

# **Mechanisms and models of development of entities tourist business**

**Collective monograph edited by**  
**A. Berezin, M. Bezpartochnyi**

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ISMA University  
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# **Tūrisma uzņēmumu attīstības mehānismi un modeļi**

**Kolektīva monogrāfija**

**A. Berezin** un M. Bezpartochnyi  
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Authors of study within the monograph came to conclusion that need the use of modern models and mechanisms for development of tourist businesses, the basic elements which are of pricing policy, economics security, use of project management and crisis management, modern marketing tools, strategies for improving competitiveness. Authors identified the most important factors that hinder the development of tourist businesses in face of increasing competition. Research results have been implemented on various models of functioning of tourist businesses, business hotel and restaurant complex. Results obtained during the research can be used in decision-making at level of, as the subjects of tourist business and infrastructure, and at level of local governments, in formation of competitive advantages and development of tourism. Results can also be used by students and young scientists on modern concepts of tourism development in face of increasing competition.

Reviewer:

Dr. **Krēsliņš Kārlis** – *Academic Pro-rector Ventspils University College, M.Sc. in Information Studies, PhD, Researcher of the Centre for Entrepreneurship, Innovation and Regional Development (CEIRD), Latvia*

International scientific editorial board:

**Petrova Mariana** – *PhD, Assoc. Prof., Director of Education Technologies Center, St. Cyril and St. Methodius University of Veliko Turnovo, Bulgaria*

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## Chapter 1

# ECONOMICS AND ORGANIZATION OF FUNCTIONING OF SUBJECTS OF TOURIST BUSINESS

### **Bezpartochnyi Maksym**

*PhD in Economics, Associate  
Professor, Post-Doctorate Fellow,  
Chair of Economics Enterprises,  
Poltava University of Economics and  
Trade*

### **Živitere Marga**

*Academician, Professor, Dr.oec.,  
Rector's Advisor, Head of the  
Department of Economics, ISMA  
University*

### **Riashchenko Viktoriia**

*Dr. oec., Professor, Department of  
Management and Marketing,  
Director of the Entrepreneurship  
program, ISMA University*

## MODERN VISION OF EFFECTIVE FUNCTIONING AND DEVELOPMENT OF TOURIST ENTERPRISES

In a competitive environment increases the role of ensuring effective functioning and development of tourist enterprises. The tourism industry in the whole world shows positive dynamics of development. Therefore there is a need to ensure positive dynamics of economic indicators of the functioning of tourist enterprises and their further development. At the present stage it is possible to achieve at the expense of innovation and creation of new organizational-economic structures. It should be noted that innovation requires significant investment and time for their development, implementation and return on investment, while the creation of new organizational-economic structures has a positive experience of use in other areas. This is the cluster approach in the activities of enterprises. In our opinion, this could have a positive effect when used in the tourism sector.

Scientific researches in the field of clusters involved in many

prominent scientists. The authors in the context of research on the different interpretations of definition "cluster". The founder of the cluster approach in the economy is recognized as M. Porter, which defines a cluster as "a geographically neighboring group of interconnected companies and associated organizations operating in a certain area, characterized by common activities and complementary to each other" [13].

One of the first scientists to try to apply the concept of the industrial cluster in the field of tourism was M. Monfort. The concept of tourism cluster, according to M. Monfort includes the following aspects [14]:

- Services provided by tourist companies or businesses (businesses accommodation, restaurants, cafes, travel agencies, water parks and theme parks, etc.);

- Wealth (pleasure), the resulting vacation and recreation;

- Multifaceted cooperation of related companies and industries;

- Well-developed transport and communications infrastructure;

- Complementary activities (commercial allocations, holiday traditions);

- Support services (information);

- Natural resources and institutional policy.

While M. Monfort paid attention to the characteristics and components of the cluster, M. Benny emphasized the link between agencies, cooperation, externally observable in the form of networks when defining the cluster.

"Tourism cluster - a group of tourist attractions within a limited geographical area, to ensure a high level of infrastructure and services, which has established social and political relations, as well as improved management in the companies that make up the network for the production of tourist services that provide strategic competitive and comparative advantages."

An A. Rodrigues relation between enterprises and institutions in the tourism cluster is considered in two directions [18]:

1. Horizontal communication. Create strategic alliances, where agreements can be of two types: on the one hand, agreements between undertakings which produce homogeneous products (the same economic activity) among the companies working in the field of accommodation, entertainment, transport and catering services. On the other hand, the agreement may be concluded between companies that offer diverse tourism product, forming the various components of the integrated tourist product (tourist services).

2. Vertical communications. Creating a strategic network based on one-sided relationship supplier-customer on the basis of a production-monetary exchange, where some parterres are suppliers of necessary services or products required by the other party under the contract on the basis of remuneration.

Tourist cluster by A. Rodrigues - a group companies and institutions, producing a tourist product or group products. These companies and institutions are concentrated geographically and have a vertical connection (chain companies producing tourist products) and horizontal communication (including industry, regulatory support, information exchange).

The theoretical justification for the tourism cluster and the possibility of applying the theory in practice dealt S. Nordin [15].

The benefits of co-operation of companies that provide tourist services leverage the collective power of creation of tourist services and contribute to the development not related directly to these area enterprises. Creating a tourist cluster leads to greater specialization and diversification of production, reconstruction of the shared infrastructure and also provides an opportunity to benefit from the emergence of opportunities to discuss difficult issues in close contact with the suppliers (the availability of the necessary components).

In addition to the above benefits, cooperating networks contribute to the development of new models of production and organization, the exchange of technical and other market information, agreements for buying and selling goods and services, develop a common marketing company. The interaction and synergy, which appeared as a result of joint action, has a distinct advantage over companies operating in isolation.

Configuration of the tourist cluster on S. Nordin, is [15]:

- A set of tourist resources, attracting non-indigenous inhabitants of the territory;

- The concentration of the companies to meet the tourist demand: restaurants, accommodation sector, transport services, crafts and tourist agencies, etc.;

- Production sector and to support the tourist services;

- Clean and cheap infrastructure (roads, fuel, sanitation, health care);

- Companies and institutions that provide the necessary training of personnel, information support and financial capital;

- Internal agency, organizing and implementing the cluster concept;

- Public authorities, regulatory and coordinating structure, affecting

the education cluster.

Cooperation among multiple business entities related to the tourism industry or closely related to it, in a market economy leads to the formation of specialized formal or informal tourism clusters, districts. Lack of proper cooperation hinders this process. The structure of tourist cluster includes interaction of managing subjects in the sphere of tourism involving activities of management and coordination bodies, public organizations, scientific institutions. The functional structure of the tourism cluster includes in its membership the institutional environment, innovative environment and tourism products production environment. The functioning of the tourism cluster occurs in active cooperation with the environmental, socio-cultural, economic and institutional environment. The structure of the tourism cluster in different areas on different components depending on the combination of recreational resources, prerequisites concentration of tourist enterprises of different specialization.

Tourism clusters of different specialization in the territory have several ways of development. Some fall, some larger and grow. In a highly competitive tourism clusters tend to cooperation, joint complementary activities, as well as partnerships with other industry clusters. This process is characterized by the formation of tourist cluster, which is defined by the presence of geographic, economic, social and infrastructural features.

To analyze the process of formation of tourist cluster in the study area proposed scoring method is a set of attributes that allows to use not only qualitative analysis but also quantitative. Each group includes a primary and secondary symptoms. According to the complex of primary characteristics of regional tourist cluster is defined as objectively existing education. Secondary signs indicate the maturity of the cluster (table 1.1).

Formation of a coordinating body within the cluster - the phenomenon is optional, however, in terms of continuity of national conduct of economic policy should be noted that this step is important not only for territorial development agencies, but also for the business, as One of the most important functions of the body providing a dialogue between the stakeholders in tourism development, educational and research centers, investors and entrepreneurs related industries.

Typology of tourist cluster, in addition to genetic traits, it is proposed to carry out on the functional features (features reflect the functioning of specialization) and hierarchical characteristics (reflected rank tourist

Table 1.1

**Signs of formation tourist cluster**

Category features	Primary signs	Secondary signs
Geographical	<ol style="list-style-type: none"> <li>1. The location and concentration of tourist enterprises on a relatively small area, has natural, cultural, historical, and others resources.</li> <li>2. Intra tourist division of labor.</li> </ol>	<ol style="list-style-type: none"> <li>1. Provide a meaningful impact of regional tourist economy on the socio-economic structure of the region, promote regional development.</li> <li>2. The development of related industries, to ensure the functioning of tourist activity.</li> </ol>
Economic	<ol style="list-style-type: none"> <li>1. The increase in the share of tourism in the structure of paid services.</li> <li>2. Activation of internal and external communications.</li> </ol>	<ol style="list-style-type: none"> <li>1. Consolidation of the tourist sector leaders.</li> <li>2. Formation of a favorable business environment and innovative, attractive for partnership.</li> <li>3. Development of new tourist products, routes;</li> <li>4. Understanding the individual competitiveness of cluster members in the competitiveness of the entire cluster.</li> <li>5. A significant increase in the share of tourism in GRP.</li> </ol>
Social	<ol style="list-style-type: none"> <li>1. Increase in the number employed in the service of tourism.</li> <li>2. Formation of the tourist market of labor resources.</li> <li>3. Creation of universities, research institutions, the opening of specialized departments engaged in the study, the service sector and tourism, training specialists in this direction.</li> </ol>	<ol style="list-style-type: none"> <li>1. Preparation of choice varied holiday among the local population (development of specialized types of tourism).</li> </ol>
Institutional	<ol style="list-style-type: none"> <li>1. The activity of cooperation coordinating bodies, the organizers of tourist activity to R&amp;D;</li> <li>2. Formation of public-private partnerships in the region in the tourism sector (financing, coordination, training).</li> </ol>	<ol style="list-style-type: none"> <li>1. Strengthening the role of the region as a tourist center at the national and international level;</li> <li>2. Creating innovative regional tourism brand.</li> <li>3. Active participation in exhibitions.</li> </ol>
Infrastructure	<ol style="list-style-type: none"> <li>1. The development of tourism infrastructure (cycle paths, marinas, airports, etc.).</li> </ol>	<ol style="list-style-type: none"> <li>1. The development of engineering, social and environmental infrastructure.</li> </ol>

cluster and its role in the structure of recreational facilities).

Functional features. Specialty tourist cluster is directly connected to the sources, the resources of its formation and composition of its participants.

The tourist cluster is formed by the merger of the local tourism clusters in its territory. The emergence of such clusters is influenced by the following factors and conditions:

Resource factors (natural, cultural, historical, labor, financial and land resources, infrastructure) - the potential for the development of specific types of tourism - determine the specialization of the cluster, provide the specifics of complementary enterprises (agro-tourist cluster, medical-health cluster, water-sports cluster, etc.).

Activity-related factors (created as a result of human activity) - ensure the competitiveness of tourist activity due to conditions created and implemented it in the area.

These include technological know-how in tourism, specific knowledge, skills and crafts that contribute to the specialization of the territory. Moreover, the territory can not have resource factors, the cluster can be created on the basis of activity-related factors.

The process of formation and development of the tourism cluster slows limiting factors: economic, institutional, geographic, and social infrastructure. Identify limiting factors contribute to the prediction of the process of formation and development of the tourism cluster, it helps you choose relevant (in accordance with the specifics of the region), the position of the authorities in the formation of the cluster (non-intervention, creation of necessary conditions).

Review of the organization of tourism based on the cluster concept allows us to offer new methods of zoning destination. The cluster approach to the development of tourism has two aspects: territorial and sectoral. Tourism can be seen as a natural development of the territory of the catalyst. The uncontrolled, disorganized tourism development has negative consequences: damage the environment, leads to the destruction of cultural and historical heritage, becomes a potential threat to the development of tourism in the territory.

At the same time tourism - a source of income, contributing to the creation of new jobs, the development of territory, stimulating the development of social and environmental infrastructure. There is a relationship between the sustainable development of the economic, socio-cultural, natural, institutional, sub-systems and sustainable development of tourism, which includes the elements of all the above

subsystems. When sustainable development of tourism there is the prevalence of a positive impact on the natural, social and economic environment of the negative. For example, the area also is a resource that provides competitive advantage of tourist enterprises.

Excessive spatial concentration of tourist enterprises is often negative. The natural environment is lost, and therefore, the main competitive advantage is lost. Thus, it found a link between sustainable development of the regional tourist cluster and its competitiveness, which goes from the lower hierarchical level of the tourist cluster - micro-regional to higher - macro-region.

This approach is based on the theory of adaptation of integration system of competitiveness, competitive advantage diamond of M. Porter, the concept of sustainable development of the economic, socio-cultural and environmental subsystems, models of the impact of tourism on regional development. Different approaches to the organization of tourist activity have their advantages. In a market economic system is overdue to apply the cluster approach, taking into account the market mechanisms in the localization and cooperation of tourist enterprises and related industries.

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<b>Berezin Alexander</b>
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*Doctor of Economics, Professor,  
Department Economics of  
Enterprises, Higher Educational  
Establishment of Ukoopspilka  
«Poltava University of  
Economics and Trade»*

**TOURISM ENTERPRISES  
AND FOOD MARKET**

Nowadays, there is further deepening of integration processes, expansion of trade, cultural, scientific and technical connections between the countries. In the integration processes, there has been steadily increasing importance of international tourism, which affects the multilateral global and national economy, international economic relations, formation and development of international economic relations.

In many countries and certain regions, tourism is the main source of profits, while the tourism industry became the largest in the world by a number of employees. Unfortunately, Ukraine uses only a fraction of its domestic recreational resources that limits the influx of tourists from around the world. Therefore, the potential of the national economy for the development of tourism enterprises is used quite ineffectively.

Therefore, there is a problem of research of the national food market, its state, and development prospects, and the impact on the efficiency of tourism potential.

At the present stage of economic development of Ukraine, problem of providing the population with food is invoked particularly sharply. The solution of this problem and further optimization of the supply of food are possible by fuller involvement of agricultural products and raw materials in the turnover of domestic market as sources of its resources. Given the needs of tourism and its potential development, there is a constant aggravation of the problem.

Note that the formation and establishment of the national food market takes now a fundamentally new stage that requires objectively the strengthening of state regulation of production and sale of food, including foreign relations. This point of view determines the specific aspects of the effectiveness of state regulation of foreign policy in the food market and strengthening the food security of Ukraine, protection of domestic food market and economic interests of national manufacturers, optimization of import-export operations in compliance with the balance of national economic interests, the interests of food manufacturers and population as consumers of final products. According to our belief, the problem of effective development of tourism and search of the ways of forming common organizational and economic relations should be solved in this area.

Hague Declaration on Tourism, approved by the Interparliamentary Conference on Tourism, whose founders were Interparliamentary Council and the World Tourism Organization, provided that the governments of the participating countries "should provide the basic infrastructure for tourism, take special measures to support tourism activities of tourism enterprises .. ." [1].

In providing such infrastructure, important role is played by the subjects of the national food market and, above all, the restaurants. This is due to the fact that quality food of tourists in both national and international tourism should be considered as an important factor that ensures the attractiveness of that area and attracts attention of potential tourists.

The subjects of agrarian market are all agribusiness management unit separated from each other and managed by their own commercial interests. But all of them need constant renewal of organizational and economic relationships, as they are the parties of a single process of reproduction of food and non-food products made of agricultural raw materials, which are interconnected consequently, as each of them is a consumer of resources produced in the previous stage of the reproductive cycle, and simultaneously a manufacturer of the resources

intended for consumption in the next step.

On the background of globalization, there is always a significant increase in the size of businesses of the restaurant industry in the world, the restaurant chains created. Particularly rapidly spreading is inherent to the restaurant chains, whose main products are hamburgers, pizza, and other fast food.

Nowadays, the system of restaurant businesses is booming in large shopping centers all over the world. Through this service, a number of visitors to the center grow along with duration of their staying in it, which significantly increases sales.

Tourism is the industry related directly to the large number of sectors where primary attention is paid to the enterprises of infrastructure of the food market. Frequently, there is a situation where the sophisticated demand of tourists on food is not satisfied by local manufacturers. Therefore, it requires replacement by imports. This is especially true for locations where the seasonal types of tourism are the most common.

Therefore, there is a need for detailed analysis of trends in food production taking into account seasonal tourist flows to justify investment efficiency as a whole at national and regional levels and at the level of special tourism projects. Furthermore, this analysis results discover the opposite effect of different types of tourism on further development of the national food market.

Assessment of the economic impact of tourism on the economy of a region (or country in general) is based on the expenditures of tourists. As local companies depend on other companies regarding their resource support through organizational and economic relationships, any shifts in expenditures of tourists in recreational areas lead to the changes in the regional economy, profits of market actors, and employment of population.

Costs of tourists are incomes of businesses serving their customers. Most of these costs fall on enterprises of the food market infrastructure, on payment for food, drinks, and services of enterprises of restaurant business.

Slow development of food market infrastructure, lack of investment support cause extremely underdeveloped domestic tourism as an economic sector. Increasing the costs of services of enterprises of the food market takes a place permanently. This phenomenon adversely affects the competitiveness of the tourism industry as well as the enterprises of national food market. In addition, tourism image of the country is diminishing.

The development of the food market in the area of organizational and economic relations regarding the service of tourism enterprises is an important part of the foreign trade for the country. In addition, this development impacts positively on national exports and imports. It can be argued about the development of the domestic food market and tourism, where there is an exchange between different regions of the country.

Thus, tourism can be considered as an active generator of inter-regional and international flows of food products and services of food market.

The development of tourism industry in a region stimulates own food production, their processing, and exchange between regions (selected countries) [2].

