A Regional Comparative Outlook of the Romanian Tourism Industry Competitiveness

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Abstract
The paper aims to determine if the Romanian tourism product has growth prospects using several diagnose and assessment tools: such as BCG matrix (Boston Consulting Group), "Porter Five Forces" model and finally, we are going to analyze the main products in the portfolio using the Ansoff's Matrix. This approach will help us decide what strategy is appropriate for each product.

The last step will be to determine the degree of competitiveness of the Romanian tourism using the Tourism Competitiveness Index of the World Economic Forum.

An analysis of the position of the Romanian tourism, based on the data we dispose have on hand, will help us determine to what extent the investments in this industry can give the expected results, which are the difficulties investors will face and the stakeholders involved in the tourism industry in Romania and which is the current position of each product we intend to introduce on the market. To estimate the profitability and the potential of the Romanian tourism, we will use the model developed by Boston Consulting Group, the BCG matrix. Regarding the assessment of the competitiveness of the industry, we find Porter Five Forces model to be the most appropriate. Finally we will analyze each product using Ansoff’s product-market matrix.

Key words: competitiveness, tourism product, tourism competitive index, competitive position

1. To invest or not to invest
For a tourist destination, a research is a complicated endeavor, given the difficulty to predict with certainty the market share of a destination in a dispersed and highly competitive market such as tourism market. Of course it is difficult to gauge the popularity of a given product on a specific market source. We believe, however, that the application of the BCG matrix can be a useful tool to determine the potential of Romania as a tourist destination. The purpose of our initiative is to establish the extent to which tourism is a viable alternative for economic development in Romania, from the perspective of the growth rate in tourism revenue and of market share in the target countries.

BCG matrix involves two simple variables: the pace of market growth to determine its attractiveness and the market share of the product to see how competitive is the product / portfolio of products at a given time. Designed to analyze and evaluate the portfolio of products of a company, this tool is used to measure the growth prospects of a

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product, to make it fit into a category and make a decision regarding the market strategy. In terms of market share and market growth rate, there are four types of products:

- **Stars** - products with a high market share in a market with a rapid growth rate. It is advisable to invest in these products, since they may become more profitable.
- **Cash cows** - products with a market leading position, producing consistent revenue without having to require heavy investment. They have a large share in a market whose growth rate is decreasing.
- **Question mark** - are products that have a small market share in a market that grows quickly. In addition, an analysis of the competitive context is needed, before deciding whether to invest or not.
- **Dogs** - products which are unprofitable, or have a small margin of profit in a shrinking market.

In the present paper we are not going to develop a portfolio analysis, but we’ll look at tourism as if it was the only product of the Romania’s portfolio. The market share of the target markets is 1.2%, previously presented in the analysis for the brand of the country. As for the market growth rate, we will use the 4% forecast provided by the World Tourism Organization for the worldwide tourism. We will start from the premise that in a fragmented market, with dozens of players, a market share of 1.2% is an average one. Moreover, the European Tourism Commission statistics show that, regarding Europe, a market share of 1.2%, is significant.

We could tackle the tourist industry in Romania, given the specificity of the tourism offer, as a cluster type system, that we could use also in future decisions regarding the most appropriate development strategy. In this paper we will use the definition (revised) of clusters as it was given by Michael Porter: “…Clusters are geographic concentrations of interconnected companies and institutions, in a particular field. Clusters comprise a group of related industries and other entities important in terms of competition. These include, for example, suppliers of specialized inputs such as components, machinery and services, or providers of specialized infrastructure. Often, clusters extend to different downstream channels and customers and laterally to manufacturers of complementary products and the industries related by skills, technologies or common inputs. Finally, some clusters include governmental and other institutions - such as universities, standards agencies, think tanks, vocational training providers and employers - to provide specialized training, education, information, research and technical support.”

The tourism industry is part of the category of those branches described and analyzed as a cluster type branch.

2. **Tourism industry - outlook**

The assessment and the understanding of the specificity and dynamics of the industrial branch, which is expected to invest in, are essential before deciding on making that industry a priority economic sector. Porter Five Forces, a model that allows diagnosis and assessment of the position of an industrial branch by evaluating the five forces acting on it (the intensity of the competition on the market, the power of the suppliers, the existence of substitutes for the products we are trading and the threat of entry of new competitors) is relevant to the present situation. We need to establish if entering on the...
tourist market and tourist industry is an attractive option for Romania or whether Romania should focus on investing the resources available in other industries that are more efficient. As regards Romania, the analysis of variables shows that:

1. **Competition in the market:** It is a market characterized by a high degree of competition, with several players who compete with similar tourist products. It is a market dominated by a few powerful players. The main source markets are Germany, France, Italy and Russia. They are target markets for Romania, as well as for the direct competitors of Romania, such as Bulgaria, Austria and Hungary. They are strong competitors with a longer tradition than Romania, with a better reputation in the market and some of them, such as Austria, are capable of producing tourist products and services on a large scale, and later sell them at attractive prices. We can say that the degree of rivalry is high. On a scale from 1 to 5 we appreciate it to be 3.5.

