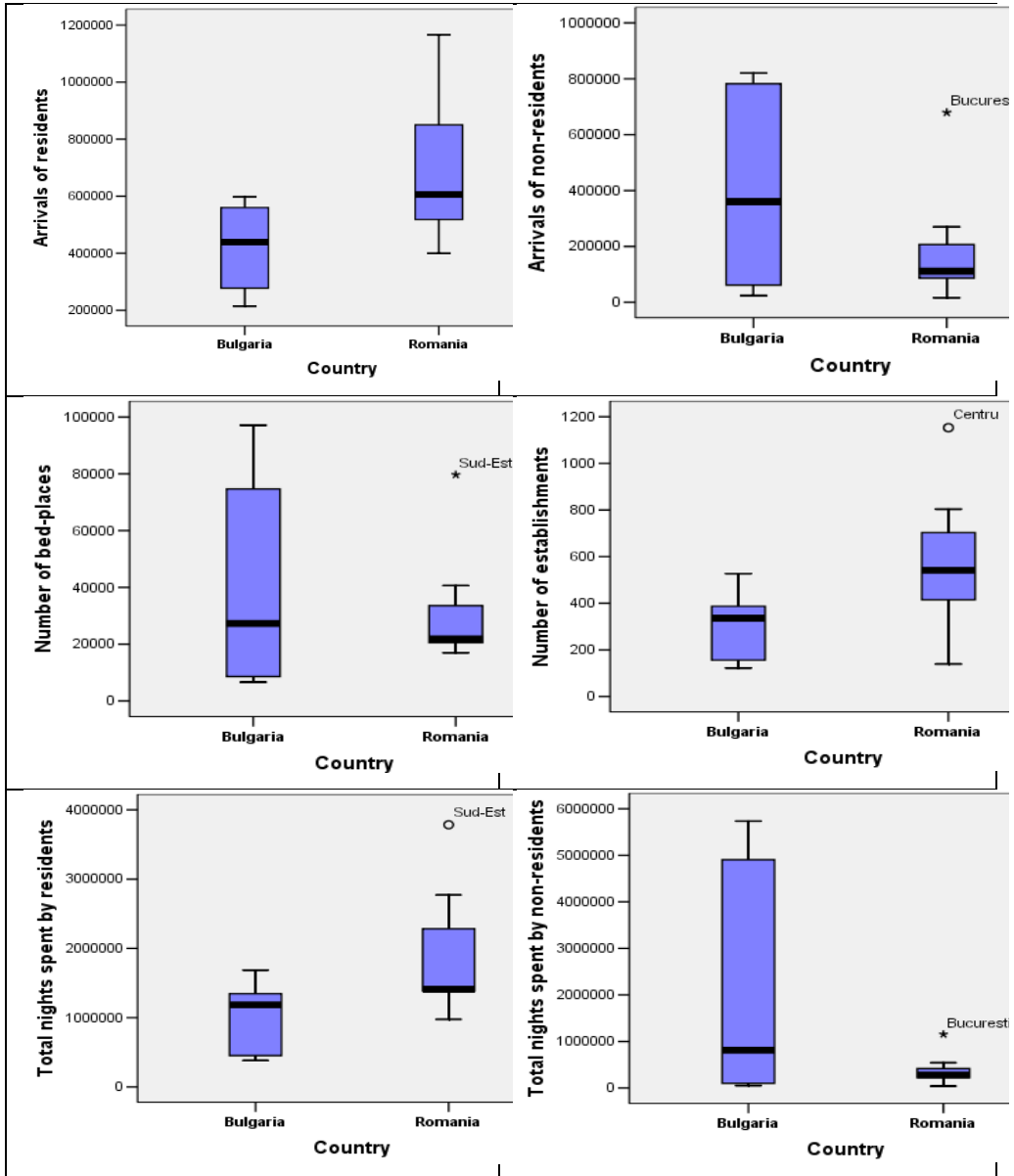
SPSS results - Thus, we calculated descriptive statistics indicators, as mean, standard deviation, interquartile range, minimum value, maximum value, they clearly indicating preference for holidays in Bulgaria against Romania. The average number of arrivals of residents is higher in Romania than in Bulgaria, while the average number of arrivals of non-residents is higher in Bulgaria than in Romania. There is a greater regional variation in Bulgaria than in Romania for the number of arrivals of non-residents, number of beds, number of nights spent by non-residents.