The contribution of tourism to the balance of payments of the country or region is advisable to define as the difference between the cost of the entrance tourists in a region or country and the expenditures of exit tourists out of this region or a country. Therefore, the expenditures of tourists on the food and service of the food market may affect significantly the economic policy of Ukrainian regions. However, such information is accumulated only in relation to international tourism, while it remains a subject of some researches regarding some regions. Therefore, the accounting system of tourism should be combined with a system of national accounts, which will reflect the specificity of tourism in the country in common and in specific regions. Thus, it becomes apparent that the assessing of tourism impact on the balance of payments of the country or region is difficult.

Tourism has a direct impact on employment in the national food market, but it is extremely difficult to isolate and give an accurate estimate of the number of employees of the enterprises of the food market infrastructure serving the area of tourism. In addition, the problem of a realistic assessment of these workers is complicated due to the specific performance of the food market entities, their communications links, and largely due to seasonal peculiarity of their operations.

For some regions of Ukraine, tourism development may be crucial for creation of additional jobs in the food market, and, therefore, for the development of the labor market in a region. In Ukraine, in the Carpathian, Polesye, and some other regions, significant part of the working population permanently or seasonally is involved in servicing tourists in the network of the restaurant industry and other actors of the

food market.

The service of tourists by the enterprises of infrastructure of the food market impacts on the environment. Currently, environmental issues and its recovery have an important place among the problems of development of society.

It is obvious that service of tourism by the enterprises of the food market infrastructure cannot develop without interaction with the environment. Herein, the necessity of efficient management of tourism development and efficient planning of economic entities of the food market to reduce the negative effects and increase positive effects becomes clearly evident.

However, the problem is that most regions of Ukraine almost never used measures for the protection and conservation of natural resources due to lack of funds, while the profits of the food market derived from tourism service are not distinguished in the total amount of their income.

In this regard, the important point is the need to consider that when assessing the impact of tourism and the entities of the food market on the environment, it is important to orient on the needs of such an assessment. This is due to the fact that what is often considered as positive in terms of tourists can be negative from the standpoint of the local population.

Unfortunately, the negative impact regarding the use and preservation of the environment often prevails over positive impact. Especially negative aspect is the use of low-quality technological fuel that pollutes air, water in rivers, lakes, etc. These are the examples of only minor damages that can hurt external environment.

The policy of the food market entities to protect the environment should be directed at long-term support of the tourism industry. Unfortunately, a number of companies in the food market just ignore these aspects, preferring their own immediate economic benefits.

Assessment of the impact on the environment uses regulations, established environmental services, etc. However, inadequate regulatory framework that ensures the protection of the environment or its absence does not have to stop processes of development of tourism enterprises as well as of the national food market. By the side of local governments, monitoring of state and development of the food market infrastructure and its evaluation are needed. It should be recalled that environmental protection is the simplest and cheapest measure than the correction of damage in the future.

Based on the fact that the policy of tourism development for the

effect on the environment is increasingly urgent in Europe and the world implemented a number of programs to protect the environment.

Tourists who come to the region or individual country have significant social and cultural impact in contact with the local population. Thus, contacting with tourists directly, the employees of the food market entities, the network of the restaurant industry are invoked by the specified effect.

The value of direct social and cultural impact is associated with differences in cultural levels of guests and local people. This includes traditions, religion, and lifestyle, norms of behavior, habits, etc.

Socio-cultural influence can be both positive and negative. Positive impact includes the exchange of cultural information, interest of tourists to the cultural heritage of a country or a region that can cause a sense of pride in local citizens, encouraging them to keep their national traditions, crafts, etc. The negative impact is frequently manifested as a result of direct contact, but can also occur through disproportional development of tourism and inefficiency of realization of potential recreational opportunities.

As in other areas, the formation of effective tourism sector is accompanied with certain negative points. Thus, the attraction of foreign labor and creation of new high-paying jobs (especially by obtaining foreign investments) will cause dissatisfaction of the part of local residents who can not find appropriate work or receive relatively low salaries.

The problem of social tension deepens also due to different levels of welfare between guests and locals. Local populations recognize tourists as richer of them because they show extravagance that is not inherent in everyday life at home. However, local residents forget that tourists are on vacation and can afford to spend the funds that are accumulated throughout the year. This can cause feelings of envy in local residents, which sometimes leads to resentment due to the behavior of tourists. Frequently, these situations emerge during the numerous tourist flows in areas of significant concentration of tourists.

To sum up, consideration of certain economic aspects of tourism development has shown from the point of the national food market that these two sectors are developing simultaneously. They significantly influence on each other, and therefore, need to be addressed by the state. Tourism development positively resulted in impact on the national budget, interregional (international) trade, balance of payments, employment. In addition, environmental problems are solving in more

efficient manner, while further socio-cultural development of the regions takes a place.

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### **Chernysh Iryna**

*Doctor of Economic Sciences,  
Associated Professor, Chair of  
Tourism and Administration,  
Poltava National Technical Yuri  
Kondratyuk University*

### **Makhovka Viktoriia**

*PhD in Economics, Assistant  
Professor, Chair of Tourism and  
administration,  
Poltava National Technical Yuri  
Kondratyuk University*

## **CRISIS MANAGEMENT IN TOURISM AS A MEAN OF ITS STRATEGIC DEVELOPMENT**

At the present stage of development, tourism occupies a significant segment of the national economy in many countries and the world economy as a whole since carries out a stimulating effect a long term perspective and has a rapid development and significant social and cultural effect providing informative component of society development priority and importance of the touristic industry for national and regional economic development is confirmed by such arguments as its leading place in some countries, grounding of the industry share proportions for different objects of comparisons, evidence of the industry profitability as a positive aspect in the state budget formation. It should be noted that in Ukraine, in spite of the significant tourist and recreational potential and resources, this sector of the economy is insufficiently developed and unable to ensure the production of quality tourism products and high

service level of tourism services, making it uncompetitive on the world market. Therefore, the relevance of the research topic is conditioned by a number of problems in the tourism industry in Ukraine, and search for ways to overcome them, to date, remains the subject of much research. Since tourism is an inter area, covering more than 40 related industries (transport, accommodation, food, education, medical, environmental, etc.), so enhanced attention to the improvement of mechanisms of control and management of tourism enterprises at all levels and the need to develop measures of crisis management on tourist enterprises in order to ensure the development of the tourism industry of Ukraine as a whole.

At the present stage of development, tourism occupies a significant segment of the national economy in many countries and the world economy as a whole since carries out a stimulating effect a long term perspective and has a rapid development and significant social and cultural effect providing informative component of society development [3]. According to the World Council of Travel and Tourism in 2015 tourism accounted for about 10% (7,170.3 billion. US) of global GDP, 4.3% of the total investment, 9.5% of total employment and 6.1% of world exports [5]. Thus, according to UNWTO total contribution of travel and tourism areas in employment increased by 2.6% in 2015, while the a general contribution to GDP grew by 3.1%, which is faster than broader economic growth (2.3 %) for the fifth consecutive year [4].

We have to pay our attention to the digital evidence of tourism industry priority, which provides as follows: according to the WTO, the tourism industry uses about 7% of global capital (investment), it is created every 16th job place, it accounts for 11% of consumer spending, it provides 5% of tax revenue for the 40 countries where it is the main source of the national budget, and in 70 countries it is among the top three industries for this indicator, and it accounts for 12% of global gross domestic product.

It should be noted that in Ukraine, in spite of the significant tourist and recreational potential and resources, this sector of the economy is insufficiently developed and unable to ensure the production of quality tourism products and high service level of tourism services, making it uncompetitive on the world market. Therefore, the relevance of the research topic is conditioned by a number of problems in the tourism industry in Ukraine, and searches for ways to overcome them, to date, remains the subject of much research. Since tourism is an inter area, covering more than 40 related industries (transport, accommodation,

food, education, medical, environmental, etc.), so enhanced attention to the improvement of mechanisms of control and management of tourism enterprises at all levels and the need to develop measures of crisis management on tourist enterprises in order to ensure the development of the tourism industry of Ukraine as a whole.

The problem of crisis management was studied in the writings of many scholars, including: I.A. Volovyk, L.O. Lihonenko, I.L. Sazonets, V.A. Vasilenko, E.A. Utkin, S. E. Shershnev, V. Tulenkova, V.D. Chumak, S. Yakovlev, A.D. Cherniavsky, A.M. Shtanherta, B.A. Rayzenberha, K.A. Brid, A. Hickman, D. Morris, G. Hanin and others. Features of business management and tourism were discussed in the works by N.V. Antoniuk, I.A. Bochan, G.A. Voroshilov, L.P. Dyachenko, N.M. Ganych, O.N. Kal'chenko, V.I. Stafyichuk, I.V. Svyd, T.I. Tkachenko, B.V. Shupik. But the issue of crisis management in tourism requires further study and discussion.

Today, tourism is one of the most developed areas of the world economy, which has high growth and dynamic development, and promotes integration processes, the formation of tourist regions image, improves the efficiency of socio-economic development. By 2015 the total contribution of tourism to GDP totaled 7,170.3 billion dollars (9.8% of GDP) is projected in 2016 this figure increased by 3.5% and will grow by 4.0% per year to 2026 and will make about 10,986,500,000,000 dollars [4].

The strategic goal of tourism development in Ukraine is the creation of competitive in domestic and world markets national tourist product, expanding domestic and increasing inbound tourism, basing on complex development of resort areas and tourist centers on the basis of socio-economic interests of the population, preservation and restoration natural areas, historical and cultural heritage.

The basic preconditions that affect tourism development are determined on figure 1.1.

In recent years, for the tourism industry as Ukraine and other countries of the world were difficult for a number of reasons, including the global financial crisis in 2007-2008, which led to increased political and economic instability in certain countries (Greece, Italy, Egypt, etc.) that tourism is attractive and have a well-developed infrastructure and great demand among tourists. Volcanic eruptions in Iceland (2010) led to the closure of airspace in many countries: UK, Ireland, Latvia, France, of Denmark, Belgium, Sweden, the Netherlands, Finland, part of

## KEY PRECONDITIONS FOR DEVELOPMENT OF THE TOURISM

- ✓ favorable natural and climatic conditions;
- ✓ geographical location and territorial-administrative structure;
- ✓ level of environmental safety in the region;
- ✓ cultural and historical potential;
- ✓ Medical and sanitary (the level of safety and security, health and hygiene);
- ✓ political (political and legal rules, regulations) and economic and financial stability in the country;
- ✓ level of socio-demographic development;
- ✓ technological progress (the use of scientific developments in the tourism sector, modernization and computerization of the tourism industry, new technologies in tourist services);
- ✓ infrastructure and logistics (accommodation, dining and recreation, land and air transport);
- ✓ level of international relations and participation and integration and globalization processes;
- ✓ level of human resource capacity of the tourism industry;
- ✓ awareness of the tourist product (tourist information network centers);
- ✓ control and coordination in the tourism sector by public authorities;
- ✓ favorable conditions for private sector development;
- ✓ range and value of travel services, state and regional policies for tourism development.

Figure 1.1. Basic prerequisites for tourism development

Germany and the Czech Republic, Norway and Poland therefore affected not only tourists and tourist enterprises, but also other sectors of the economy. As a result of these and other factors, the insolvency of large tour operators was caused (Ukraine, Bulgaria, Britain and others.). These tourist companies engaged primarily outbound tourism, which led to the emergence in the bankruptcy of a number of problems for other participants of travel market, including tourists (premature eviction from the room, the complexity of the return back to their native homes by air), accommodation facilities (reducing load hotels), etc [2].

Therefore, we consider that at this stage despite form of ownership

should be paid attention to the concept and system of crisis management. In crisis management need to understand management, in which the pressure planned or random factors put certain way prediction danger of the crisis, analyzing its symptoms, measures to reduce the negative effects of the crisis and the use of the following factors for sustainable development of enterprises [6]. Crisis management is a part of company management, which includes a system of management measures for diagnosis, anticipation, neutralizing and overcoming the crisis and their causes at all levels of the economy [1].

The implementation of crisis management is fundamentally difficult to determine not only the causes of the crisis, the nature of its course, the type, but with the factors that trigger crisis situations. Some scientists, revealing the essence of crisis management, based on the degree of intensity of the impact of the crisis on the socio-economic system distinguish previous crisis management carried out if there is a potential threat to the crisis, preventive – if symptoms of latent crisis and reactive - is implemented in a deep crisis [3].

In particular, the studies of modern scholars have shown works, the concept of crisis management includes four blocks of issues. The first – the area associated with the enterprise. Second – combines management problems on different phases of the crisis. The third block is connected with the social aspect of governance – the staff. Fourth – linked with the ability to predict the crisis, determine its causes and consequences, evaluation of potential risks [6].

As the result of the study, we propose to identify the main problems of tourism activities develop in Ukraine, namely:

1. The deficit of investment resources.
2. Outdated material and technical base.
3. Insufficient development of tourism and transport infrastructure.
4. Low level of service and quality of tourist services.
5. Lack of effective integrated informational, methodical, organizational support of tourism.
6. Imperfection regulatory support of tourism.
7. Gaps in programs of development and support of tourism and other industries working with travel companies.
8. Gaps in the system of state regulation and regional tourism.
9. Inefficient utilization of available tourism resources.
10. The lack of staff qualification in tourism.
11. Insufficient development of tourism in regions of attractive potential in terms of tourism.

12. Reducing the demand for tourist services, due to fluctuations in foreign and national currencies and reducing the purchasing power of consumers.

13. Poor cooperation with other tourism enterprises economic entities that are involved in servicing tourists.

14. Changing consumer preferences for tourist services.

The main factors that determine the specificity (features) of crisis management of tourism enterprises are:

dependence on external resources and significant limitations of internal resources;

high threat of bankruptcy as a result of the low level of ensuring the financial responsibility of tourism;

high dependence on the synergy of various business organizations involved in the provision, creation and implementation of the tourism product;

high sensitivity of tourism to various risks (economic, political, natural, social, demographic, etc.), which increases the possibility of a crisis;

large variety of types and organizational forms of tourism that define the social and economic impact of tourism, which is to meet the needs of consumers of tourist products and expansion of economic activity in tourism, which in turn affect the competitiveness of tourism enterprises in the market;

limited in time.

Tourism has become one of the key priorities of Ukraine's economic development, especially given the current crisis. Ukraine has a large number of regions and areas that have a high potential for tourism, but it is constrained by a number of problems characteristic of almost every region, insufficient infrastructure, lack of qualified personnel with experience in the industry, inefficiency marketing activities, poor management, planning and control in the industry.

In the field of tourism crisis management requires special attention from the overall multifaceted management strategy because a tourist area is in much more dependent on possible threats of external and internal environment.

In order to develop tourism as a leading sector of the national economy of the state and a competitive tourism product that will allow Ukraine to occupy leading positions in regional, national tourism market determine the main strategic directions of development of tourist industry of Ukraine:

1. Diversification of domestic tourism potential, competitiveness of tourism products on the world market.

2. Better development of tourist regions, forming thematic tourist corridors, infrastructure of tourist towns and areas of environmental and rural (green) tourism.

3. The development of transport and tourism infrastructure (accommodation facilities, food, health, telecommunications, advanced trading network, etc.).

4. Development of comprehensive plan for the development of different types of tourism (winter, therapeutic, business tourism (MICE segment: the organization of conferences, seminars, workshops, exhibitions), ecotourism, agriculture (green) and others).

5. Creation of new jobs, development of individual regions, the increase in revenues from tourism, the formation of a famous tourist country brand in the world market.

6. Implement the promotion of its own tourism product through effective advertising and marketing information policy that will include promotion and advertising of Ukraine as an attractive tourist country. In particular, the offers made promotion of specific tourist areas (rural (green) tourism, medical and health, sports and winter tourism) also need to effectively adjust the activities of the information centers both in the state and abroad, regularly distribute information on tourism opportunities in the country.

7. Improve organizational subsystem of state regulation of tourism (state and regional tourism management), regulatory framework, create an enabling environment for investment in tourism, directing local budgets received from the regional economic business infrastructure in the region.

8. Improvement of the quality of tourism enterprises in tourism industry. By forming standards of quality tourism products focused on customer needs combined with effective implementation and use of the capabilities of modern information technologies and communications, which will significantly increase the efficiency of the business. By the quality of the tourist product should adopt an integrated approach, which will log Pow general professional world standards. It is advisable to focus and give priority to the development of professional industry associations and public organizations (such as the Union to promote rural green tourism in Ukraine and others.), which will organize an independent evaluation of the quality of services in tourism, without violating the common market principles.

9. Diversification of the tourism product of the state. To promote the development of alternative forms of tourism, such as: winter, agriculture (green), medical and health, extreme, sports and more. The main strategic goals should be approximate to overcome seasonal and year-round formation of the season by diversifying tourism products based on existing tourism resources.

Therefore, it is worth noting that the tourist industry is a sophisticated complex system that covers the relationship of many industries, environmental and social security, culture, employment, the development of tourist and recreational infrastructure.

Therefore, for the successful implementation of the above strategic directions of development of tourism industry in Ukraine propose the following measures of crisis management, the implementation of which is appropriate at the regional level:

1) Strategic development measures of integrated tourism product and increase of tourist and recreational potential of the region.

2) Personnel measures will be to improve the quality of tourism education as part of ensuring the implementation of the tourism product.

3) Investment activities aimed at creating favorable conditions for investment in tourism, development of complex investment programs involving the state and private investors.

4) The financial and economic measures are as effective implementation of financial and economic mechanisms to support tourism, rational use of financial resources in the implementation of tourism, establishment of funds and budgets for tourism development.

5) Production measures will consist in diversify of tourism and creating new tourism products in order to overcome the problem of seasonality, the use of innovative technologies for the production of tourism product.

6) Organizational measures consists of establishing a comprehensive system of government at all levels (national, regional, business entities) and determining the relationship between them in order to ensure effective cooperation in the formation of public-private partnerships and production solutions management the field of tourism industry.