2. **The buyers’ influence:** This should be considered more complex. Buyer's tendency to replace the offer in Romania with another tourist destination, especially one of those we compete directly with, can be great if we are talking about products that are specific for Romania, such as Danube Delta. It is similarly, if we talk about natural potential in terms of hiking tourism. For products in which Romania does not have a competitive advantage, what experts call "switching costs", are small. On the other hand, the offer diversified worldwide, as well as the numerous sources of information, make the power of the buyer grow. We appreciate that the buyer’s power is at an average level of 2.5.

3. **The suppliers' potential:** If we talk about the Romanian tourism product, we can consider the suppliers to be the companies delivering tourism the materials and the technologies necessary to provide the services contracted by the tourists: suppliers of food, utilities, transport services, recreational services, etc. We believe that the power of the suppliers is small in most cases due to their large number, the low level of product differentiation and due to their dependency towards tourism. An exception is the utility providers, which have a monopoly position on the Romanian market. But their functioning is regulated by the State, so that they must obey the laws in force. In terms of tourist attractions, most of them are under the administration of the State. Therefore, we consider that the power of the suppliers is below average, and an index of 1.50 is just enough.

4. **The existence of substitutes:** The danger of substituting the tourism products offered by Romania with another type of tourism products, is great. The worldwide existing supply is complex and attractive, including tourism products such as seaside resort, ski, exotic destinations, or amusement parks, which offer in the same place, a diverse set of experiences, specific to different areas of the world. This chapter has a score of 3.5.

5. **Possible dangers for new players:** Tourism is a complex industry that depends on the existence of a natural or man-made tourist potential, on the existence of an infrastructure and geographical positioning. Political stability, membership of an organization that encourages the free movement and, above all, the safety of that destination, are essential conditions for a country to enter the tourism market. These barriers are very hard to remove and they require very high costs and diplomatic efforts. Moreover, even if eliminating many of these barriers, the marketing and advertising costs are high and these are costs that can never be recovered when taking the decision to leave the market. In these circumstances, we believe that the possibility for new tourist destinations to enter the market, jeopardizing Romania’s position, is very small and we grade it with 0.5.
Overall, the tourism accounted for 11.5 points, so it can be considered an attractive industry.

The high degree of rivalry and the existence of many tourist destinations which can substitute Romania, require, however, continued efforts in innovation for tourism product differentiation. In addition, a correct strategy regarding the tourist product is essential. Ansoff's matrix will help us choose the right strategy for a product.

3. Portfolio of products

The market strategy development of the Romanian tourism must take into account many aspects:

- The specifics and the needs of the target markets
- The specifics of each product in the portfolio
- The synergies between the market and the product

Romania's portfolio consists of six products:

- Cultural tours;
- Ecotourism;
- Rural tourism;
- Spa and wellness tourism;
- City breaks;
- Active and adventure tourism.

These could be promoted on eight target markets: Germany, United Kingdom, Italy, Russia, Austria, USA, France and Hungary under the Masterplan for the development of the Romanian tourism during 2007-2026, conducted by the World Tourism Organization’s experts.

The implementation of the strategy is not indicated to be the same for all the products, since each has its specifics and delivers different messages to the market. Therefore, Romania needs a method to assist in shaping a strategy for managing the portfolio. I think the Ansoff’s matrix is a useful tool, which provides solutions for each combination of the product and market.

Depending on the product-market report, there are four possible competitive strategies:

- Market penetration (current product - current market)
- Market development (existing product - new market).
- Product development (new product - existing market)
- Diversification (new product is promoted in a new market.)

When referring to Romania, we can say that there is no new market, meaning that there is no market where the Romanian tourism product is unknown. In terms of tourism products in the portfolio, we can say that the cultural circuits and the rural tourism are already existing products, products known abroad, which will be promoted in already existing markets. Regarding City breaks, Bucharest and Sibiu are already known products, thus they fit into the same category. If other cities will be promoted, then we will have to promote new products in already existing markets.

