

Romania's competitiveness as a tourist destination

Carmen Moraru*

Ministry of Regional Development and Tourism
Director General, Bucharest, Romania

This paper aims to define the realistic place of Romania in the regional context, compared with its main competitors (Austria, Hungary, Bulgaria), to identify the country's weaknesses and strengths within the tourist market and to determine how competitive is Romania in relation to its most important competitors in the field.

In this respect, I used the classification method that I consider to be more appropriate for analyzing the competitive position of a country on a tourist market because it includes a number of factors that influence a dynamic market such the tourism one, apart from the existing resources or costs. Determining the competitiveness of a country in the tourist market must take into account several factors. A good example of this is the methodology developed by the World Economic Forum for the measurement of tourism competitiveness of a country taking into account factors that affect the tourist market such as infrastructure, workforce, public policies, health, environment, destination safety, the infrastructure for communications, natural resources, attitudes towards tourists, etc.

I grouped those 14 factors used by the World Economic Forum in 5 broad categories according to the factors from Maslow's Pyramid influencing tourism movement and needs: infrastructure, resources, sector competitiveness, public policies and environment policies, health and safety and hospitality.

The findings indicate that Romania occupies a middle position within the tourism competitiveness index developed by the World Economic Forum (ranks 63 out of 139).

The analysis shows that Romania has a weak competitive position in relation to the three countries that will compete with on the most competitive tourist products chosen to achieve the result of the complex research carried out for the creation and development of Romania's national tourism brand (touring, rural tourism, city-breaks, wild life and nature, active and adventure tourism, wellness and health tourism).

1. Competitiveness and tourist traffic

The definition of competitiveness is based on the position in the market, compared to the competition, of the entity which places a product or service. "Competitiveness is our ability to produce goods and services that pass the test of international competition while our citizens enjoy a rising and sustainable standard of living"[†]. I consider Krugmann's definition to be rather defensive, as undertaking to the fore no intention of any trader to increase the level of sales at the expense of direct competitors. That is why I choose the definition which sees competitiveness as "the ability of a country to support and expand its international market share and at the same time to improve the standard of living of its populations"[‡]. If we refer strictly to the tourism industry, then we can define the tourism competitiveness as "the relative competitive position (in terms of profits and growth) of a country's tourism industry in the global market, including the developed and the emergent countries, whereby increases the income level of its citizens and improve their standard of living"[§]. How competitiveness

* Author's contact: email: cmoraru@mturism.ro

[†] Paul Krugmann, *Competitiveness: A dangerous obsession*. Foreign Affairs, 73, 1991, pag.31

[‡] F Fajnzylber, *International competitiveness: Agreed goal, hard task*. CEPAL Review 36, pag. 12, 1988

[§] Wei-Chiang Hong, „Competitiveness în the tourism sector”, Physica-Verlag, 2008, pag. 6

can be measured is still generating debate. Economists consider three methods of quantifying the degree of competitiveness^{**}:

a. The cost-benefit analysis: is a method for measuring competitiveness based on financial indicators such as production costs or price competitiveness. I believe that this method is suitable for analyzing a company's competitiveness, but it is not a very efficient method in the case of countries in which the factors that influence an industry are multiple, from governmental policies to the quality of the human factor and the attitude of the population in connection with certain themes.

b. The resource-based analysis: I believe that this method is suitable for analyzing a company, given that it refers to resources such as access to raw materials, technology or development of company-specific production processes that provide a competitive advantage in relation to other actors in the market. It is, however, less relevant for a country that can become skilled in the tourism field, even though its resources do not qualify it to aspire to such a performance. The ability to use resources is very important.

c. The rankings: represent, in my opinion, an appropriate method for analysing a country's competitive position in the tourist market as it includes a set of factors that influence a dynamic market such as tourism, in addition to the costs or resources already existing. When determining a country's competitiveness in the tourism market, several factors must be taken into account. A good example of this is the methodology developed by the World Economic Forum to measure a country's tourism competitiveness taking into account various factors that affect the tourism market, such as infrastructure, labor, public policies, health, environment, safety offered by that destination, communication infrastructure, existing natural resources, population attitude towards tourists, etc. It is a much more efficient and realistic method, even more so as the analysis models based on cost, price or resources have proven ineffective in tourism: for example, Egypt is more competitive with regard to the prices of tourist products and tourist resources diversity than Estonia. However, other factors influencing tourist traffic make Estonia be ranked ahead of Egypt in terms of competitiveness in tourism.