7) Innovative measures consist in the development and scientific substantiation of innovative projects for tourism development.

8) Marketing activities include promotion of new tourism products (green and religious tourism) and promoting them in the market.

We have to pay our attention to the digital evidence of tourism industry priority, which provides as follows: according to the WTO, the

tourism industry uses about 7% of global capital (investment), it is created every 16th job place, it accounts for 11% of consumer spending, it provides 5% of tax revenue for the 40 countries where it is the main source of the national budget, and in 70 countries it is among the top three industries for this indicator, and it accounts for 12% of global gross domestic product.

The integration of Ukraine into the European Union requires a combination of pan-European dimension of cooperation with regional integration. An essential condition for this process is the application of the standards of EU Member States in Ukraine to support small businesses at the local level, which is the purpose of scientific research and the use of experts in the field, providing innovative regional orientation programs for small businesses.

Summarizing, it can be argued that tourism is one of the priority sectors of the national economy. There were determined preconditions and problems of the tourism industry of Ukraine and there were proposed measures of crisis management of tourism enterprises. The article also determined that management efficiency of tourist area depends on the improvement of organizational, financial, information, staffing tourism, the use of innovative technologies in the creation of competitive tourist products, effective marketing tools to promote it at national and international tourist market. The basic strategic directions of development of tourist industry of Ukraine, which will create high quality competitive tourism product.

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**Gajdošík Tomáš**

*Ing. PhD., Research Assistant, Faculty of Economics, Department of Tourism and Hospitality, Matej Bel University, Banská Bystrica, Slovakia*

**Gajdošíková Zuzana**

*Ing. PhD., Research Assistant, Faculty of Economics, Department of Tourism and Hospitality, Matej Bel University, Banská Bystrica, Slovakia*

**Hrubcová Gabriela**

*Ing., Assistant, University of Economics, Prague*

**ECONOMIC IMPACT  
OF TOURISM IN  
DEVELOPING  
COUNTRIES**

Tourism has nowadays become one of the main players in the international trade and represents one of the main income sources for many developing countries. The aim of the paper is to analyse the economic impact of tourism in developing countries, compare the results according to the tourism regions and measure the importance of tourism in the economy of developing countries. In order to measure the economic impact of tourism, the input-output model is adapted to the conditions of tourism economic impacts. The article introduces a comprehensive overview of the tourism impact in developing countries, classified into tourism regions according to the UNWTO. For each region the minimum and maximum values as well as median were calculated, in order to reduce the variability within the regions. As the indicators of economic impacts of tourism, the visitor export, contribution to GDP and employment, capital investment in tourism, government and domestic spending were selected. The article concludes that tourism is a great factor of national economies in the developing

countries located in the regions of Caribbean, Oceania and North Africa. Tourism in developing countries should be developed according to good governance principles. UNWTO developed principles of good governance which are written in Global Code of Ethics for Tourism. The presented research supports the fact that tourism as an economic activity influences the economies of the developing countries as the analysed economic impacts of tourism have a high share in the economic structure of destinations.

## **THE PROBLEM FORMULATION**

The issue of developing countries and the possibility of their further development, in relation to the opportunities of participation in the international trade, is currently a discussed topic at the international level. Many professionals from various sectors have been concerned with the role of developing countries in the global economy and the possibility of their further development as tourism destinations. From a broader perspective, the agenda of many international organizations addresses the problematic, particularly the publications by the United Nations organizations and the World Bank Group, as they consider tourism as a fundamental sector with the potential to contribute to the poverty alleviation.

Involvement of developing countries in the international tourism was in the last years addressed mainly by the III United Nations Conference on the Least Developed Countries and the 60th AIEST Conference. These conferences demonstrated how emerging countries can develop endogenous tourism resources and put them successfully on the domestic and the international markets. Therefore the aim of the paper is to analyse the economic impact of tourism in developing countries, compare the results according to the tourism regions and measure the importance of tourism in the economy of developing countries.

## **THEORETICAL BACKGROUND OF DEVELOPING COUNTRIES**

International tourism in the developing economies has been growing strongly during last years. In 2015, the emerging and developing economies generated 506 million international arrivals, which equals 46 % of all international tourist arrivals in the world, compared to 38 % in 2000. UNWTO (2014) forecast this share to surpass advanced

economies in the coming years and to reach 57% by 2030.

Developing countries are considered as countries at an earlier stage of development, especially in economic terms and with the low living standard. The issue of developing countries and possibility of their further development is closely related to tourism as one of the sources of potential growth and development of the developing countries. Participation of the developing countries in the international trade, including trade in services, is an important prerequisite for their further economic growth (Palatková, 2011).

Classification of the developing countries through the international organizations differs. Forty-eight countries are currently designated by the United Nations (The UN Committee for Development Policy - CDP) as the least developed countries. The following three criteria are used by the CDP: Per capita income criterion, based on a three-year average estimate of the gross national income (GNI) per capita, with a threshold of 992 USD for possible cases of addition to the list and a threshold of 1,190 USD for graduation from LDC status; human assets criterion, involving a composite index (The Human Assets Index); economic vulnerability criterion, involving a composite index (The Economic Vulnerability Index). According to UNCTAD (2012), different thresholds are used for all three criteria to identify cases of addition to the list of the least developed countries and cases of graduation from it.

The methodology of the World Bank - International Bank for Reconstruction and Development (World Bank, 2016) ranks countries into four income groups. The World Bank's main criterion for classifying economies is gross national income (GNI) per capita. Based on its GNI per capita, every economy is classified as low income, middle income (subdivided into lower middle and upper middle), or high income. The third concept of classification of the developing countries, The United Nations Development Programme (UNDP, 2013) methodology, is based on the Human Development Index (HDI), composite statistic of life expectancy, education, and income indices.

For many developing and the least developed countries, tourism is a viable and sustainable economic development option. In some countries, it is even the main source of foreign exchange earnings. According to the UNWTO, tourism is the first or second source of export earnings in 20 of the world's 48 least developed countries. Tourism can directly benefit the poorer groups through employment of local people in tourism enterprises, if managed with a strong focus on poverty alleviation (UNWTO).

Tourism can also play a role in poverty reduction, especially within the developing countries. During the last years, the sector has been dealing with many barriers. It has faced the global economic crisis, security incidents, climatic disturbances or pandemics. However, following all the shocks, the sector is witnessing a gradual recovery, with emerging markets leading the way (WEF, 2015).

Tourism commonly is approached through a variety of methods. Several methods have been used to realize the research of tourism. The most frequent used are the economic approach, geographical approach, sociological approach, cultural approach, institutional approach and historical approach. It is important to explain the contribution of tourism to the domestic and world economies, which is the role of the economic approach. It is focused on supply, demand, consumption, receipts, balance of payments, additional value, employment and other economic factors.

### **Economic impacts of tourism in the destination**

Tourism destination is from the economic point of view a well-defined problematic in the domestic as well as in the foreign literature (e.g. Medlik, 2003; Vanhove, 2005; Goeldner and Ritchie, 2006; Gúčik, 2006; Holloway, 2008; Barros et al., 2011, Gúčik, 2011, Šmardová, 2012). According to Medlik (2003), tourism destinations are countries, regions, towns and other areas that attract tourists. They are the main locations of tourist activity and tend to account for most of tourists' time and spending. They are the main concentrations of tourist attractions, accommodation and other tourist facilities and services, where the main impacts of tourism – economic, social and physical – occur. Vanhove (2005) sees tourism destinations from the income, employment, balance of payments and multiplier effect point of view. Goeldner and Ritchie (2006) add also tourism impact on investments, tax revenues and structural changes in the destination. Gúčik et al. (2006) claim that the aim of tourism development in the destination is in satisfying visitors' demand, thus achieving business objectives and national economic objectives. From a macroeconomic perspective, tourism contributes to the local, national and international economic development, as well as the destination competitiveness.

Tourism is associated with several economic functions, in terms of its economic activity. In order to reach an important position in the economy of the destination, tourism must constantly respond to

changing attributes of demand. We meet with several indicators of tourism economic impact in the literature. According to Vanhove (2005), Goeldner and Ritchie (2006), Palatková (2011) and Gúčík (2011), the most frequently used are indicators as visitor exports, government and domestic spending on tourism, contribution of tourism to gross domestic product (GDP) and employment and capital investments in tourism.

Tourism expenditure is a generator of the economic impact of tourism. It represents visitor exports and government spending on tourism (WTTC, 2014). Tourism visitor exports might be regarded as an income from tourism participants to meet their needs while travelling and staying in a destination. Government spending in tourism is associated with supporting participation by public sources, while domestic spending represents the expenditure of residents on goods and services related to tourism (Palatková, 2011). Tourism consumption is generated by the final visitor spending, social transfers associated with non-market services and spending in tourism by the organizations and companies (Gúčík, 2011). Balance of payments, representing the relationship between revenues coming from abroad and expenditures directed abroad, reflects the revenues and expenditures of the international tourism. Tourism has an impact not only on the current account of the balance of payments, but also on the capital account, comprising direct and portfolio foreign investments in tourism.

As the production of goods and services creates added value, tourism in cooperation with supporting industries also contributes to the creation of the value. Thus, the added value affects the GDP. The impact of tourism on GDP shows how tourism contributes to the total value of goods and services produced in a given destination (Vanhove, 2005). Another important economic indicator is the employment creation, which represents the number of jobs generated directly and indirectly by tourism development in the destination. Tourism in the destination can act as a pull factor for investments. According to Goeldner and Ritchie (2006), tourism stimulates investments because the initial investment in tourism supports investments in the other sectors. The quantification of investments in tourism is mainly aimed at the capital investments. These investments in tourism include fixed capital expenditure of tourism services providers and intermediaries, as well as investments made by the public sector to tourism facilities, capital equipment and infrastructure for tourism (WTTC / OE, 2015).

The economic effects of tourism can be divided into direct, indirect

and induced (WTTC, 2015). Direct effects are generated by industries that deal directly with tourists, including hotels, travel agents, airlines and other passenger transport services, as well as the activities of restaurant and leisure industries that deal directly with tourists. Indirect effects can be characterized by an increase in sales in supplier industries. It is thus an expenditure, which has been obtained primarily from visitors, but was used to purchase goods and services in the other sectors. Induced effect is created by spending of those who are directly or indirectly employed by tourism. The sum of direct, indirect and induced effects creates the total value and effect of tourism in the economy.

### **Measuring the economic impacts of tourism from the macroeconomic perspective**

Measuring the economic effects of tourism is not easy, because tourism has a multidisciplinary character. When measuring the economic effects of tourism, several models can be used, such as Keynesian models (Cooper, 1993; Pao, 2005), Money Generation model (Steynes, 1999), Input-output model (Fletcher, 1989, West and Gamage, 2001; Cai, Leung and Mak, 2006) or Computable General Equilibrium (Dweyer et al., 2004).

Stynes (1999) describes the basic approach to measurement of the economic impact of tourist spending.

$$\text{Economic impact of tourist spending} = \text{Number of tourists} * \text{Average spending per visitor} * \text{Multiplier} \quad (1.1)$$

The tourism multiplier is based on the traditional Keynesian multitier formula:

$$k = \frac{1}{1 - c + m} = \frac{1}{1 - \text{MPC}} \quad (1.2)$$

where  $k$  = income multiplier  
MPC = marginal propensity to consume  
MPS = marginal propensity to save

However, as Vanhove (2005) claims, account must be taken not only of the saving quote, but also of the taxation on income and the

expenditure on imports. Very often some goods are also imported and there is even tourist expenditure that never enters the economy (e.g. payments for transport operated by foreign carriers or foreign-owned lodging). So the equation is:

$$k = \frac{1 - L}{MTR + MPS + \{[1 - MTR - MPS]MPM\}} \quad (1.3)$$

where MTR = marginal tax rate

MPM = marginal prosperity to import

L = the immediate leakage attributable to tourist spending not entering the economy

Cooper et al (1993) adds that even the most complex and comprehensive Keynesian models developed for some studies are unable to provide the level of detail that is required for policy making and planning. Therefore, other models are used.

A Computable General Equilibrium model is based on the Input–Output but it also deal with other markets, and the links between markets are explicitly modelled. However, as Dweyer et al. (2004) claim, General equilibrium effects are not always that easy to observe directly, or to appreciate the significance of. It is possible to see them when there are big changes to the economy.

## **RESEARCH OBJECTIVE AND METODOLOGY**

The aim of the paper is to analyse the economic impact of tourism in the developing countries, compare the results according to the tourism regions and measure the importance of tourism in the economies of the developing countries.

In order to measure the economic impact of tourism, we have selected the developing countries according to the definition of The World Bank. From 137 countries, total of 23 did not provide the economic impact of tourism. These countries were excluded. The rest of the countries (114) were classified according to the tourism regions defined by the UNWTO (table 1.2). For each region the minimum and maximum values as well as median were calculated, in order to reduce the variability within the regions. The minimum and maximum values stand for the countries with the lowest and highest economic impacts,

Table 1.2

**The research sample of developing countries**

<b>Region</b>	<b>Countries</b>	<b>Number</b>
Caribbean	Cuba, Dominica, Dominican Republic, Grenada, Haiti, Jamaica, St Lucia, St Vincent and the Grenadines	8
Europe	Albania, Armenia, Azerbaijan, Belarus, Bosnia Herzegovina, Bulgaria, Georgia, Hungary, Kazakhstan, Kyrgyzstan, Macedonia, Moldova, Montenegro, Romania, Serbia, Turkey, Ukraine, Uzbekistan	18
Latin America	Argentina, Belize, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Nicaragua, Panama, Paraguay, Peru, Suriname, Venezuela	17
Middle East	Iran, Iraq, Jordan, Lebanon, Yemen	5
North Africa	Algeria, Egypt, Libya, Morocco, Tunisia	5
Northeast Asia	China, Mongolia, South Korea	3
Oceania	Fiji, Kiribati, Solomon Islands, Tonga, Vanuatu	5
South Asia	Bangladesh, India, Maldives, Nepal, Pakistan, Sri Lanka	6
Southeast Asia	Cambodia, Indonesia, Laos, Malaysia, Papua New Guinea, Philippines, Thailand, Vietnam	8
Sub-Saharan Africa	Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cape Verde, Central African Republic, Comoros, Cote d'Ivoire, Ethiopia, Gabon, Gambia, Ghana, Guinea, Chad, Kenya, Lesotho, Madagascar, Malawi, Mali, Mauritius, Mozambique, Namibia, Niger, Nigeria, Rwanda, Sao Tome & Principe, Senegal, Seychelles, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Togo, Uganda, Zambia, Zimbabwe	39

*Source: The World Bank, 2015*

while the median provides the breakdown point of 50 %. As the indicators of economic impacts of tourism, the visitor export, contribution to GDP and employment, capital investment in tourism, government and domestic spending were selected. In order to compare the results for each region, we used relative values.

For measuring the economic impacts of tourism, the Economic Impact Analysis published by WTTC, known as unofficial national Tourism Satellite Accounts (TSA) was used. The methodology is based on the information from national accounts, macroeconomic research,

forecasting and modelling and the input-output model.

In order to measure the dependence between the analysed indicators of the economic impact of tourism, we use the Spearman correlation coefficient, which measure the strength of dependence between two quantitative or ordinal variables. The coefficient might have the values from the interval  $<-1; 1>$ . The higher the absolute value of the coefficient, the more dependent the variables are.

## RESULTS AND DISCUSSION

Tourism has the potential to create economic, environmental and social effects in the destination. Because of the multiplier effect, also the other related and subsequent industries can benefit from its growth. Therefore, tourism contributes to the destination development and also significantly improves the socio-economic situation of the region.

When measuring the economic impacts of tourism on the destination, one of the most important indicators is the visitor export (table 1.3).

*Table 1.3*

### **Ratio of visitor export to the total amount of revenues from goods and services in developing countries (2014 – 2015)**

Region	Visitors Exports (%)		
	Min	Max	Median
Caribbean	18,2	60,5	50,65
Europe	1,7	43,2	8,2
Latin America	1,2	29,6	6,2
Middle East	0,3	31,9	8,9
North Africa	0,1	24,4	12,8
Northeast Asia	2,3	4,6	3,2
Oceania	15,3	61,8	42,5
South Asia	0,4	60,3	7,2
Southeast Asia	0	26,1	6,7
Sub-Saharan Africa	0	80,3	7,05

*Source: Own research based on WTTC, 2016.*

The ratio of visitors export to the total amount of revenues from goods and services is connected to the tourism arrivals. The highest shares have the countries in the regions of the Caribbean, Oceania and North Africa. These countries are seen mainly as a summer destinations and this fact influences the tourism arrivals and the average length of stay. On the other hand, there are developing countries in the region of

Southeast Asia and Sub-Saharan Africa, where the share of visitor exports to the total amount of revenues from goods and services is almost zero. The average lowest share of visitor exports is in the regions of Latin America and Northeast Asia. Tourism does not play a significant role in the national economies of those countries, because of the insufficient tourism infrastructure and the importance of the other industries (mainly agriculture).

The economic structure of the developing countries differs; hence, the contribution of the tourism to GDP in the analyzed regions is also different (table 1.4).