Table 4. Descriptive elements

		Mean	Median	Std. Deviation	Interquartile Range	Min.	Max.
Arrivals of residents	Bulgaria	421283.00	438934.50	151135.083	307359	214665	597416
	Romania	689363.38	606270.50	270317.827	434620	399309	1166422
Arrivals of non-residents	Bulgaria	401544.83	361029.00	372388.698	739830	23328	820090
	Romania	188222.13	111624.50	211328.954	151230	16614	679507
Number of bed-places	Bulgaria	40277.50	27325.50	37271.574	72183	6644	97109
	Romania	31074.00	21846.00	20929.146	16789	17021	79691
Number of establishments	Bulgaria	310.33	335.00	150.552	275	122	527
	Romania	576.50	542.00	302.196	367	139	1153
Total nights spent by residents	Bulgaria	1038223.00	1182578.00	517368.284	996697	379627	1686665
	Romania	1864069.63	1409461.00	939358.512	1143838	975935	3784474
Total nights spent by non-residents	Bulgaria	2071120.50	816380.50	2569491.185	5024298	52559	5735723
	Romania	379324.25	282941.00	342664.575	281613	39981	1153691
Tourism intensity	Bulgaria	2705.00	1089.00	2940.115	5830	479	6648
	Romania	856.63	823.00	369.619	689	420	1445
Growth rate	Bulgaria	14.9333	17.7500	7.47895	12.03	2.20	22.10
	Romania	8.8000	9.5500	9.09411	5.65	-10.50	21.80

Data source: calculated in SPSS by author

Next I showed through box plot diagram for the distribution of the number of arrivals of residents, at the regional level, in Bulgaria and Romania, in 2011 and box-plot diagram for distribution for number of arrivals of nonresidents, at regional level, in Bulgaria and Romania, in 2011, which is the country dominated by a larger number of foreign tourists, thereby establishing the hierarchy of preferences between the two countries.



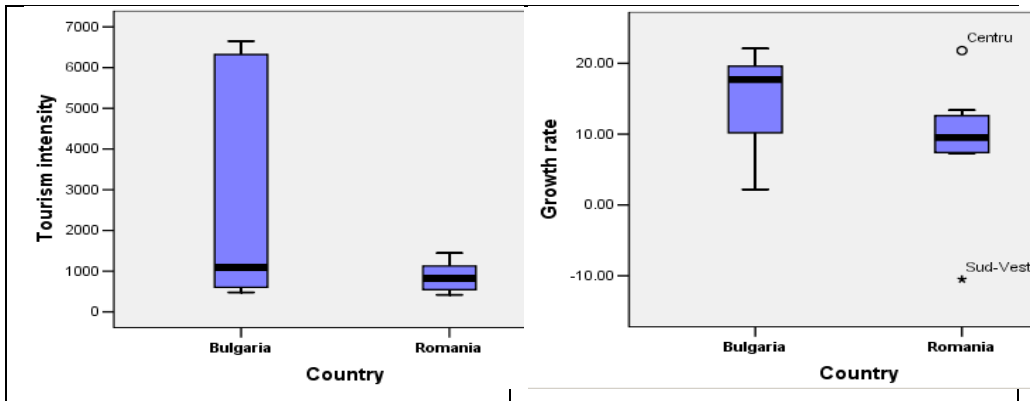
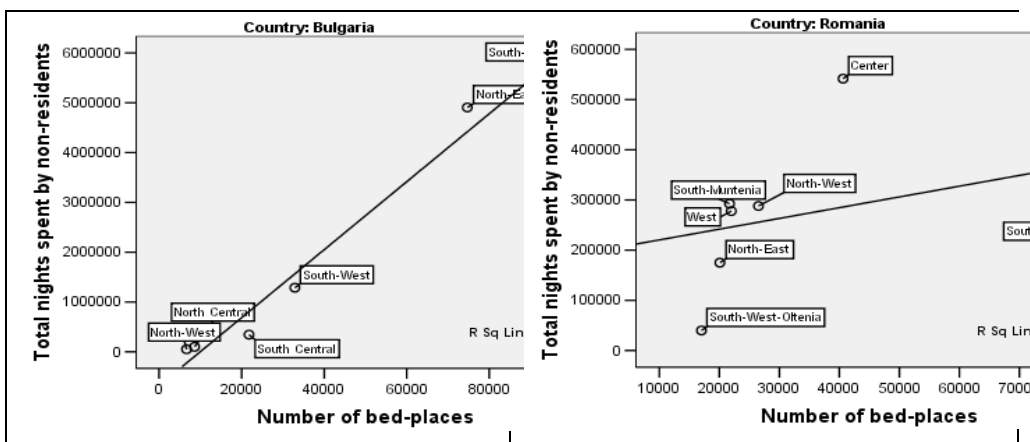


Figure 1. Box-plot for Romania and Bulgaria

Source: Author's interpretation of Eurostat data in field

Number of nights spent by residents and non-residents depends on the number of places of accommodation. Regions of South-East and North-East of Bulgaria are characterized by the highest values for these two indicators. In Romania, South-East region recorded the highest number of overnight stays by residents, while the Bucharest region recorded the highest number of nights spent by non-residents.