I believe that the last method is the most complete and can give indications regarding the areas in which the Romanian tourism is lacking. Therefore, in assessing the competitive position of Romania, I will take into account the results of Tourism Competitiveness Index developed by the World Economic Forum in 2011 which analyzes 14 areas to assess the tourism competitiveness of a country: policies and legislation; environmental sustainability; safety and security; health and hygiene; "Tourism and Travel" as the priority system; air transport infrastructure; land transport infrastructure; tourism infrastructure; the IT&C infrastructure, price competitiveness of the sector; human resources; local population affinity for tourism; natural resources; cultural resources. I will structure the analysis using the factors influencing tourist traffic^{††} and human needs as they derive from Maslow's Pyramid. Factors affecting tourist movements are:

- *Distance*: a too great distance can be considered inconvenient by the tourist. Exceptions are the exotic destinations, which through a unique experience justify the effort to travel to that country.
- *The relationship between countries*: studies show that a close relationship between the two countries may also positively affect tourist traffic, either because of simplified customs procedures, or because of a cultural approach.
- *The attractiveness*: the tourist attractions (historical, cultural, natural sights) are a catalyst for tourist traffic.
- *The costs*: the price factor is important in making a decision to purchase a travel product.
- *The tourist attractions* that can be visited en route to the destination point.

** Idem pag 37

†† Robert Christie Mill&Morrison Alistair, The Tourism System Kendall/Hunt Publishing, pag. 370-371

- *The major events* held at the point of destination (Olympics, World Cup, etc.).
- *The hospitality of the hosts*: an attitude quite distant of the hosts will lead the tourists not to return to that destination and to popularize the negative experience, which will cause a negative perception in the market and a reduction in customer base.
- *The mental image* that the public has with regard to the destination country.

On the basis thereof and the needs of Maslow's Pyramid, I will group those 14 piers used by the World Economic Forum to assess the competitiveness of tourism in five broad categories:

- **Infrastructure**: air transport infrastructure; land transport infrastructure; tourism infrastructure; IT & C infrastructure.
- **Resources**: natural resources; cultural resources; human resources.
- **Sector competitiveness**: sector competitiveness regarding the price;
- **Public and environmental policies**: policies and legislation; environmental sustainability; "Tourism and Travel" as the priority system;
- **Health, safety and hospitality**: safety and security; health and hygiene; the local population affinity for tourism.

These, along with marketing strategy, will be the five strands under which I will structure the proposals to improve Romania's tourism strategy.

2. Romania in the tourism competitiveness Index

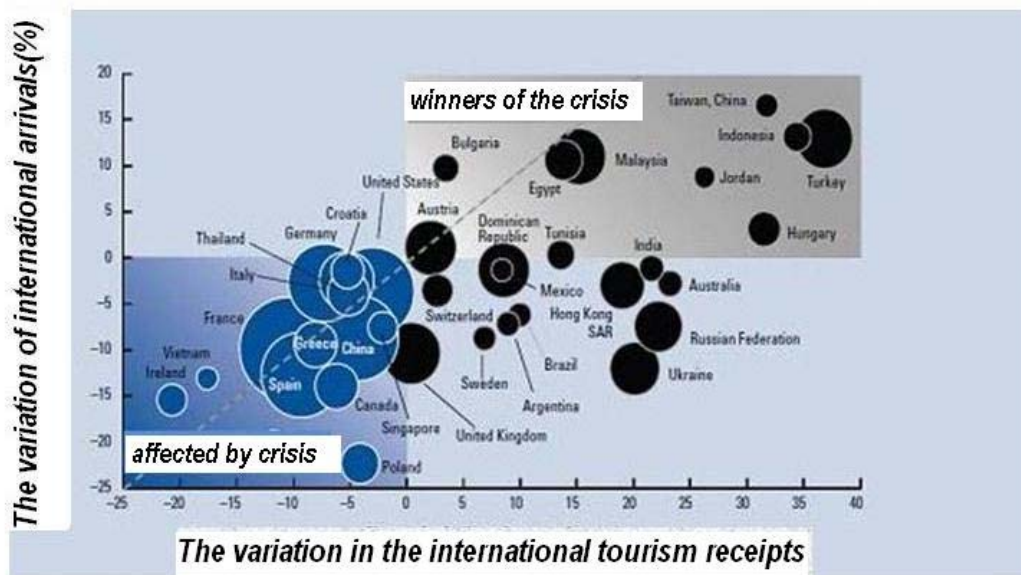
Romania occupies a middle position in the tourism competitiveness index conducted by the World Economic Forum. Thus, Romania ranks 63rd out of 139 in this ranking. All three countries we study are ahead of Romania: Austria-4th place; Hungary – 38th place; Bulgaria – 48 th place. The situation is much more unfavourable if we take into account only the classification for the Europe area, in which Romania ranked 34th out of 42 countries. Basically, in this ranking, Romania exceeds in the tourism competitiveness only Albania, Georgia, Macedonia, Serbia, Ukraine, Armenia, Bosnia and Herzegovina and Moldavia. Romania's position should displease us even further given that all of our competitors are among the countries that have managed to seize the financial crisis:

Austria does not cause a surprise, but the performance of Bulgaria and Hungary does. It is interesting the fact that both countries have achieved positive results using winning strategies: Bulgaria has relied on increasing the number of travellers in search of cheap destinations, while Hungary has attracted one-day tourists by offering a cheaper exchange rate^{**}. Several conclusions can be drawn:

- The not so good results of the Romanian tourism are not just a matter of marketing
- The mix of resources - is a winning strategy in a dynamic industry such as tourism, as demonstrated by Bulgaria and Hungary
- Austria is clearly a competitor from a different league, which should cause us to use a defensive strategy in the markets in which we compete
- Romania must identify its own weaknesses and switch to a structural reform

^{**} World Economic Forum – Tourism Competitiveness Index 2011, pag 40

The impact of the economic crisis on the main tourist destinations (2007-09)



Source: UNWTO, 2010; Booz & Company analysis

Note: the bubbles size represents the international arrivals in 2009.

To identify the weaknesses and the strengths we analyze each of the five areas which we have already listed.

a. Infrastructure

For a tourist destination, the infrastructure is essential as it provides access to visitors and ensures the standard of comfort of the tourists. The distance is an important factor in choosing a tourist destination and a quality infrastructure makes this distance to be covered in a shorter timeframe. In addition, the quality of tourism infrastructure ensures the degree of comfort demanded by the traveller.

• Transport infrastructure

Transport infrastructure greatly contributes to reducing the competitiveness of Romania on the tourism market. Romania barely ranks 81st in the world in terms of air transport infrastructure, with a competitive index of 2.8, while the land transport infrastructure situation is even worse: place 101 with a competitive index of 3.1. For the air transport, the quality of infrastructure and the international air transport network are the weaknesses, while the remaining indices are at acceptable values. The situation is different for the road transport, which scored well only at road densities, however, the quality of the roads and of the transportation network is very poor, placing Romania on the 134th, respectively 127th place worldwide. The bottom line is that Romania suffers from a key chapter, transport infrastructure, making the tourism potential of some of the sights to be partially canceled. Fortunately for us, not even our main competitor is much better: Bulgaria is behind Romania in terms of air transportation infrastructure (89th place), but is slightly better in road transport infrastructure (90th place). Hungary, in exchange, rates very well in terms of road transport infrastructure, ranking 37th in the world. Air transport infrastructure is qualitatively similar to that of Romania (75th place). Regarding Austria, the figures speak: 26th place for the air transportation infrastructure and 15th place for the road transport infrastructure.

Conclusions:

- The air-transport infrastructure is at the level of the two main competitors: Bulgaria and Hungary.
- The Road transportation infrastructure is well below that of Hungary and even from that of Bulgaria. This is a disadvantage for a country that wants to promote circuit tourism products.

• ***Tourism infrastructure***

Tourism infrastructure represents the infrastructure segment Romania best points to, finishing on the 38th place globally. The good ranking is due to very good scores earned on the presence of car rental companies (1st place worldwide) and the number of ATM's that accept Visa cards (38th place). In terms of hotel rooms, Romania occupies only 51st place. Unfortunately for Romania, the competition points out very well in this respect. Austria – 1st worldwide, Bulgaria – 6th worldwide and Hungary - 30th place worldwide. The final conclusion is that Romania's tourist infrastructure is globally competitive, but is below that of the direct competitors. Accommodation facilities and the number of ATMs that accept Visa cards make the difference.

• ***Communication infrastructure***

With indulgence, we can say that the communication infrastructure meets the regional standards of competitiveness, ranking 49th worldwide. However, it is relatively close to Bulgaria (43th) and Hungary (38th). Even Austria, a country where one can praise with an excellent infrastructure, ranks 25th. The number of telephone lines and internet users (business and individuals) are the areas where Romania shows weakness.

b. Resources

Natural and cultural resources are considered to be the main sources of competitive advantage for the Romanian tourism. Competitiveness index developed by the World Economic Forum shows that situation is different than we imagined.