*Table 1.4*

**Tourism contribution to GDP and employment in developing countries (2014 – 2015)**

Region	Direct GDP (%)			Total GDP (%)			Direct Employment (%)			Total Employment (%)		
	Min	Max	Mdn	Min	Max	Mdn	Min	Max	Mdn	Min	Max	Mdn
Caribbean	2	13	6,15	5,6	38,9	21,8	1,5	18,6	5,7	4,9	42,3	20
Europe	1	10	2,2	2,4	21,4	8,2	0,7	8,7	1,9	2,1	19,4	7,3
Latin America	1	12	3,3	3	34,1	8,8	1	11,3	2,8	2,7	30,9	7,5
Middle East	2	9	2,7	4,9	25,1	6,8	1,5	8,9	2,3	4,2	24	5,9
North Africa	2	9	6,8	3,9	18,7	15	1,9	7,6	5,9	3,6	16,7	13,3
Northeast Asia	2	3	2,2	5,7	9,2	5,9	2	2,9	2,4	5	8,3	6,4
Oceania	5	18	8,9	13,6	50,6	22,7	4,4	15,2	7,6	11,8	44,9	19,7
South Asia	2	22	3,4	4,2	48,7	7,95	1,7	20,7	3,45	3,7	44,7	7,9
Southeast Asia	1	11	4,9	3	25,7	12,4	1	9,6	4,15	2,6	22,3	10,3
Sub-Saharan Africa	1	25	3	2,6	63	7,1	0,9	26,2	2,6	2,3	62,8	6,15

*Source: Own research based on WTTC, 2016.*

Tourism plays an important role in the national economies in the Caribbean, North Africa and Oceania. The direct contribution of tourism to GDP in these regions is almost two times higher than in the rest of the sample group. National economies of these regions are focusing significantly on tourism, which is also indicated by the total contribution to GDP. Due to its multiplier effect, tourism contributes to GDP also indirectly, so that the median of the total contribution to GDP is more than 15 %. On the other hand, the share of tourism on the value creation in the developing countries located in Europe, Middle East, Northeast Asia and Sub-Saharan Africa is much lower. Tourism is not the driving element in the national economies of those countries.

However, it can support the leading industries.

Contribution to the employment is another important economic impact of tourism in the developing countries. Employment in the businesses producing goods and services directly related to tourism affects direct and total employment in tourism. The highest share of employees working in tourism is in the Caribbean, North Africa and Oceania, which is influenced by the share of tourism on the GDP. It is important to stress that there are successful cases (e.g. Paesler, Job, 2013) which show that local companies created more value added and employment for the community and contributed better to poverty alleviation than international companies.

Capital investments in tourism are the factor representing the level of infrastructure in the destination. In developing countries, these investments are aimed at building new accommodation facilities and tourism resorts. The highest share of capital investments to tourism, compared to the capital investments to the other sectors of the national economy, is in the countries of the Caribbean, Oceania and North Africa (table 1.5).

*Table 1.5*

**Capital investments in tourism in the developing countries (2014 – 2015)**

Region	Capital Investments (%)			Government Spending (%)		
	Min	Max	Mdn	Min	Max	Mdn
Caribbean	4	16,3	12,5	2,9	21,6	10,95
Europe	1,4	24,6	3,3	0,1	5,1	2,9
Latin America	1,3	25	5,1	1,7	12,5	3,5
Middle East	2,8	10	4	1,2	10,5	2,9
North Africa	1,2	12,2	8,2	1,1	7,3	3,6
Northeast Asia	2,2	12	2,8	2,5	4,1	3,9
Oceania	2,3	28,1	11,1	2,4	13,9	5,8
South Asia	1,6	29,2	5,1	0,9	15	3,25
Southeast Asia	3,1	14,4	7,2	1,4	13,8	5,55
Sub-Saharan Africa	0,6	26,2	4,95	0,2	22,3	2,4

*Source: Own research based on WTTC, 2016.*

It is caused by the attractiveness of these regions from the tourism point of view and also by the role of tourism in the economy. As the role of tourism in the national economy decrease, the share of capital investments to tourism lowers. We find the average lowest ratio in the region of Northeast Asia and Europe. As the the Bieger and Keller (2011) claims, the emerging countries get most of the world’s direct

investments and are catching up. In the last decades, tour operators and foreign direct investment contributed to develop new products and opened new markets in developing countries. Their products created positive externalities in form of income, employment and foreign currency.

The similar trend can be found in the indicator of government spending on tourism, as well. This indicator expresses the amount of expenditures made by the national government in order to provide the services connected with tourism (e.g. national tourism marketing or tourism administration). The highest share of government spending related to tourism appears in the countries of the Caribbean region. The share of government spending on tourism compared to the government spending on all goods and services is almost 11 %. This indicates that the governments take tourism as a factor of the regional development seriously and support its development.

The last analyzed indicator of tourism economic impact in the developing countries is the domestic spending on tourism (table 1.6).

*Table 1.6*

**Domestic spending on tourism in the developing countries (2014 – 2015)**

Region	Domestic Spending (%)		
	Min	Max	Median
Caribbean	1,7	4,3	2,7
Europe	1,2	5,0	2,7
Latin America	1,0	6,7	3,4
Middle East	1,5	3,3	2,8
North Africa	3,0	5,1	4,1
Northeast Asia	1,8	5,5	3,5
Oceania	1,1	14,3	1,8
South Asia	1,6	4,4	3,75
Southeast Asia	2,4	5,5	4,0
Sub-Saharan Africa	1,3	7,9	2,8

*Source: Own research based on WTTC, 2016.*

Nevertheless, this indicator does not match the previous trend. The highest amounts of domestic spending on tourism compared to the spending on all goods and services are in the North Africa, South Asia and Middle East. This indicator is strongly related to the purchasing power of the local inhabitants, which is highest in these regions. Domestic tourism in the regions of Caribbean and Oceania is not highly developed.

In order to examine the dependence between GNI per capita and the economic impacts of tourism in the developing countries, the Spearman correlation coefficient was measured. According to the table 1.7, there is no correlation between GNI per capita and visitor exports in the examined developing countries.

*Table 1.7*

**Dependence between GNI per capita and economic impacts of tourism in the developing countries**

		Visitor exports	Total GDP	Total employment	Capital investments	Government spending	Domestic spending
GNI	Spearman's rho	0,035	0,262	0,229	0,208	0,226	0,057
	Significance	0,723	0,007	0,002	0,033	0,020	0,559

*Source: Own research based on World Bank and WTTC, 2016.*

The fact that the country is a successful tourism destination is not as much determined by its economic level as by the natural and cultural conditions. Consequently, the visitor exports level is not in the line with GNI per capita in the developing countries. It is in line with the research of Vanhove (In Bieger and Keller, 2011), who dealt with the importance of existing local resources for the growth of the emerging countries. He stressed, that the attractive resources such as natural or cultural heritage and manmade attractions are the key factor for development in the field of tourism. Visitors are willing to pay for these resources and so the developing country can obtain the incomes.

Yet, the contribution of tourism to the GDP and employment reflects the economic level of a country. There is a moderate correlation between the GNI per capita and total contribution of tourism to the GDP and employment. The similar correlation can be found between the GNI per capita and capital investments in tourism and government spending. Therefore tourism can be regarded as a one of the tool for increasing the economic level of developing countries. However, we agree with Bieger and Keller (2011), who stress that these impacts can only be reached if the tourism development leads to a certain critical mass. In this case, tourism can become an engine for growth and development of a whole destination. There are many successful examples in past which show the efficiency of the tourism development and its impact on national economy. International tourism helped almost two hundred years ago Switzerland to change from a poor mountain to a rich industrialised and

service oriented country. The same model of development succeeded in Europe after the Second World War in Italy, Spain and Portugal. It was realised later on in Turkey, Thailand, Indonesia, Egypt and other developing countries.

## CONCLUSION

Tourism as an economic activity influences the economies of the developing countries. Its economic impacts affect not only tourism industry, but also other related industries. Therefore it can be seen as a good possibility for economic development of the destinations. As tourism was not considered to be the driver of economic development until the 1990s, nowadays it can be seen as a major part of economies of developing countries. The presented research supports this fact as the analysed economic impacts of tourism have a high share in the economic structure of destinations. When comparing all the analyzed economic impacts of tourism in selected regions (fig. 1.2), we find out that tourism is a great factor of national economies in the developing countries located in the regions of Caribbean, Oceania and North Africa.

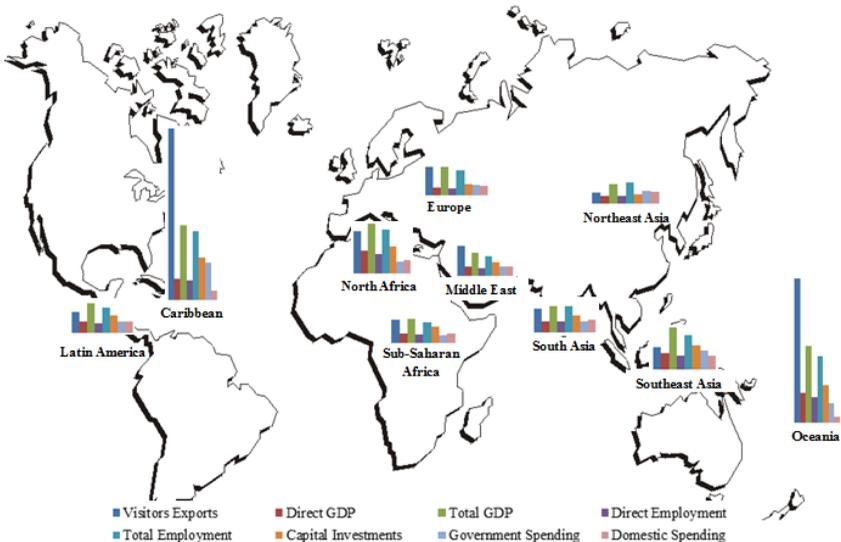


Figure 1.2 The economic impact of tourism in the analyzed regions

Source: Own elaboration, 2016.

Nevertheless, when dealing with the economic impact of tourism in the developing countries, the attention must be paid also on its coordinated development. When the development of tourism is not coordinated, it can cause the disruption of the local economy; create the conditions for uncoordinated construction of facilities and uncontrolled land sell-off. Therefore, it is important to develop tourism in a sustainable way, so it does not have negative effects on the natural and cultural sights, it does not cause acculturation or high inflation. In some cases, the development of tourism can accelerate the pathologic effects, e.g. alcoholism, addiction or prostitution.

Moreover, it is important that tourism should be recognized as a social force that can promote international understanding, cooperation in developing countries. Many people and institutions are taking the lead in promoting peace through tourism by putting together international exchange programs and building national and international peace through tourism conferences.

Therefore some implications for further research arise. Tourism in developing countries should be developed according to good governance principles. UNWTO developed principles of good governance and socially responsible tourism which are written in Global Code of Ethics for Tourism. Social responsibility is supposed to be a major long term interest and a determinant in addressing the issue of responsible tourism development and an agent to invite durable peace. It should contribute to minimizing the negative effects of tourism on the environment, cultural heritage, while maximizing the benefits for the local population of destinations. The social responsibility and responsible tourism requires respecting three pillars – economic, social and environmental. The economic pillar in tourism businesses and destinations represents the creation of code of ethics, transparent behavior (Maráková, 2015; Šmardová, Hvolková, 2015), open relations with stakeholders and accountability for their activities. From the social point of view the organizations should focus on sponsorship, respecting the attitudes of local inhabitants, as well as the development of social capital in the destination. Environmental pillar supports the environmental management (Kučerová, 2012) and is focused on minimizing the negative impacts of tourism on the local environment.

It is important to analyze the application of these principles in developing countries in the aspects of reducing poverty and developing rural areas where tourism is a social factor of community-based tourism.

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**Ivanova Valentina**

*Doctor of Economics, Professor,  
Poltava University of Economics  
and Trade*

**Ivanova Elena**

*PhD in Economics, Poltava  
University of Economics and Trade*

**INFORMATION SUPPORT  
OF PRICING  
MANAGEMENT OF  
TOURISM ENTERPRISES**

Pricing management of tourist enterprises should be carried out according to the chosen price strategy being developed within the overall business strategy. It should also facilitate the implementation of this strategy. Price is one of the key regulators of enterprises, allowed their success performance or terminated it at all. Therefore, the issue of pricing management for tourism enterprises always be relevant.

Enterprise should optimize the level of calculated prices for the specific conditions of its activities. In any case, the process for the price determination should contribute to the meeting goals that can be different for various periods of the activity of tourism enterprises.

The competitiveness of enterprises in the market depends on effective pricing mechanism, which, respectively, affects the final financial results of their work. Disclaimer of pricing management, rejection of the need to observe certain methodological principles during this process, the underestimation of the need for the development of pricing strategy, the use of ineffective methodological approaches for pricing lead to inhibition of business development. Thus, the issue of pricing management is important for any business, including tourism.

Pricing management in the tourism enterprises is one of the most important components of enterprise management system as a whole.

The main tasks of the pricing management in tourism enterprises are the following:

- Ensuring consumer demand for tourism products through the signaling about their loyalty to enterprises;
- Reducing the impact of seasonality on the performance of enterprises;
- Ensuring the necessary level of profitability;
- Increasing the market share of an enterprise and ensuring its competitiveness;
- Promoting the extension of maturity and growth stages of the life cycle of tourism products.

Pricing management should be based on information about the competitors, including an analysis of their offers, prices, changes in market share, the ratio of the rate of changes in market share of a tourism enterprise and its competitors.

However, a major cause of the price policy failure is often underestimation of the place and role of information as a resource that is able to promote the efficiency of tourism enterprises. Without awareness of this mission of information, it is impossible to achieve effective pricing management.

Significant role in regulating prices in regulating functional processes, relationships with other business entities and consumers in tourism enterprises necessitates the exercise of pricing management, which should be based on methodological principles and methodological approaches specific to tourism enterprises. This will allow them to retain existing and attract new customers, enhance its reputation, strengthen market positions, obtain a competitive advantage, improve ultimate performance, and ensure financial stability.

In the process of pricing management in tourism enterprises, complexity to solve tactical tasks of determining methodical approach to

setting the price of tourism products have to be applied. As the existing methods of pricing cannot be used in this process alone, overall complex algorithm for determining and adjusting prices based on careful selection of those aspects of each of the methods to be developed that would be best suited to the peculiarities of price formation in tourism product.

An integrated approach to pricing management involves the following steps for determining the price of tourism enterprises:

- Establishing minimum possible price (focusing on costs);
- Determination of critical sales, i.e. the number of tourism products at the lowest possible price;
- Pricing regard to targeted profit;
- Determining the number of tourism products that should be implemented to ensure the value of the targeted profit;
- Determining the number of tourism products, which should be implemented at the lowest price to get the necessary amount of profit;
- Matching the demand and price, and their comparison with the prices of competitors;
- Adjusting prices according to market conditions.

One of the most difficult tasks of pricing is regulation of the changes in already quoted prices depending on objective and subjective factors, that is one of the main components of pricing management.

The following factors are considered as having the most influence on a price:

- The cost components of the tourism product, i.e. tourism services;
- Demand;
- Competition;
- Seasonality;
- Purchasing power;
- Popularity of a tourist destination.

In fact, two determining factors of pricing is demand and competition.

Demand can be represented as the aggregated factor of influence on the price, whose fluctuations result from the changes in the factors significantly affecting him, even in the absence of competition. Among them, there are the following:

- The quality of the structure of a tourism product;
- The quality of each tourism service;
- Preferences and demands of consumers to the components of a tourism product;

- Seasonal consumer confidence;
- The level of purchasing power;
- Personal characteristics of consumers;
- Demographic situation;
- The state of social and economic policy.

Pricing management provides a choice of a strategy and approaches to pricing, taking into account demand for tourism products. If demand is held back by the price, that is the sales of tourism products do not meet the planned targets by tourism enterprise, it may take the following approaches to solve this problem:

- Consider the possibility of changing the characteristics of the structural components of the tourism product without lowering quality for cost reduction and therefore prices; but mostly, the cost of the tourism product depends on the cost of travel services of their providers, so the possibility of using this approach is limited by travel companies;
- Reduce the price at the beginning of revitalization demand and growth, but this approach also has limitations, as the incomes from the sale should ensure the targeted profit of an enterprise, at least, while the lowering it to the critical limits makes it impossible to obtain it at all, which is why this approach cannot be used frequently;
- Leave the tourism product and its price unchanged, increasing its foreign information activity to promote tourism product that can be implemented through a set of information signals (which includes price) and an effective system of external information flows.

Information support of tourism enterprises should be developed and carried out in the way to not only attract new customers, but to reduce the asymmetry of information on price parameters of tourism product through complex information (market) signals. Consumers should be confident that the price corresponds to the qualitative and quantitative parameters of the components of a tourism product. Consumers should clearly know the reasons for the possible deviation of the prices on tourism product of particular tourism enterprises from their competitor's prices for similar tourism product.

Consider the case when a tourism enterprise determines its own pricing policy and its strategies are the increasing or decreasing in price, while the buyer's strategy is to buy of a tourism product or do not buy. Accordingly, the game will be as follows (table 1.8).

Thus, a tourism company increasing the price gets the win - 1, but the benefit of consumers who purchased a tourism product will be - 0.5, which means it does not fully satisfied and hence, the enterprise faces a

Table 1.8

**Game matrix using price factor**

Strategy of tourism enterprise	Customer strategy	
	Buy	Do not buy
Raise the price	1;0,5	0;0
Reduce the price	0,5;1	0;0

risk to lose it if not using complex information signals to hold a consumer. According to another strategy, enterprise lowers the price to just keep a consumer, then its benefit is - 0.5 (price increase was an objective necessity), but the consumer benefit is the maximum, because it buys tourism product at a lower price. If a tourism enterprise will increase the price, consumers may not buy its tourism product in conditions of the absence of additional information signals, despite its quality and service of tourism enterprises, ie both have benefit - 0. Tourism enterprises can reduce price, but consumers who do not receive other information signals may decide that the tourism product of poor quality or service tourism enterprises is not high enough or do not have information about such a reduction, that both players win - 0.

Thus, the consumer gains will be maximized if an enterprise reduces tourism cost, while tourism companies do it when the price is high. Use of information signals can provide maximum benefit to the consumer for the use of the first tourist enterprise strategy, when the consumer will know the reasons for the price increase. Price reduction could provide a tourism enterprise with the maximum gain if the number of its customers increases due to the whole complex of information signals.