Nature tourism as well as Active and Adventure tourism are new products, which will also be promoted in the existing markets. A special case is the Spa and Wellness tourism that in the past was promoted in the foreign markets, but due to the outdated material basis has become uncompetitive. I consider that, in this case, we have a product that needs to be rethought, put on new bases, so that it totally changes its image associated with it.
with the old product. Summarizing, we can say that the Romanian tourism portfolio consists of products which fall into two strategies:

- Market penetration for: cultural tours, rural tourism, City breaks (Bucharest and Sibiu)
- Product development for: nature tourism, active and adventure tourism, spa and wellness tourism, City breaks (the remaining cities).

In consequence, it is mandatory that the authorities adjust their competitive strategy depending on the category in which the product is located. Beyond this strategy, it is important to analyze the level of competitiveness of Romania in relation to its main competitors.

4. Romania – the competitive position in the region

The definition of competitiveness is based on the position in the market, as compared with the competition, of the entity that markets a product or a service. "Competitiveness is our ability to produce goods and services that meet the test of international competition while our citizens enjoy a standard of living that is both rising and sustainable." I consider Krugmann’s definition to be as yet little defensive, not bringing in the foreground the intention of any operator to increase the level of sales at the expense of the 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 standard of living of its population". When referring strictly to the tourism industry, then we can define the tourism competitiveness as a "relative competitive position (in terms of profits and growth) of a country's tourism industry within the global market, including the developed and developing countries, through tourism which increases the level of the income of its citizens and improves their standard of living".

How can the competitiveness be measured is still generating debate.

The data presented above shows Romania's position in relation to its competitors, both industry-wide and in relation to the target markets. Apparently, Romania has experienced a growth rate of tourism higher than the competition, but the pace of growth of the Romanian tourism is calculated starting from a smaller base than that of its main rivals: Bulgaria, Hungary and Austria. In these circumstances it is risky to say that Romania's position in the market is becoming more solid. We could say that, in order to realistically identify the actual place of Romania, but also to see the weaknesses and the strengths of the country in the tourism market, it is useful to determine how competitive is Romania in relation to its main rivals.

Economists consider three methods for quantifying the degree of competitiveness:

- The cost-benefit analysis: is a method for measuring competitiveness based on financial indicators such as production costs or price competitiveness. We 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.

- The resource-based analysis: this method is suitable for analyzing a company, given that it refers to resources such as access to raw materials, technology or development

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6 F Fajnzylber, International competitiveness: Agreed goal, hard task. CEPAL Review 36, page 12, 1988
7 Wei-Chiang Hong, „Competitiveness in the tourism sector“, Physica-Verlag, 2008, page 6
8 Wei-Chiang Hong, „Competitiveness in the tourism sector“, Physica-Verlag, 2008, page 37
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.

The rankings: it represents an appropriate method for analyzing 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.

We believe that the last method is the most complete one and it can give us indications as regards to 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 the Tourism Competitiveness Index developed by the World Economic Forum in 2011 which examines 14 areas to assess the competitiveness of tourism in a country: policies and legislation; sustainable development of the environment; safety and security; health and hygiene; “Tourism and Travel” as the priority system; air transport infrastructure; land transport infrastructure; tourism infrastructure; IT&C infrastructure; sector’s competitiveness in price; human resources; local population affinity for tourism; natural resources; cultural resources. Romania occupies a middle position in the Tourism Competitiveness Index developed by the World Economic Forum. Thus, Romania ranks on the 63rd position out of 139 in this ranking. All three competitors analyzed are in front of Romania: Austria - 4th place, Hungary - 38th place, Bulgaria - 48th place. The situation is much worse if we take into account only the classification for the European area, where Romania ranks 34th out of 42 states. Basically, in this ranking Romania surpasses in tourism competition only Albania, Georgia, Macedonia, Serbia, Ukraine, Armenia, Bosnia-Herzegovina and Moldova. The performances of Bulgaria and Hungary are unexpectedly very good. In the meantime, the position of Austria is not surprising. Interestingly, both countries, Bulgaria and Hungary have achieved a good outcome by attractive strategies: Bulgaria has relied on increasing the number of travelers in search of cheap destinations, while Hungary has attracted tourists for a day by offering a cheaper exchange rate.

Our conclusion is that Romania has a weak competitive position in relation to the three countries it competes with, for the same tourism products. On the other hand, Romania’s problems are not related to its tourism potential, but to the wrong strategy approach and to the small investment in certain areas.

- The poor results of the Romanian tourism are not just a marketing problem

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9 World Economic Forum - Tourism Competitiveness Index 2011, page 40
The resources – the strategy mix is a winner in a dynamic industry such as tourism, as it is demonstrated by Bulgaria and Hungary.

Austria is clearly a competitor from another league, which should make us use a defensive strategy in the markets we compete.

Romania must identify the weaknesses and move on to a structural reform.

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