• ***Natural resources***

The natural sights included in the UNESCO heritage, the environmental quality, the diversity of fauna or the natural parks are the elements according to which the WEF analyzes the degree of competitiveness of a country with regard to natural resources. Romania occupies a modest 94th place worldwide, mainly determined by the quality of the environment (104th place), by the low diversity of fauna (83th) and by the protected areas (77th place). It is true, there is a tourism potential offered by nature and we ranked 43th. In this respect, we overcome Hungary, which ranks 98. The situation in Romania is similar to that of Bulgaria (78th), which, as regards to the natural potential expressed by the number of sites included in the UNESCO heritage, ranks 24th worldwide, but the quality of the environment is poor (117th). Austria proves again to be a far too strong competitor, which has a strategic approach to the tourism phenomenon: the natural potential places it on the 75th position in the world, but the efforts made to increase the quality of the environment (2nd place in the world) and the protected areas (17th place in the world).

Conclusions:

- Natural touristic potential of Romania doesn't overcome the ones of its direct competitors. In order to become more competitive in this respect, Romania may implement strategies to improve the

quality of the environment, for the protected areas, but on the other hand, can start its work to identify new natural resources which may be included in the UNESCO heritage.

• ***Cultural Resources***

It is a chapter in which Romania is again behind its direct competitors. The most competitive destination of this chapter is Austria (13th worldwide). Although in terms of cultural heritage competitiveness is behind Bulgaria and on par with Romania and Hungary, Austria scores more on the strategic approach through a large number of fairs and exhibitions held and by an impressive performance of the creative industries export.

• ***Hu***

Romania (63rd place) is more competitive than Bulgaria (71st) as regards to the quality of the human factor in the tourism area. Romania has the advantage when it comes to training system and also when we take into account the existence of skilled workers. Hungary (44th) and Austria (25th) are, however, far ahead of Romania with regard to human potential. The difference is made by the education system, which provides quality training and leads to a greater labor specialization in tourism.

c. Competitive price

The competitiveness of the destination based on price is an extremely important element, given that tourists have become much better informed, are experienced, and are able to appreciate the true value of the tourism product. In the current context, when the economic crisis has changed the habits of consumption and when consumers have cut spendings, this element has become very important when shaping the purchase decision. Romania (80th) is weak in this respect compared to Bulgaria (46th), but it is a more competitive destination in terms of prices than Hungary (87th) or Austria (121th). Bulgaria has advantage over Romania due to the more relaxed taxation system, but mainly due to hotels prices - 24th place worldwide compared to the 62th position occupied by Romania. A relaxation of the taxation system and an increased competition in the hotel area, which will result in a price adjustment, represent solutions that could increase Romania's competitiveness level.

d. Public and Environmental Policies

The role of the state in tourism is essential because it establishes the priority of tourism in the economy of a country, creates the legal framework governing the specific market and implements principles of sustainable tourism development. It is obvious that in this respect Romania has a net advantage to its main competitor, Bulgaria, but it is equally underpinned by Hungary and Austria.

• ***Policies and legislation***

It is an important subject because it takes into account the measure to which the legislative framework stimulates foreign investment, protects property rights, determines whether a visa is required to visit this country, how easy it is to set up a business, etc.. The policies and the legislation directly affect the tourist traffic. As shown above, the stimulation of foreign investment in tourism may generate an increase of the tourist traffic coming from the countries of investment. Furthermore, the simplification of visas can stimulate tourist traffic growth. Romania does not excel in the "Policies and legislation" chapter, ranking 63rd in the world. If the procedures related to the visa and the business stimulation are the strengths of Romania, bureaucracy is the main problem: the lack of transparency of the Government in decision-making, the legislation impact on foreign investment or the legislation regarding the property rights to which Romania has scored low. However, Romania is more competitive than its main rival, Bulgaria, which ranks only 94th, with a total unfriendly legislation

regarding the property rights, the foreign investment or the decision-making transparency of the Government. Hungary and Austria are well ahead of Romania, achieving good scores in terms of competitiveness in this matter, especially in decision-making transparency and in stimulating the business environment.