Demand depends on the readiness of customers to accept the price depending on the quality characteristics of tourism products, which should ensure tourist enterprises through an appropriate level of consumer information.

Based on the information received, the consumer can assess the usefulness of the tourist product (service).

In fact, the consumer selects a tourism product or service that maximizes its function consumption at existing restriction on income. The choice of consumers of tourist products (services) is formalized as the following:

$$f(k_n, m_n) \rightarrow \max \tag{1.4}$$

$$\sum c_n m_n \leq d \tag{1.5}$$

$$m \geq 0 \tag{1.6}$$

where  $k_n$  - utility of a tourism product (service);  
 $m_n$  - number of n-th products (services);  
 $c_n$  - price of the product (service);  
 $d$  - income of consumers.

Unlike the entities of other markets, the usefulness of the subjectivity of the same tourist product for different customers increases in the tourism market, that needs to be considered in the organization of information support of tourism enterprises.

As the tourism product cannot be considered as a normal on the moment at the time of purchase, its information presentation significantly affects its demand and, consequently, the price in the following ways:

- A description in the site and other advertising products;
- Representation during communication with the representative of tourism enterprise.

It is well known, the price of tourism packages for each tourist of tourism group is lower than the price of individual tour package. Reducing prices, provided by demand availability, increases in sales, which significantly affects the growth of the profit margin.

Increasing the number of tourists, and accordingly sales, is the result of information activity of a tourism enterprise.

Therefore, provision of tourism enterprises with effective information is one of the most essential components in the management of pricing, because information on demand and competition policy, consumer awareness about the services the company (advertising), information of direct customer service is critical in this process.

Efficient informational support of pricing, such as operational provision of this process with actual and accurate information on changes in demand, pricing and product policy of competitors allow flexible approach to pricing due to increased pricing sensitivity to fluctuations in demand. Tourism businesses will be able to differentiate prices more accurately.

Qualitatively organized advertising campaign of tourism products can increase their price. Reduced prices that is sufficiently highlighted in advertising and thoroughly explained is to increase demand.

Tourist businesses require such information to be provided the opportunity to fully address the problem of pricing and help obtain relevant knowledge for operational management of this process and achieve goals. Thus, they need particular information about producers of tourism services (address and other contact information), as well as their

prices; tourism services, payment terms, etc. Tourism businesses should be provided with information on competitors, demand and its dynamics, features destinations, and changes in legislation.

Information about the competition is detailed: their list, market share, products and their features, pricing, methods of work with consumers, consumer satisfaction they offer, and channels. Data on consumers include requirements for tourism products, methods and forms of service; solvency, market size, market trends regarding changes in the scope of supply.

Taking into account the ambiguous concept of «provision», «information provision» should be considered in two ways:

- Information provision is the process of providing information that includes the organization of its delivery and creation of conditions for access to it in order to meet the information needs of particular tourist enterprises;

- Information provision is documented information (documents) that form a fund as a result of the selection and preparation process that is used to meet the information needs of consumers (tourism enterprises, individuals), resulting, particularly, in the generation of knowledge as a source of economic growth. In this respect, information provision is considered as a resource or content of education component.

Thus, the problem of foreign tourism enterprises and the information was still relevant. Decentralization of economy and market principles require different approaches to its solution, including the possibility and feasibility of creating only central depository. Information provision needs to be organized in the way that information reflecting the changing external environment, would help their performance in a result of its use by economic actors as a resource.

For any company, including tourism, it is useful to consider two types of security information:

- External - organization and implementation of information support by external information flows;

- Internal - the organization and implementation of information support for the enterprise, ensuring the processing and use of external information flow within it, the formation and organization of the use of its internal information flows.

Tourism enterprise cannot exist only through internal information. Strong development of the tourism industry, globalization processes concerning tourism, increased competition only reinforce the need to expand external information flows that are powerful. In addition, timely

information needs special attention. Its absence can lead to wrong decisions and additional costs.

The role of information flows is significant in the implementation of business processes in a tourism enterprise. Functioning of information flows ensures the establishment and management of communication processes in relationships with customers and partners; promotes the rational use of economic resources, the creation of a quality tourism product; provides the necessary data process of making economic decisions, which is a central element of management of an enterprise.

Economic management of modern tourism enterprises involves the use of significant amounts of information generated in the environment and within companies through the formation and use of knowledge and experience of employees, active involvement of information technology.

Functioning of information flows should meet the needs of all personnel, including the managers, in information at all levels of the organizational structure of tourism enterprise. Good quality of such flows affects their ability to quickly and efficiently implement their own functions, the formation of a knowledge base in an enterprise.

Essential meaning of information flows of tourism enterprises is explained by information nature of a tourism product, organizational mechanism for its creation, and a high degree of their impact on the needs and the confidence of consumers and ensuring the efficiency of such businesses. The information flows form information management features of tourism enterprises as follows:

- The need to consider the impact of information management for quality tourism product;
- Given the time of uneven movement of information flows due to the impact of seasonal component of the activity of tourism enterprises;
- The need to ensure flexibility and efficiency of information exchange, given the timing of tourist services;
- Control over the use of tourism product by consumers through constant use of external input and output information flows;
- Depending the management efficiency on the organization level, the extent and effectiveness of information technology in a tourism enterprise, given the information nature of a tourism product;
- Dependence of information management and its impact on the availability of high-speed communication channels to provide direct feedback and tourism enterprise with customers and partners.

External information flows used for tourism enterprises can be presented in electronic or print form. Electronic form the most meets

modern requirements of business process of management in enterprises and provides a high level of effectiveness of information security through the use of information and communication technology and appropriate computer and communication equipment.

As there is a problem ordering information flows within tourism enterprises, i.e. internal information and that came outside for decision-making, information provision is frequently considered as a subsystem of information system of economic actors.

Complications of economic processes require much larger amount of information that should be formed cumulatively by each tourism enterprise that seeks to create a set of competitive advantages. In this respect, it needs not as much information as it seeks maximum knowledge as a result of its use. But it is evident that the degree of such enterprises and their integration into the world economic system depends not only on the quantity, but also the quality and efficiency of information and quality of organization of information flow, providing timeliness of its receipt.

The process of information provision is performed in several stages from the study of the information needs of personnel to manage pricing to the introduction of information technology:

- Study the information needs of personnel to manage pricing;
- Identification of the necessary information;
- Drawing up a list of sources of information;
- Introduction of information technology.

Data sources can be combined in several groups, including the main ones are:

- Makers of tourism services;
- Other economic agents (companies, organizations, educational institutions and science publishers, agents engaged in manufacturing (sales) electronic publications and databases, international organizations);
- Government agencies, including public authorities;
- Resources.

Pricing management involves determining pricing strategy and tactics, techniques of correct pricing. Profitability of the tourism enterprise, its viability and financial stability depends on the effective management of pricing.

The competition between tourism companies forces them to find new and improved methods known to a competitive status that would attract new and retain existing customers. Price and managing its formation

play a significant role in it.

Pricing management should take into account not only fluctuations in demand, but also find and use the levers of its regulation to ensure profitability of tourism enterprises that require strong information support.

**Kozhukhovskaya Raisa**  
*PhD in Economics, Associate  
Professor, Uman State  
Pedagogical University named  
after Pavlo Tychyna*

**FORMATION PRINCIPLES OF  
TOURISM  
ON THE BASIS OF  
ECONOMIC SECURITY**

***Problem setting.*** Issues of economic security for enterprises of any areas are becoming especially topical under the present conditions in connection with unstable political and economic the situation in Ukraine in particular in the tourism industry. Therefore, research subjects of principles of formation and the system of economic security and their introduction to the work of small and medium-sized tourism enterprises shall take extraordinary actualization.

***Review of recent publications.*** An important contribution to the study of theoretical and practical aspects of ensuring economic security of enterprises is reflected in the writings of of national and foreign scientists: T. Ambler (2014), J. Clegg (2009), J. Makens (2011), L. Dwyer (2010), O. Okhrimenko (2013), I. Shevchenko (2014), L. Shemaieva (2012), J. Swarbrooke (2008), A. Westing (2014), F. William (2014) and others. However, problems of organization of economic security for small and medium enterprises in the tourism sector are remained scarcely explored.

***Unresolved issues.*** The study of the tourism industry is an important aspect of tourism development through the prism of economic security, because tourism affects the economy, the environment as a sphere of human activity.

However, in the present conditions, security development of tourism is not ensured as a complex system of methodological approaches concerning the development of tourism.

Theoretical and practical aspects of research of the economic

security regarding of tourism spheres are still not disclosed in the methodical literature.

***The aim of the article*** is the research of the specifics of economic security for small and medium enterprises in the tourism sector of Ukraine.

***Materials and Methods.*** Author was used a whole complex of methods and techniques of scientific knowledge to achieve this goal in the work.

In particular during the research is disclosed systematic and functional characteristics of enterprises, theoretical concepts and definitions of the term "economic security of enterprise" based on the use methods of system approach.

Author proposed his own definition of the term "economic safety tourist enterprise" based on an analysis of literary sources. The research allowed single out external and internal threats to economic security factors of tourist enterprise, based on technical, economic, financial, personnel, information components using marketing methods of research.

The researchers also were defined main directions of improvement of quality and organizational-economic provision of the functioning of territorial tourism-recreational complexes in Ukraine using the methods of analysis and synthesis, comparison, SWOT-analysis.

Also, during a search, the use of analytical indicators allowed to state that the specific adaptability of management system of economic security for small and medium-sized tourism enterprises means, that this system must timely consider the status and changes in resource provision the business environment, the impact of environmental factors, sectoral structure of the economy, the level of competitiveness and financial sustainability of the enterprise and other parameters.

***Key research findings.*** Security in the tourism industry is a combination of "factors which characterize the social, economic, legal and other condition ensuring the rights and legal interests of citizens, juridical persons and of the state in the tourism industry" (Law of Ukraine, 18.11.2013, No. 1282-IV).

Considering the specified, economic security of enterprise is serving of tourism part of overall security in tourism. The system of economic security of business entity is characterized by its ability to implement the goals and key business strategies under certain external conditions by protecting against existing and potential threats of the environment (Shemaieva, 2012).

The system economic security of enterprise is a complex organizational, managerial, technical, preventive and other measures which aimed at implementation of the protection of the interests of the company from internal and external threats (Okhrymenko, 2013).

The object of economic security of tourist enterprise is determines the content of security a purpose and means of its ensuring and directly influences the formation of systems and mechanisms to its ensure (Shevchenko, 2014).

Features of activity of tourism enterprise is determines the principles and functional safety components and functional components of security and affect the choice of economic security.

The system of economic security of tourism of enterprise must contain a clear list of interconnected elements that ensure the safety of enterprise at achievement of by its main objectives business activities.

Economic security of tourist enterprise - is a state corporate resources and business opportunities, at which is guaranteed the most effective their application for a stable functioning and dynamic development, prevention of internal and external negative influences (threats), in our opinion.

Thus, the structure of economic security of tourist of enterprise will have environmental, financial, investment, social, innovative components and functional ingredients, as shown in figure 1.3.

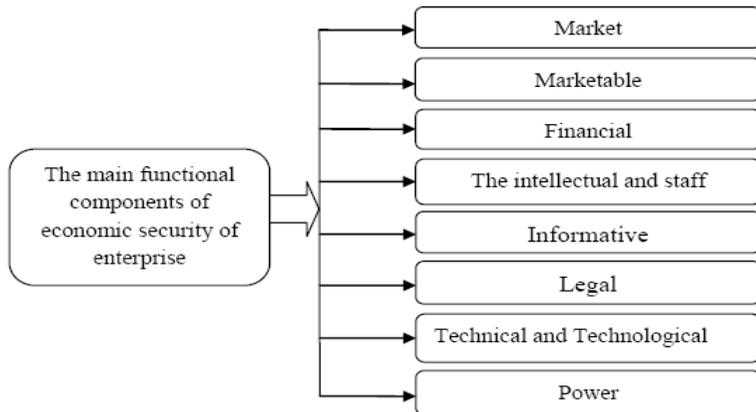


Figure 1.3. The structure of the functional and economic components economic security of enterprise \*

\* systematized by the author based (Ambler, 2014; Okhrimenko, 2013).

In our opinion, economic security of tourist enterprises is expressed the following components: tourist, technical and economic; financial, personnel; informative (fig. 1.4).

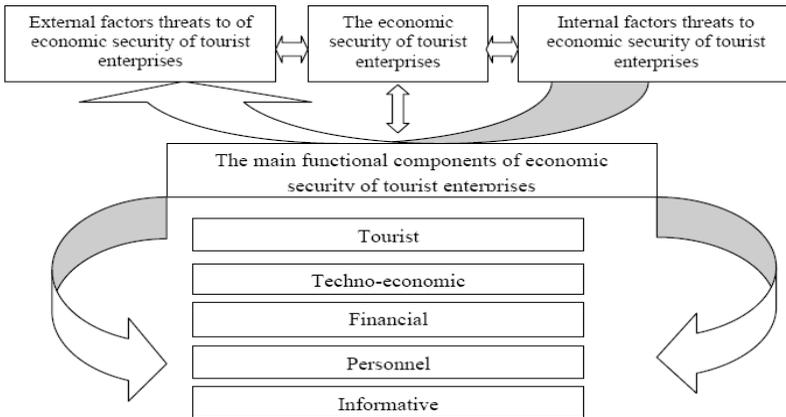


Figure 1.4. System of economic security of tourist enterprisesn \*

*\*source: built on the basis of the conducted research by author.*

Ensuring economic security of tourist enterprise provides selection, analysis and assessment of existing threats from each of the functional components and developing on their basis of counteracting measures, what are prevents the beginning of negative phenomena in enterprise activity.

The system of assessment and analysis of economic security encompasses the totality of consecutive interconnected among themselves blocks, stages, of systematized and adapted to these tasks of techniques methods, models, that allow to detect, evaluate and reduce the action of economic risks to the acceptable level with minimal expenses of corporate resources.

Functioning business from the perspective of action of external factors constantly threatened by deterioration of results of activity, because it is always possible violation of necessary regional, branch and inter-branch flows. Such violations occur through the action of various business partners – suppliers, customers, investors and others.

To risk factors should be attributed only it possible changes in input and output flow, it is impossible to predict in advance and clearly.

Success and failure in business should be seen as the interaction of a number of factors, because risk is an objective basis due to the uncertainty of the external environment and subjective through the decision-making of concrete person. Some of them are external to the economic entity, and others – internal (Swarbrooke, 2008).

The parameters that characterize the external to the of enterprise environment, are external factors. The correct solution to the problem of ensures the security of subjects of economic activities is directly dependent on understanding by all officials involved in this activity of basic categorical apparatus, used in its implementation and, primarily, clarification of content such categories as "danger," "security", "risk", etc.

So, security means the absence of currently of causing a real threat to any activity, values or those of a particular harm occurrence of which previously feared. To ensure the security it is important to be able to properly assess the situation that has developed and establish the presence or absence of danger.

We offer structure components of the economic security tourist enterprises. Based on the analysis of literary sources (Dwyer, 2010), Swarbrooke, 2008). This structure must be considered for the following algorithm:

- study of specific of business enterprise, its segment of the tourist market;
- analysis of internal and external threats of economic security tourist enterprises, research information about potential crisis situations, their causes and ways of settlement;
- audit of available funds to ensure the security and accordance analysis of detected threats;
- development of aims and strategies of economic security of tourist enterprises;
- modeling of the new system of economic security of tourist enterprises.

Implementation of the principles underlying the security tourist enterprises implies the use of specific procedures and implementation of concrete actions order to ensure its economic security, including:

- creating a legal service enterprises and its efficient operation;
- taking measures to preserve of trade secrets of enterprises;
- creating information-analytical of unit for computer security of enterprises;
- representing of interests and protection of the rights of

enterprises within the legal field and different kinds of organizations.

Currently there is interdependence between the strengthening of the economic security sector of small and medium-sized tourism enterprises and ensuring of the national security state.

In our opinion, basic components that ensure the economic security of tourism enterprises in particular and the state in general are: financial, social, innovation and technology, food, external economic, demographic, energy, ecological safety.

In turn, business development in the tourism sector is a prerequisite for social and economic growth, of democratization of society, to ensure the European development of territories, etc.

The impact of all factors, both internal and external, on the economic security of enterprise gets its manifestation in the change of indicators of its activities.

So, the level of economic security of enterprise  $L_{ec.e}$  can be presented as a function of many variables:

$$L_{ec.e} = F(\mathbf{X}) = a_1 f(x_1) + a_2 f(x_2) + \dots + a_i f(x_n), \left( \sum_{i=1}^n a_i = 1 \right), \quad (1.7)$$

where  $x_1, x_2, \dots, x_n$  – the main indicators of enterprise activity;

$f(x_1), f(x_2), \dots, f(x_n)$  – local functions of depending on the level of economic security of the relevant indicators of enterprise activity;

$a_1, a_2, \dots, a_n$  – the share of the importance of each indicator for economic security of enterprise;

$i$  – number of indicators.

Economic science has developed and economic practice and tested method of assessing the level the overall the economic security of tourist enterprise. We propose to evaluate it on the basis of determining of the cumulative criterion through the weighting and summing individual functional criteria, which are calculated by comparing of the possible magnitude the harm to the company and the effectiveness of measures to prevent this damage.

The cumulative criterion the economic security tourist business entity ( $C_{ces}$ ) can be calculated using the formula:

$$C_{ces} = \sum_{i=1}^n k_i d_i \quad (1.8)$$

where  $k_i$  – the value of the individual (single) criterion for  $i$ -s functional component;  
 $d_i$  – proportion of significance  $i$ -s functional component;  
 $n$  – number of functional components of economic security.