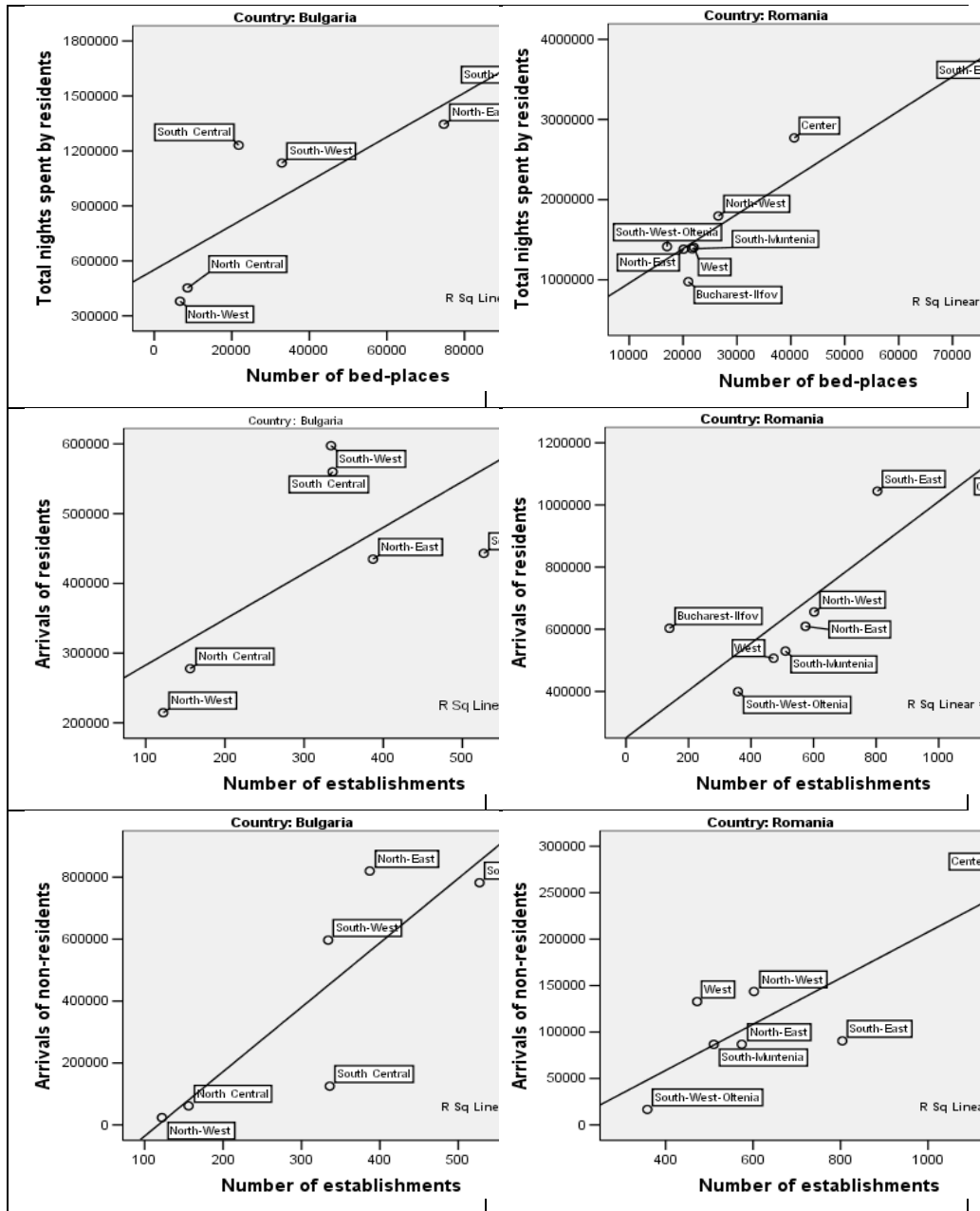


Figure 2. Total nights spent by residents/non-residents and the arrivals of residents/non-residents of Bulgaria and Romania

Source: author's interpretation of Eurostat data in field.

4. Conclusions

The analysis performed in the study described above, although brief, is able to provide some answers to the reasons for the low competitiveness of Romania compared to Bulgaria. First, it notes that, while making serious efforts to improve the institutional environment to foster investment in tourism, Romania hadn't a strategy for reporting these opportunities very well put together. In this context, Romania could not effectively enjoy favorable the geographical position, natural and cultural resources and either of high quality human capital. Second, although tourism developments strategies take into account, at least in words, the fundamental principles of sustainable growth, these principles are not only implemented, but are not even sent to the target audience through methods and diverse communication techniques. For this reason, the Romanian public, both as a provider and as a beneficiary of tourism services is not educated in the spirit of environmental protection and sustainable development. Third, the economic crisis has given new impetus to Bulgaria which proved, once again, more determined to capitalize on the competitive advantages available in the international tourism market. In this context, Bulgaria, unlike Romania, is an example of good practice concerning the adoption of viable strategies and also effectively communication of strategies.

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