• ***Environmental protection***

The Governments' efforts to implement the environmental legislation are considered to be extremely important for the future of a tourist destination. Austria excels in this area, ranking 5th in the world and proving once again that Romania will not be a direct competitor, at least not in the near future. At the other pole is Bulgaria, which hardly ranks 99th. Romania ranks 50th, and weaknesses seem to be the sustainable development of tourism, the importance and the implementation of environmental legislation regarding environmental protection and regulations on carbon dioxide emissions. Hungary is more competitive than Romania in this respect, by performing much better in terms of endangered species protection.

• ***Tourism and travel - priority area***

The differences as regards the position of each of the four countries on the tourism map can be explained by the importance given by each country in this area. Austria is a tourist destination by excellence, and this is explained by the fact that tourism is a national priority, Austria ranking 16th in the world. In Hungary, the government apparently does not put much emphasis on tourism, but the score obtained as budgetary expenditure proves otherwise. Bulgaria ranks 71st, and this is because of the timeliness of providing statistical data on tourism development. Romania seems the least competitive country, but the remedy of two issues would help it to overcome Hungary and Bulgaria: the definition of tourism as a priority industry and more inspired marketing activity.

e. Health, safety and hospitality

The success of a tourist destination to ensure tourists that they will be welcomed, that their physical integrity won't be put at any risk and that in case of necessity will have easier access to quality medical facilities, is a step towards success in the tourism market. Along with the infrastructure, this category includes determinant factors on the decision-making to buy a tourism product. Its role is to meet the needs of those who buy it and the physiological needs, the security need and the need for esteem and acceptance are the most important needs according to Maslow's pyramid. The hospitality satisfies physiological needs such as hunger, thirst but also the need for esteem and acceptance. Safety addresses the need for security, while health is related to both the need for security as well as physiological needs. Moreover, the events of recent years (the terrorist attacks, riots, disasters) have turned safety into one of the main factors when forming the purchase decision. Therefore, a weak position to any of these three chapters may lead to a reduction in the benefits obtained by a tourist destination to the other chapters. At first glance, Romania has an advantage over Bulgaria and Hungary on safety. On the other hand, we must point out that Austria has excellent scores for each of these variables.

• ***Health and hygiene***

Romania is totally deficient in this respect compared to Bulgaria and Hungary: 59th place, compared to 10th and 18th. Romania performs poorly on all chapters (health care, quality, drinking water), recording a good score at the only indicator with quantitative valences, namely the number of hospital beds. Health-care reforms are also important for tourism, given that Romania intends to specialize in certain branches of tourism with a high degree of risk, such as adventure tourism, which attracts tourists interested in the availability of medical services.

• ***Security and safety***

Romania (35th place) is a safer destination than Bulgaria (81st) or Hungary (43rd). Romania's score could be even better if the level of confidence in the police wouldn't be so low. However, this seems to be a regional problem. Romania, however, outperforms its net competitors in this chapter and I believe this to be an extremely important aspect, given that safety has become one of the main criteria in selecting a tourist destination to spend holidays. I believe that promoting Romania as the safest destination in the region on each product would be an effective strategy to increase tourist traffic.

• ***Hospitality***

The affinity towards tourism, that we call generically hospitality, is a category which position in the Tourism Competitiveness Index shows the need for information programs on the beneficial effects of tourism on the community. The 95th place ranked by Romania, with very poor results in terms of the balance of payments in tourism and the tolerance towards foreign visitors, makes it necessary for an information campaign in major tourist areas. Romania has a weaker position than its main competitor, Bulgaria (51st place), which has a descending on the Romanian "revenues and receipts" chapter. Hungary ranked 100th. A common feature of Romania, Bulgaria and Hungary is the not very welcoming attitude towards foreign tourists. And this can make a difference for some products such as those that Romania intends to rely on, which involve addressing to a class of consumers who seek interaction with local cultures in order to understand the traditions and customs.

Our conclusion is that Romania has a weak competitive position in comparison to the three countries, Romania will compete with on tourist products chosen, as a result of the research done to achieve the tourism brand of Romania (cultural tours, nature, active and adventure, city breaks, health tourism, agro-tourism). On the other hand, Romania's problems do not come from the tourist potential, but from the wrong attitude and from the lack of investment in certain areas.

REFERENCES

- 1.Fajnzylber, F. International competitiveness: Agreed goal, hard task. CEPAL Review 36, 1988
- 2.Hong, Wei-Chiang „Competitiveness în the tourism sector”, Physica-Verlag, 2008
- 3.Krugmann, Paul, Competitiveness: A dangerous obsession. Foreign Affairs, 73, 1991
- 4.World Economic Forum – Tourism Competitiveness Index 2011