The level of the economic security is assessed by comparing the calculated values  $C_{ces}$  with the real value of this indicator for the enterprise, which analyzed, and too (if possible) for analogous of business entities in respective economic sectors.

After the calculation of the impact of the functional components of the change  $C_{ces}$  performed functional analysis of measures of organization necessary level of the economic security for the individual components using the appropriate algorithm:

- determining the structure of negative impacts on the functional components of economic security;
- distribution of objective and subjective of negative impacts;
- fixing of undertaken of preventive measures to prevent negative impacts on all functional components of economic security;
- assessment of efficiency of the measures in terms of neutralizing of specific negative impacts for each component of the economic security;
- determining the causes of insufficient effectiveness of measures undertaken to overcome existing and possible of negative impacts on economic security;
- detection of the expected negative impact on the level of the economic security and those that may appear in the future;
- processing of recommendations for elimination of the existing negative impacts on economic security and the prevention of such possible influences;
- assessment of the cost of each of the proposed measures to eliminate the negative impact on economic security and who is responsible for their implementation.

The results of functional analysis are made in a special table card. During its filling, negative developments that affect just a few components of the economic security, which are repeated on various functional components account for in the budget of enterprise (organization) only once.

Assessment of effectiveness of relevant structural divisions using cost of data to prevent possible negative impacts on economic security and about the size and caused damage gives objective (backed by

economic calculations) a picture of effectiveness of activity of all structural subdivisions on the matter.

For today, the impact of small and medium business is quite important in the development of the region and the state as a whole.

Besides, transformational, systemic changes that are taking place in the economy of Ukraine and institutional transformation of subject-object structure, are determine the formation of entrepreneurship as a phenomenon which owned by market economy, which when creating of appropriate favorable conditions will receive prospects of development (from the experience of developed countries, which are indicators of the sector and the role of tourism enterprises in the economy is significant positions).

It must necessarily provide socio-economic growth of regions and Ukraine in general. To such preconditions belonging:

- changes of the nature of political-economic space and relationships that are realized within it;
- transformation into a free-market economic principles of the system of social division of labor;
- the formation of social interlayer of owners - business entities;
- legal provision of property rights, freedom of choice of sphere capital investment;
- variety of forms services, openness of markets and the national economy for the entry into world economic relations.

So, strategic interests of the administration in the economic security of small and medium-sized of tourism enterprises are directly determined by the desire to achieve social and economic development of socio-economic system, create democratic society and ensure its development on the basis of European principles. In this context, more practical value has delineation directions, goals and government policy measures in the sphere of strengthening of the economic security of the investigated economic sector.

***Discussion of results.*** Before to proceeding to development strategy for any policy, in our opinion, should identify the range of problems or factors of negative influence, to overcome which will be developed targeted measures.

Credit system, tax policy, the absence of a favorable investment climate and innovation are also weighty deterrent factors, in addition to the negative impact of existing today in regions Ukraine preconditions and factors that hinder business development and constrain the progress of market-reformation change.

The subjects sector of small and medium-sized tourism enterprises has opportunities in regions Ukraine to engage in entrepreneurial activity available financial and credit resources for investment, innovation, modernization of production facilities.

The national taxation system depresses the business environment yet more, which significantly reduces of business activity of the population, causes the negative attitude of business environment for of public authorities.

The complex nature of these influences leads to that what country's financial system, which is a significant investment resource to give preference to the speculative character of turnover in the financial sector, where accumulated capital, which does not go into the real (productive) sphere of economy, because the last level of profitability is much lower, and the period of recoil of resources – a more prolonged.

In accordance to the above, these conditions do not correspond to the nature of an enabling environment for conduct of business and, until they are altered, and are impossible concerning formation in most regions of Ukraine of appropriate conditions for the development of national entrepreneurship in tourism SMEs.

A major problem and a characteristic feature of the modern of business environment is that in Ukraine is practically no civilized market of buying and selling businesses as such.

This significantly constrains the investment activity, contributes to illegal activities, leads to lower of the level of liquidity of national small and medium enterprises, «freeze» in them nested assets, the absence at owners incentives for capitalization own business and the economically and organizationally unjustifiable creation (registration) of new legal entities, which, in its turn, complicates the activity registration, tax, law enforcement and other government agencies, forms the ballast inactive of legal entities and, as a result, distorting national statistics on the increase the number of enterprises in the sector of small and medium-sized of tourism enterprises and their share in the economy.

Considering mentioned systemic causes decide complex to these problems is not possible only through the implementation of individual or a whole range of activities. It is necessary to develop and implement strategies changes in relationship "government-business-society" based on the phased implementation of complex measures of normative-organizational, administrative-economic and law nature in Ukraine.

The strategic objective of the whole set of measures and solutions should serve the need to formation of favorable conditions for the

development of legitimate entrepreneurial activity of competitive environment.

It should be recognized, that the policy of support entrepreneurship in Ukraine requires substantial adjustments. The state policy in sphere support of small and medium-sized tourism enterprises is not of a systematic nature and that are put for representatives of public authorities.

So, first of all, should provide for the recognition of social-political groups of the importance of obtaining long-term economic return on the investment from limited resources.

This requires forming understanding by social and political groups of link between investing resources in less profitable areas of activity (innovation, research-technological development, education, social services, etc) and providing creative and more efficient business environment of country.

Should also be to develop and ensure recognition society of the basic principles of economic development. Mainly, it concerns the importance of selection and analysis of the basic principles of the economic policy, which should be based on a system of moral values, and be the basis for the formation of an effective model of economic development and business environment to eliminate existing contradictions in it, primarily those, which adversely affect to deepening integration trends in the socio-economic environment.

The principles of economic policy should include:

- reducing the distribution function of government;
- ensuring that economic and social development;
- reducing economic monopolization more.

The principles that provide small and medium enterprises in tourism for the economy in terms of openness should be:

- focusing on a industries that are competitive in the global economy in regional and global dimensions;
- increasing the level of integration of economy in the country, creation of national tourist product on the market as a basis for appropriate employment niches in the competitive global markets of goods and services;
- incorporation into account of the intensity of national industries in comparison with other countries, incorporation into account of the different kinds of costs, prices and their international counterparts.

Creating a system of incentives to public legitimization of shadow incomes and ownership, ensuring investment in innovation, research-

technological development, education and social services, that will allow ensure the development of less profitable activities, including reach the ensuring of amnesty by "shadow" incomes which are invested exclusively in these areas (Westing, 2014).

Ensuring compliance with the state economic policy will provide the opportunity to empower of government functions to those and financial leverage over commit.

Adherence to the standards of economic policies will be possible on the basis of:

- tax cuts, simultaneously with the restriction value of other financial resources which are focused in the budget, approval of customs tariffs and fees to the level envisaged by the World Trade Organization;
- liquidation of benefits, grants, subsidies, etc., which are paid from local and state budgets;
- simplification of the legal formalities for the creation of new businesses and the elimination of existing and more;
- strengthening of antimonopoly law of Ukraine with expanding the powers of Antimonopoly Committe;
- implementation of reforms in the area of jurisprudence;
- ensuring transition from proportional electoral system to a mixed to enhance its "individualization";
- compliance with the rules of prohibition for entrepreneurs to run for posts in representative bodies, executive or judiciary until such time as their business will not be sold on the open auction with appropriate coverage in the media.

On the basis of scientific works and research materials, which are prove the interest of agencies of public administration of national and regional economic security sphere, we present basic requirements, which, in our opinion, are defined by the concept of economic security of sector of small and medium-sized tourism enterprises in figure 1.5.

Ensuring the implementation of the requirements of alternative management decisions provides that preparation of each solving or regulatory act within the principles of state regulation of business should consider variants for effects on the possible development of small and medium business, of structure and main indicators of sector economic security.

Specificity of adaptability management system of economic security for small and medium-sized tourism enterprises means that this system must timely consider the status and changes in resources for the business environment, the impact of environmental factors, sectoral structure of

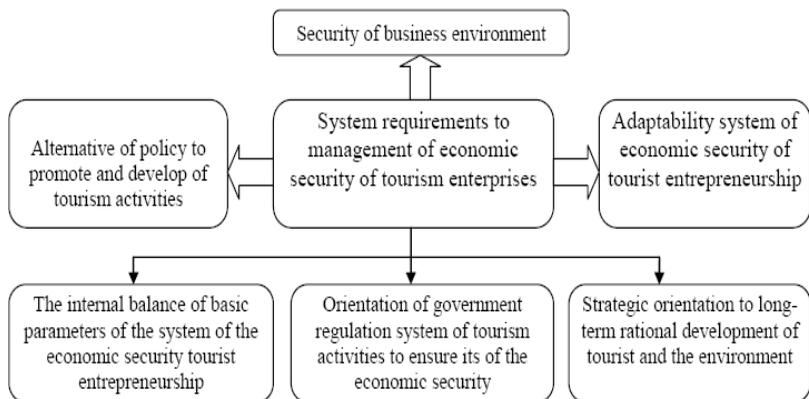


Figure 1.5. Requirements for effective public policy to ensure of the economic security for small and medium-sized tourism enterprises \*

\* source: built on the basis of the conducted research by author.

the economy, the level of competitiveness and financial viability and other parameters.

**Conclusion.** Orientation of government regulation of tourism system ensure its economic security of provides that administrative decisions which taken in the area of state regulation of economy and have an impact on development of entrepreneurship, must be considered and receive an assessment in terms of their impact on the economic security of the sector of small and medium-sized tourism enterprises as in the current time period and in the future.

So, organization of economic security for small and medium enterprises in the tourism sector obliges make management decisions governmental authorities, taking into account the totality of factors external and internal environment, and predict the measures to protect the interests of subjects of tourist activities in future periods.

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**Shargu Lilia**

*PhD, Associate professor,  
European University of Moldova,  
Republic of Moldova, Chisinau*

**STATE REGULATORY OF  
TOURISM ACTIVITY IN  
REPUBLIC OF MOLDOVA**

**Summary.** The tourism Industry is a part of country's economy, represented by companies where activities are to meet the needs of tourists. The main activity of tourism service providers is to create and sell tourism products on internal and external markets. The State agency

is in charge for all activities provided by companies in accordance with law. The present article is referring to organization and coordination of tourism by the State through the agencies founded specifically for this purpose. Moldova is no exception to the international rules of organizing and coordinating tourism but also has some specific features that the authors presented in the current article. Safety in tourism or visiting is not insured so the visitors have to take care by themselves. By mentioning the above statement, we would like to prioritize some regulations of the ethic code in tourism for consumers of these services in Moldova. This article represents an overview of the 10 principles of the Code of Ethics in Tourism which according to the authors must know all whether the client or contractor in tourism.

**Introduction.** Moldova at the time of the proclaimed independence has achieved both higher performance and modest performance in all the areas of national economy. As part of the economy, tourism economic result is not yet established or estimated as is. Although, it's legal and managerial achievements are quite clear and represent an interest to be known. These facts has led to current research.

**Results.** Cooperation in tourism, Republic of Moldova provide under agreements signed with countries that have agreed to partnership. The agreements signed are particularly important because they can promote our cultural heritage; accumulate experience for the management of tourism resources. Coordination and management of tourism activities is subject of State ministry. For our country a total of 15 cooperation agreements in tourism is a fairly insignificant figure from our point of view and not a positive trend, characterizing improvement of this sector. The first agreement was signed in 1993 with Turkey immediately after the declaration of Moldova as independent state, but unfortunately there was a lack of continuity. Two years later it was signed two agreements with Uzbekistan and Kyrgyzstan in 1995 and 1996 respectively. Maybe in terms of external relations, these agreements were important but in terms of the tourism industry there was no immediate outcomes as a result of this collaboration. Over six years was also signed an agreement on cooperation in tourism with Bulgaria, and in 2003 was signed with Latvia. Possibly these agreements represent no interest for Moldavian citizens, but for developing the tourism, yet they are still quite important. One of the most fruitful years in achieved agreements is 2004; were signed four agreements (Belarus, Azerbaijan, Albania and Israel). Neighboring Romania also signed cooperation agreement in tourism in 2005. Four other agreements were signed in 2006 with

Ukraine, Greece, Croatia and Italy. Then, after signing another agreement with Cyprus in 2007, it became the last agreement in the past period, as no other were signed since. We also have a question about previously signed agreements, that sims do not work, or not helpful, not efficient and/or we do not need to expanded collaboration, or this topic was forgotten.

There is a paradox, if cooperation agreements in tourism began to be signed since 1993, why during the 22 years we have only reached 15 agreements? Carefully analyzing the first agreement signed in 1993 I noticed that among the signatories is the Ministry of Culture, which also means that at that time I had a whole ministry dealing with tourism. April 3, 2007 was created the Agency for Management of National Tourism Zones, and November 21<sup>st</sup>, 2009 Tourism Agency was created that currently, represent the Moldovan government as the central administrative authority.

Tourism Agency is a specialized central administrative authority subordinated to the government, based in Chisinau, which develops and promotes the state policy in the field of tourism. The agency has legal entity and treasury accounts, financial and material means in accordance with Resolution no. 851 from 21/12/2009, approving the Regulation on the organization and functioning of Tourism, structure and its responsibilities and is fully funded by the state.

The Agency activity is based on: Constitution, Regulations Parliament decisions, Presidential decrees, Ordinances, decisions and orders of the Government, the relevant international treaties to which Moldova is party of other regulations.

The mission of Tourism Agency in Moldova is represented by the following activities:

- the development and implementation of the legal framework in the field of tourism and submitted for approval to the Government and subsequent legislative legalization court - Moldovan Parliament;
- to develop, implement and carry out strategies and policies of the State in the field of tourism;
- to develop domestic tourism ;
- to promote the country as a tourist destination abroad;
- to protect the rights of the subjects in the legal relations in tourism;
- to ensure the provision of tourism services up to international standards.

To achieve its mission in accordance with current legislation in

Moldova, Tourism Agency has the following functions:

- function to ensure sustainable development of tourism in Moldova;
- function continuous teacher training and improvement of tourism industry;
- the function of ensuring the rational use of tourism resources and compliance with the conservation and environmental protection areas and tourist resorts;
- the insurance nature of international cooperation in the field of tourism through the conclusion and implementation of international treaties in the field;
- function partially contributed to the development of rural tourism;
- function for inclusion in the international tourism circuit and tourism attractions;
- function of drawing investment in tourism.

This complexity of functions the Tourism Agency confirms an overall trust and a special responsibility. As tourism is a very valuable and productive for most developed countries in Europe and in the world developing these functions becomes an opportunity to develop the area in particular and the economy in general. Duties performed by Tourism Agency under Resolution no. 851 of 21/12/2009 approving the Regulation on the organization and functioning of Tourism, structure and responsibilities, art. 9 represent among the factors that contribute to the its functions. I analyzed the Moldovan Tourism Agency's tasks, depending on its managerial specific type, highlighted the following:

1. Duties for development
2. Duties to organize and coordinate
3. Executive tasks
4. Power of representation and collaboration

**Duties development are:**

- Development and submission for approval Government tourism policy documents, after prior coordination with the authorities and concerned institutions;
- Drafting laws in tourism, harmonized with international standards;
- Developing economic mechanisms to stimulate tourism development;
- Development and submission to Government for approval norms and criteria for grading of tourists and businesses in the tourism industry;
- Classification of tourism structures and exercise control over

compliance with the classification criteria;

- Developing methodological norms for opening tourist routes, approval and registration of tourist routes;
- Development contract template travel and tourist voucher model and presenting them to the Government for approval.

**Duties to organize and coordinate are:**

- Coordination of measures concerning implementation of public policies in tourism and accountability, within its competence, to implement them;
- Organizing and conducting activities to promote Moldova's image as a country of interest both for domestic tourism, and for the international;
- Organizing tourism exhibition activities in the country and abroad;
- Implementation of programs of technical assistance by the European Union, the World Tourism Organization and other international bodies, as well as European integration programs in tourism;
- Keeping heritage tourism;
- Valuing and protecting heritage, protecting and conserving the natural and human heritage of the tourist area, under the law;
- Organizing and supervising the editorial and advertising in tourism;
- Organizing, training and improvement of teaching in tourism;
- Coordinating the work of the National Centre for Training in Tourism Industry.

**Executive duties are:**

- the analysis and forecasts on the development of tourism in the country;
- register managing tourist areas;
- performing quality control of tourist services rendered under the law;
- initiation, monitoring, creation, operation and liquidation of tourist areas;
- approval urbanism documentation on areas and tourist resorts as well as documentation relating to tourism;
- monitoring of tourist traffic;
- regulation in collaboration with local government authorities, the tourism industry in the territory;
- participation in the work of the Consultative Council for Tourism;
- methodological assistance and information, businesses in the tourism industry, industry associations and local government authorities;

- performing other responsibilities prescribed by law.

**Powers of representation and collaboration are:**

- Represent the Agency internationally and locally promoting State interests in tourism;
- Coordination and monitoring of Moldova's cooperation with the World Tourism Organization and other international bodies in the field;
- Collaboration with associations and NGO's on issues related to tourism.

The activity within the Moldovan Tourism Agency is organized under Decision no. 851 of 21/12/2009 approving the Regulation on the organization and functioning of Tourism, structure Chapter III which establishes that the Agency is led by Director-General exercising powers conferred by law. The Agency operates a consultative body, the College of the Agency, composed of 9 members, the nominal structure of which is approved by the Government. Overall the central office of the Tourism Agency has a staff of 22 people.

Tourism agency is in charge of two institutions as: National Centre for Training in Tourism Industry, S.A. "Jolly Alon" tourism Agency manages the state stake in the joint stock subordinated company.

Moldova is a member of the World Tourism Organization since 2002. Beginning with 2002 our country follows the rules, principles and conventions as tourism partner, benefits from rights established, service providers in tourism and as simple consumers and promotes develop tourism services according to international strategies.

World Tourism Organization aims to make tourism a sustainable activity, responsible and available. The goals are quite noble and ethical code is directed towards the development of tourism. In the view of the World Tourism Organization code of ethics, implemented into society to contribute to the development of a number of principles aimed to maximize the efficiency of the sector with minimal loss of ecological and cultural heritage. From legal point of view, code of ethics is not mandatory and required by law, but through volunteering, anyone believing that they have been somehow harmed, under the Code of Ethics, may apply to the International Committee of ethics for protect rights, according to the 10 principles. Next we explain what are the 10 principles that were formulated in order to promote sustainable tourism, fair and responsible.

**Principle 1.** The role of tourism to mutual understanding and respect. These principle participants in the development of tourism will observe social and cultural traditions of all peoples and recognize their

value. All activities will be in full compliance tourist's traditions of the host regions and will respect all traditions, laws and customs of the natives. The tourists and natives will respect and contribute each, to a hospitable reception. Tourism authorities will ensure the protection and safety of tourists and their property. Tourists will not take care of things against the law and will be very well informed about the characteristics and peculiarities followed distinctive places to visit in order to minimize any risk.

**Principle 2.** Tourism and development of the individual and the society. Regardless of the type and scope of tourism activity, the tourist have to participate in this activity, intelligently, mastering new things and developing its vision with new information about the cultures of various peoples. Tourism activity carried out on the principle of equality: gender. They would also respect fundamental human rights, protecting the special groups (vulnerable children, elders, Aboriginal, etc); promoting special forms of tourism (religious, health, education, etc.); promoting the benefits of tourism in the educational process.

**Principle 3.** Tourism as a factor in sustainable development. Tourist's duty is to protect the natural environment for future generations. Have prioritized all forms of tourism that helps conserve natural resources and rare. Tourism activities scheduled to be conducted in order to preserve wild species or particularly sensitive areas and nature reserves. Rural tourism and ecotourism are some of the most popular and recommended for natural heritage tourism development position so as to population and places. Development of rural tourism and ecotourism are considered natural heritage and a respect for the local population.

**Principle 4.** Tourism as a user of heritage of mankind and contributor to its enrichment all tourism resources belong to the territorial community in which they are located. Tourism policy must be built in such a way as to respect the cultural heritage, artistic, archaeological for generations. Historic monuments should be preserved and encouraged visiting monuments and cultural properties from private possession with rights owners. A lot of financial resources that tourists visiting, will need maintenance, repair and embellishment of this heritage development. The role of tourism activity should be directed toward developing traditional cultural products, crafts and folklore to remain private.

**Principle 5.** Tourism activity beneficial to local communities the local population can benefit too by having jobs, and also, tourism

activities will contribute to economic benefits. Tourism policy is applied in order to raise living standards in the regions visited by local's first involvement in coordinating architectural changes or operation using labor resorts. Attention should be paid first to the vulnerable territories and regions for which tourism is a growth opportunity. Investors in tourism projects must operate transparently and objectively on changes or interventions in the life and traditions or natural heritage and to lead a dialogue with the locals.

**Principle 6.** Obligations of participants in tourism tourism service providers must provide truthful information for tourists: the place of destination, conditions of travel, hospitality, period of stay. Service contracts should include clauses required to pay a fine or a fee in case of interruption of the service, occurred by provider impossibility to operate. Travel agencies should work with local authorities to ensure the security, safety, accident prevention, health protection, food and safety for customers. Tourism service providers should as much as possible to help tourists to meet also spiritual needs. Host country of origin in cooperation with the tourist must, if necessary to ensure the repatriation of tourists in the event of bankruptcy of the company that organized the trip. It is the duty of every government to prevent citizens about the dangers that can expect a selected destination, but with great caution without exaggeration, that can bring financial damage on the ground. The press and especially the media must provide honest information on events that can influence the flow of tourists.

**Principle 7.** Right of tourism direct and personal access to the discovery of the planet's resources constitutes a right open and equal. Extensive participation of citizens in national and international tourism should be regarded as increasing leisure time of people and should not create impediments. The Right for tourism is provided by Article 24 of the Universal Declaration of Human Rights and Article 7 d., The International Convention of social and economic cultural rights. Public authorities should be more involved in social and associative tourism development. Facilitated by family tourism, youth, student and people with disabilities should be encouraged and eased.

**Principle 8.** The Freedom to travel tourists and visitors should benefit in accordance with international law of freedom in traveling in countries of origin and in other countries under Article 13 of Universal Declaration of human rights. Tourists must have access to transit and stay and tour cultural sites without being subject to excessive formalities or discrimination. Tourists must have access to all available channels of

communication internal and external. Visitors and tourists can enjoy the same rights as nationals of the host country to privacy of personal data. Administrative procedures Act will be minimized for tourists to facilitate freedom to travel and access to international travel. Travelers can avail the services of access to foreign currency convertible for travel.

**Principle 9.** The rights of workers and tourism agencies. Workers' rights would be ensured by legislation and will be guaranteed by national and international administrations. They will be assigned to the type of work performed and the experience in the country providing services. Employees with legal employment contracts will benefit from adequate social protection. Requirements of workers are depending on the quality of service provided. Small and medium entrepreneurs will benefit from minimum legal and administrative restrictions. Sharing experience when employing international specialists will help increase tourism activity. As a factor of solidarity entrepreneurs in the tourism industry will not be involved in engrossment of services. Entrepreneurs are involved in local development, avoiding the repatriation of profits by reducing their contribution to the economies set. Partnership and balanced relations between travel agencies contribute to the sustainable development of tourism.

**Principle 10.** Implementing the principles of the Code of Ethics for Tourism Participants in the activity of public and private tourism should cooperate and contribute to implementing the principles of the code of ethics in tourism and to monitor the effective implementation of all principles. All participants in the tour must acknowledge the contribution of the World Tourism Organization and its role in ensuring the development and promotion of tourism in the world, protection of consumer rights, environmental, health and international law. Any dispute between participants in tourism activity demonstrates the violation of one of the principles of Global Code of Ethics can be settled by World Committee for Ethics in Tourism.

In **conclusion** we will mention, that tourism activity in Moldova is organized in accordance with current legislation, but the results of this organization are hard to estimate. This is probably a result that our country still has not see tourism as economic and social development part or contributor of the country's economy.

The author believes that regardless of the situation whether he was involved or will be involved, as a visitor, tourist, tourism worker or entrepreneur must know the 10 principles of the Code of Tourism

Ethics. Through this message we would like that all tourists and visitors who will benefit from traveling to know that they are protected in addition by Moldavian law, Consumer rights and by International Organizations.

We believe that if there will be fulfilled and explored all values, heritage, expertise of partners with whom we have signed agreements of cooperation, will encourage businessmen to invest in tourism activity, achieving all tasks and duties of the competent institutions and responsible tourism development, Moldova clearly will have to benefit.

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### **Tkach Uliana**

*PhD in Economics, Associate  
Professor, Chair of International  
Business and Tourism*

### **Huhul Oksana**

*PhD in Economics, Associate  
Professor, Chair of International  
Business and Tourism  
Ternopil National Economic University*

## **TYPES AND CHARACTERISTICS OF PROJECT MANAGEMENT IN TOURISM**

The article presents the main theoretical and methodological aspects of project management in tourism. It specifies that the object of control is tourism products. In this regard, the paper presents main properties of tourism products as control objects at the stage of their design. Until

recently in Ukraine the concept of «project» was used mainly in the technical field, implying a collection of documents for a specific object. Later, project management became the economic concept, including different industrial and commercial activities. Afterwards, this resulted into the need to manage projects in the service sector and tourism. The authors offer a detailed and more accurate definition of «project». The paper shows the relationship between the project lifecycle and tourism product as a commodity. The tourism product as a commodity has its own life cycle, the duration and structure of which is determined by the market, i. e. the demand of consumers. The specified life cycle is influenced by other factors: fashion, solvency of customers, advertising, international situation etc. Besides, the article provides necessary types of software for project management in tourism.

Keywords: projects in tourism; tourism product; project life cycle; life cycle of tourism products as a commodity; functions and software in tourism project management.

Introduction. There is a process of forming the science of tourism, in particular, a general theory of tourism is created consequently with the development of the service sector, including tourism as a sector of the economy. Essentially all of the scientific discipline of tourism should be based on the fundamental provisions of the general theory of tourism. Similarly, tourist management in its arsenal of tools began to include such fundamental concepts of innovative nature as the "benchmarking", "creative approach", "controlling", "management of economic relations", "TQM -" «Total Quality Management», etc. [1-4].

The widespread adoption of the tourism practice regulations and recommendations of the general theory of tourism can enhance the professional and intellectual level of the staff of tour operators and travel agents. Many employees of these organizations see their work as a pure office, particularly without delving into the essence of operations performed. Inadequate staff generates a propensity to crime - starting from abuse and to outright fraud, which manifested itself in the form of mass bankruptcies of tourist companies in the season 2015.

Thus, the urgent task is to improve the qualifications of the personnel by strengthening theoretical training in the field of economy and tourism management. Among the essential areas of professional development of tour operators and travel agents should include Project Management.

The methodology and results of the study. Research objectives are to formulate the concept of "project" in relation to the service sector, to introduce the types and features of project management in the service

sector on the example of the tourism industry.

The concept of «project» Until recently, in the domestic practice, the term "project" was used mainly in the technical field as a set of documents for a certain object (the actual project, drawings, cost estimates, etc.). Later, project management has been used in the economy, in a variety of ways of production and commercial activities. In this connection there was a necessity of project management and tourism activities.

Today there are many definitions of "project" concept. Thus, in particular, it can be taken sufficiently concise definition: "the project is something that is planned in order to achieve certain goals" («Webster»).

For the purposes of tourism we offer detailed and therefore a more precise definition: project is a system of clearly defined goals, achieved with the help of special technical equipment and technological processes with the use of financial, material, labor and other resources, as well as administrative decisions and arrangements arising from the above goals.

Based on this definition, as the project is accepted tourism product and respectively project management is the control of the creation of a tourist product. The main method of project development is a creative approach.

For effective project management in tourism there is a need to consider a number of important properties of the tourism product as a design object.

The tourist product in the broadest sense - is an economic benefit intended for the exchange, a tourism product has the commodity nature.

For project management in tourism it is fundamentally important that the tourism product can be consumed only in the place of production of tourist services.

Project management includes the development of technology of preparation of tourist product. The tourist product is characterized as a commodity use value, i.e. utility or capacity to satisfy certain recreational needs of the people. The usefulness of the tourism product is determined by its value to the subject. Therefore, the tour operator must strive to create a tourism product, which would be valuable for the largest possible number of people, i.e. as far as possible it should have a mass market. Then you can use and industrial technology for the design and production of a tourist product.

In some cases, a tourist product is linked to the concept of «tourism package» – the basic (mandatory) range of services provided by

traveling on an individual or group plan, which has a serial character.

The tourist package includes the following elements: a tourist center, transportation and accommodation services.

Tourist center is a tourist destination, including all its recreational opportunities: natural, cultural, historical, ecological, ethnic, socio-demographic, infrastructure. This element refers to the binding, because with no object of interest it is not possible to organize a trip. The tourist center is an integral symbol of interest, uniting all the individual motives with respect to recreational resources. Regardless of the scale of the individual customer the tour operator is obliged to reduce it to a single option - a tourist center. This is due to the fact that tour operator is obliged to deliver tourists to a particular place of rest, because transport and accommodation will be arranged there.

Accommodation service is the particular hotel that is offered to tourist in the tourist center at the time of travel. Accommodation in hotels varies according to the type of hosting services that offer to the tourist. It can be hotels, motels, villas and apartments, boatels, camping and so on. Catering services are not included in a separate part of the tourist package, as they are part of the tourism accommodation services.

An important place in the tourist project takes a transfer – service from the arrival point of the tourist located in the host country (airport, harbor, train / railway station), to the place of accommodation (hotel), where he/she will live, and vice versa. Transfers are carried out using buses, taxis or limousines sometimes if transfers of this type are included in the tour package or requested by tourist.

Strictly speaking, a transfer is any tourist transportation within the boundaries of a tourist center. Therefore, here also include a trip from the hotel to the theater and back to the museum, and so on.

After the conclusion of the Schengen Convention (1995) questions about the unification of requirements for tourist product became particularly relevant. The fact that the tour purchased in one place, is consumed in the other, and only a complete harmonization of the positions of tour operator, tourist agent and tourist can ensure the mutual fulfillment of obligations. According to the International Convention for the tourism contracts (Brussels, 1970), such harmonization is carried out on a contract basis in the form of a voucher, which is signed by all parties to the agreement: tour operator, travel agent and tourist.

Thus, the tourist product is a set of material (commodities), immaterial (services) consumer values needed to fully meet the needs of tourists encountered during their travels.

The project management should take into account that tourist product consists of two major elements: a tour and additional tourist-excursion services. It should be borne in mind that the tour package is just part of the tourist product, to be exact - a mandatory part of the tour (the tour is greater than or equal to the tourist package).

Tour is the primary unit of the tourist product realized to the client as a whole, as the tour operator product of labor for a certain route and within a specific timeframe.

According to the project management theory, each specific project is classified in the following main features:

- On the scale (size, value);
- Internal and external;
- On the date of realization;
- On the main characteristics - indicators;
- On the nomenclature and use of resources.

The scale of tourism project, as a rule, corresponds to the value of entrepreneurship in tourism, and so there may be large, medium and small projects. The value of the tourism project is assessed according to the criteria: the number of tours for a certain period, the number of tourists, and volume of sales.

Types of projects. In this aspect one should allocate special types of projects, which may well be adapted to the conditions of tourism activities, namely:

- An investment project, i.e. a project related to the need for certain investments in the creation and development of enterprises of tourist infrastructure;
- An innovative project related to the development of new tourist products or certain their constituents - tourist services, new trends, etc;
- An international project is a project in the design and implementation of which foreign partners are involved.

A key element of project management is the project life cycle. Each project from idea to its completion undergoes a series of successive stages, the total duration of all stages is the project life cycle.

Life cycle of tourist project involves the following steps (fig. 1.6, table 1.9).

- I stage – conceptual (basic);
- II stage – design of tourist products;
- III stage – the development of tourism product;
- IV stage – ready tourist product.

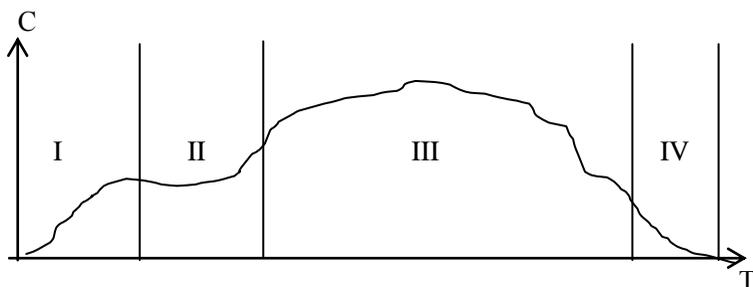


Figure 1.6 Life cycle of tourist project C - the costs (labor input); T - the duration of the life cycle stages.

Summary of the phases of the tour project life cycle is presented in the table below.

Table 1.9

### Stages of life cycle of touristic product

Name of stage	Stage content
I – basic stage	Collection of baseline data. An analysis of disparate data. Identifying the needs of the project. The formulation of the project objective. Basic requirements for the project. Participants of the project. Necessary resources. The formulation of the project concept and its examination. Adoption of the draft concept
II — design of tourist products	Formation of the project team. The development and concretization of the concept. Determining the structure of tourism products. Development of estimates of product realization.
III - the development of tourism product	Operational work plan. Monitoring the implementation of the work progress. Development of technological processes of implementation of tourism products. Establishment of business contacts. Legal registration of economic ties. Determination (calculation) of indicators of quality tourism products. Calculation of the tourism products price.
IV – final stage	Planning for the project completion process. Testing of the completed tourist product. Preparation and manning for the operation of tourism products. Preparation of necessary instructions and standard documentation for the project participants. Putting tourist products into operation.

Upon the completion of the project, the developed tourist product takes the form of a commodity i.e. becomes the object of sale in the market of tourist services. This means that the final price of the tourist product is established by the market as supply and demand compromise. Features of pricing in the market of tourist services are considered in [5].

The tourist product as has its lifecycle, length and structure of which is determined by the structure of the market - the demand of consumers. The specified life cycle is influenced by other factors: fashion, the solvency of customers, advertising, international situation, etc.

Wherein, the strongest influence has innovative activity of tourist companies. In this aspect of the innovation activity there is the result of a project management system in tourism, because initially the aim of the project is the creation of new tourist products.

Of fundamental importance should be recognized that the first phase of the life cycle of tourist products as a commodity is equal to the entire life cycle of the project. In general, the form of the result of the tourism project life cycle is information - a set of technological, legal, regulatory and instructional and other documents, i.e. the project as such.

Tour operators and travel agents in their daily professional activity should monitor the status of the life cycles of marketable tourism products with a view to designing new or upgrading exploited tourist products.

Theory and practice of commercial activities requires that the development of a new product must start at the stage III, as at the stage of maturity of this product, so that by the beginning of stage IV, the stage of the recession on the market, a new product was launched. The above requirement should be the starting point in the project management system in tourism.

Since the article is about project management, it is useful to consider some of the provisions of the general theory of management in relation to tourism.

Of particular note is the scientific support of the project, this means that the design of tourism products should be carried out on a strictly scientific basis with the use of the general theory of tourism attraction with the provisions of the following scientific disciplines:

- Regional studies (history and sights);
- Ethnography (life, traditions, behaviors);
- Geography (location, topography and landscape, natural sites);
- Climatology (the seasons: seasonal changes, temperature control,

recreation);

- Arts (art, their features and exclusivity);
- Medicine (very wide range of medical specialties);
- Nutrition (diets focus on a group of tourists);
- Balneology (the presence of mineral springs and spas);
- Psychology (personality characteristics of potential tourist attractiveness of the formation of tourism products);
- Sociology (case studies) and others.

Such an extensive list of scientific disciplines shows the extreme complexity of managing tourism projects. This circumstance makes high demands on all types of software project, but especially to labor, which requires professionals of the highest level and erudition. In connection with this part of the tourist project should be considered methodical attractions for tour guides.

It can be argued that tourism is high technology industry today. As with any high-tech products, the costs of the scientific support of the project make up a significant proportion in the prime cost of tourism products. Therefore, the overall tourism product is the intellectual property of the developer: it can be the subject of patent or copyright registration. Tourism product is an intellectual product.

Marketing software is necessary to obtain information about the state of the market. But at the same time marketing support is intended to play a role in the derivation of the project in the form of ready tourism products directly to the market. Questions of tourist products realization are discussed in details in [3].

Functions and types of software project management system in tourism are represented in the diagram (fig. 1.10). When designing a tourist product, the project developer should endeavor to make maximum use of their own know-how.

In the project management system, including tourism, management objects are also components of this project. American Institute of the PMI project management, defining global standards in the given professional field of activity, identifies the following basis of project management:

- 1) management of the project content or subject area of the project, which is the tourist product with all its constituent elements;
- 2) time management, i.e. to ensure the timely release of tourism products on the market for its realization;
- 3) cost management, i.e. compliance with the estimates for the development of tourism products cost;

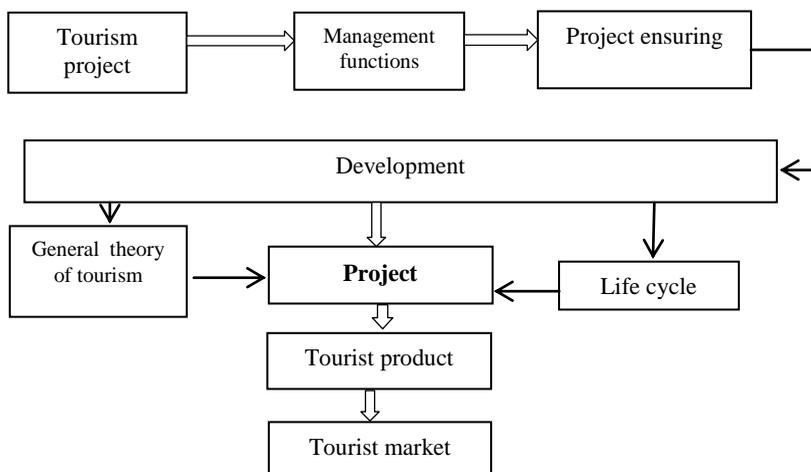


Figure 1.10. Overall project management scheme in tourism

4) quality management, that the requirements for the quality of tourism products are according to the concept of «TQM – Total Quality Management» [7];

5) management of human resources, i.e. the labor provision of the project; information management, i.e., the information support of the project.

In the tourist project management system constantly should bore in mind that the results user of this system is a human. And therefore a requirement in the project management system in tourism should be regarded as a mandatory event conducting psychological examination of re-designed ready-tourism product. The purpose of this examination is to identify and assess the level of attractiveness of tourism products.

In addition, the psychological examination of the project has to establish target of tourist product, i.e., to determine the "portrait" of the most potential user of tourist product: social status marital status, the amount of income, level of education, interests, personal characteristics, etc. These issues are resolved priori, before the implementation of tourism products in the market. Ongoing marketing research of demand are aimed to clarify and correct "targeting" of tourism products.

In any case, a complete tourist project must be recorded in printed form with illustrations (brochures, albums and so on) with the necessary information for the tourist. In addition, the project must be accompanied by a wide range of souvenirs.

Project management questions in tourism are of paramount importance, since they are determined by the efficiency and competitiveness of tourism enterprises. In this regard, we have developed a basis of preparation of entrepreneurs who own theory and methods of designing tourist products [5].

Training of experts requires continuous improvement, due to the dynamics of the functioning of the market environment. Any business activity is affected by the new economic realities.

Modern socially oriented economy is an economy with a very large number of degrees of freedom. In such an economy, its subjects carry out their business in broad, legally permitted boundaries. This situation objectively requires the expansion of the business management tools, which should find expression in the educational process of training. In this connection, it seems appropriate to give academic subjects the project form the theoretical basis of which is the management of projects - Project Management. This means that the basic project management provisions should be inherent part of tourism management.

Conclusions. Tourism is a priority sector of the economy associated with the solution of social problems by creating new jobs, i.e. the employment of the population. Meeting the challenges in the framework of the concept should be developed in a wide range - from the inventory of existing tourist resources of the area to marketing, advertising and brand building.

The developed concept is fully fit into the project management system: it defines the sequence of designing a specific tourist product, which culminates in the form of goods, i.e. the project.

In general, the development of the tourism product in the form of the project translates the tourism industry to a qualitatively new and higher level, putting it one range with other modern high-tech industries.

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### **Dutka Yliia**

*Postgraduate Student, Department  
of Marketing, Business and Trade,  
Odessa National Academy of Food  
Technologies*

### **Golubyonkova Olena**

*Ph.D., Associated Professor,  
Department of Marketing, Business  
and Trade, Odessa National  
Academy of Food Technologies*

## **MARKETING TOOLS PROMOTING OF TOURIST SERVICEC IN SOCIAL NETWORKS**

The tourism industry is one of the fastest growing economy sectors.

Tourism in Ukraine doesn't consider itself as a separate segment of the economy and the subject of the scientific analysis. Ukrainian tourism industry takes a slow start to be an independent economic sector. Every year the demand for the qualified stuff is growing, that's why nowadays it can be noticed a big amount of new institutes, higher education courses that prepares personnel in a touristic field.

Marketing is an activity of promotion goods and services from producer to consumer [1].

Nyvertheless, marketing it's not just sales or PR.

Marketing is targeted, strategic and controlled activity, which is passing from product development and its promotion on the market until the sale and after-sales service.

Marketing tools play the most important role in the all organizations activities. The essence of marketing is to provide the product or service in the right time and in the right place in order to satisfy human need.

Marketing in touristic field is engaged with the design&creation of the tourist goods and services. Moreover, it stimulates them to demand and pricing. Manufacturer has a great possibility to promote its goods or services to the customer. It is effective in maximizing of the profit and satisfying the needs of tourists. Specific feature of the marketing in

touristic field is defined by distinctive characteristics of the touristic product (in comparison with the other consumer goods&services), as well as the feature of the consumers and producers of touristic goods&services. The touristic product is a set of real and immaterial consumer costs, which are necessary to meet the needs of encountered tourists during the travel.

Touristic product consists of three parts:

- the tour (guided tour on a certain route);
- tourist and excursion services (accommodation, meals,

transportation, sightseeing tours and other services on the route related to travel destination)

- the consumer goods.

It is still not identified if tourism industry use a promotion on social media [2].

Active promotion in the communities and social media represents another specification “Marketing in social media” (Social Media Marketing - SMM).

Nowadays social networks became very popular. Workers of the tourism industry should pay attention to it. Social Network is an online resource that helps user to find other user and communicate through the exchange of the different types of content (text messages, photos, videos or audio files).

Social Media Marketing can be seen as “public relations” website in all meanings of communication - blog, forum and e-mail correspondence. Social networks are created in order to help people to communicate. [3].

“**VKontakte**” is the Russian equivalent of Facebook social network. It is the most visited site in Ukraine and Belarus, the second most popular in Russia and Kazakhstan. The website has positioned itself as a social network for students and graduates of the higher educational institutions of district, and later as a universal method of communication for all social groups and ages. The website “VKontakte” provides for registered users the search for other registered users of the website by the name, surname, the date of birth, the city of residence, the school, the university and the workplace. The user can add to his list of friends in order to give their consent, after which users are mutual “friends” and view information about friends and acquaintances. If the information (or part of the information) is not defined as a private owner, any user of the “VKontakte” has opportunity to view it.

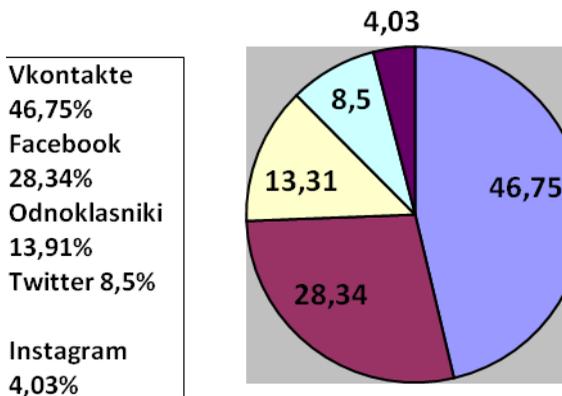


Figure 2.1. Ranking of popular social networks in Ukraine: Magazine Forbes Ukraine 2015

Messages can be seen as a text, graphics or “gaaffiti” drawn by the user directly through the website. While posting photos, audio files or videos the user can select the option “present for friends” and rely on their profiles. Within the group, the user has opportunity to create his own themes and add comments. By joining the group, the user gets the opportunity to invite other members of the social network, organize meetings, invite friends and simply take part in it. Also in “My Meetings” option it is included a calendar, which has a list of all accepted users meeting and marked all of his friends birthdays. In “My News” option it is available to see all of the users updates from new photos, videos, notes and open topics. The user has an opportunity to find out which groups has been joined his friend and public meetings, he is planning to attend [4].

“**Facebook**” is an American social network, joined by more than 1 billion people. Facebook gives to user a number of possibilities to fulfill his profile with a photo and information about himself. Moreover, the user has an opportunity to invite friends, exchange messages with them, change their status, post messages on the “wall”, upload photo and video and create communities of interest. User of the social network has an option to control the level of access to his profile information and to determine who has access to it. Facebook helps in the cultural dissemination and business information. It allows users to express

themselves and can be seen as a great form of psychological support [5].

**“Odnoklassniki” (Classmates)** is an analogue of American “Classmates” social network. It is a large website, where every person can create his own page, upload a photo and specify a data, find his distant relatives, old friends or classmates. Moreover, the user has an option to place his photos in the gallery, view friends photo galleries, rate and leave comments on it. The user has an opportunity to find a friend or even his soul mate.

From the usual website for the classmate communication, it grew into a powerful entertainment center. Nowadays it is possible to listen to music, play games, create appointments and organize communities [6].

**“Twitter”** is a social mini bloggers network that allows user to create the post with the number of characters, which must not exceed of 140, and to upload photos and videos. The user can find accounts of his idols: politicians, actors, singers, artists and subscribe to them, as well as to see to whom they are signed. Currently, Twitter is one of the most popular social networks in the World. Every day the number of new participants is measured in tens of thousands. Any registered user has an opportunity to send messages in twitter. Messages have a possibility to contain different information (opinions, news, ideas and events), and links to websites pages (articles, news, fun, useful information). The most popular are links to videos and images (photos, pictures, jokes, music). The main sign of popularity on Twitter is the number of subscribers and the number of retweets [7; 8].

**“Instagram”** is a free application for taking pictures, which has grown into a social network. The user takes a picture, and then applies it to the one of the standard digital filters. It takes one click for the user to have an opportunity of sharing the endless picture with his friends through the any of social networks, including its own. Crafted photo represents itself as a square and look like an old Polaroid snap.

Every social network has its own audience, which differs in age structure and social status. “Instagram” target audience are the people who are interested in receiving a variety of information, to argue, to exchange opinions, to send their favorite topics, photos or pictures to their friends [9].

**“VKontakte”** is a social network for young people. In this case, the touristic manager of the company has an option to promote tours for young families, couples, tour groups. [9; 4].

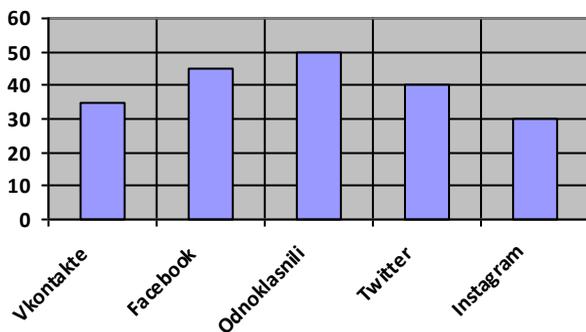


Figure 2.2. The age preference for social networking. Magazine Forbes Ukraine 2015 [3]

“**Classmates**” is a social network for people who are nostalgic for the past, love to share their family life joys, to talk about their children and hobbies. This social network is perfect for family holiday advertisements [6; 9].

“**Facebook**” is a social network for top managers and CEO. Social status and financial possibilities of “Facebook users” are much higher, than social status of users from such social networks as ‘VKontakte’ or ‘Classmates’. The reliability travel for this type of users is the most important characteristic. The most profitable solution here will be to advertise “luxury country” and the high level of service [5; 9].

“**Twitter**” is a social network, which becomes more popular among politicians and show business stars. “Twitter-users” don’t pay attention for the price. Quality and exclusivity is more important for them. It is advisable to promote an extraordinary, expensive and exotic type of the leisure [9; 7].

“**Instagram**” is a young social network, which is quickly growing up. Through the “Instagram” users have an opportunity to share their photos with the World. Manager of the touristic company has an option to lay out the beautiful pictures of the tourist magazines, hot deals and reviews in order to attract more customers [8; 9].

#### **Main methods of promotion in social networks.**

**The detailed explanation of the benefits of services / brand.** Advertisement in social networks talks about the goods&services and has an opportunity to consider the benefits of a competitive compariison.

**Bright Presentation.** To convey the client's message the manager has an option to submit it in vivid form. Social networks don't notice dullness.

**Repeated communication.** Information that previously been advertised in the traditional media or is not consider itself as a new is incorrectly to use. In social networks the information perceived the consumer faster and more efficiently, than traditional media. To be unique and the only ones of its kind, information, positions, materials must be unique.

**Communication with the destination.** Promotion in social networks positioned itself as a direct way of “company&custome” communicating process. It is mandatory to update the Internet community and have a constant communication with a potential customer.

**Indirectly.** To stay on the top and to be in progress the company should not stop in application of the same tactics that has an opportunity to fail or to be ineffective in a few months. Instead of this the company need not sit still and try new and new tactics and techniques [10].

**Not paying attention.** Social networks are developing in a dynamic way and show what is working better and what is not. To stay on top of, and develop, do not stop on the same tactics, which may fail or be ineffective in a few months. It is obligatory to reinvent the companies plan at least one time per month.

(American Airlines, 2009)

**The company of PR negative's.** Managers have to know how to work with the negative reaction of the customers and develop a protective strategy. When the displacement of negative or untruthful comments are about the brand, companies need not only to defend but also to attack and make use of these kind of situations in promotional purposes.

**Payment, interest, bonus.** Social media marketing not requires a reward or a caance to win a prize in exchange for the purchase. Social Media Marketing rewards the interest and the communication process through the “likes”, comments and posts.

Nowadays, many companies are not thinking about the production of a product or service. The matter of a question is how to sell it and get profit. Promotion of the product through the Internet has become one of the main tasks in companies. A number of the Internet users ancrease, what possibly makes it to grow the number of online offering services [11].

Many companies in Ukraine still cannot understand how to work in social media, because they do not know how to manage them. Promotion and marketing in social networks is a trial and error process.

**Trofimov (2009) clarified the promotion of tourism services on the example of 'Vkontakte' social network.**

It is necessary to create a group or a public page while promoting travel agencies (T&A) through the "Vkontakte". The group is relevant if the aim of the company is to invite people to join the community, encourage participants to self-publish the posts and to start the discussion. Group is an informal discussion platform, which gives to company an opportunity to recognize the mood of the audience, manage brand reputation. If company plans to publish official information, branded content and manage their own discussions it must be made a decision to create a public page. It cannot accept the option of inviting people to subscribe to a page. However, the user can talk about the existence of the group to his subscribers. Public page is the best platform for the promotion of a business. It is mandatory to publish an informative description that includes keyword phrases. Select and download the appropriate avatar page. Find or create a unique image. Share with your friends and use the "Tell a friend" to invite your followers to subscribe to a page. Invite your friends to subscribe to the page with personal messages. Ask your followers to tell about your page to their friends. It's better to publish interesting and useful content at the public page. This is your main tool to attract new users and to promote "Vkontakte" group or page. Company has an opportunity to preview the publication from corporate website or from blog, while using the function of the planned publications. Function "Timer" helped to prepare content in advance and publish it in the selected time. If manager of this group use this function, in the "Publications" field, select the option "Attach - Other - timer", then select the time of publication and the press "in place". Stimulate the users to create content by themselves. Notify that group followers have a possibility to publish their own content, while using a function "Submit News". Explain, that topics for publishing must be interesting and suitable for the public page or group.

Advertise the public page. Publish the advertisements about your company in communities, which are popular among representatives of your target audience.

Publication of current video. Publish the video which is interesting to users of target audience that corresponds to the subject of the pages and

groups [12].

Analyze statistical data. In the chapter “age statistic”, the public administrator has an opportunity to use such tabs as: “Attendance”, “Coverage” and “Activity”. In the chapter “Attendance” manager of the group or page has an option to pay attention to the viewership data at the page and amount of unique visitors. Nevertheless it is very important to watch out for characteristics of the age features audience and geography visits of the public page or group. The tab “Coverage” has an option to help to estimate quantity of the users which viewed the publication from your public page or group. The chapter “Activity” has possibility to help to evaluate user’s behavior.

Promote page on the corporate website. Publish the social widget on the main site, which will help visitors to subscribe to the page “Vkontakte”.

Advertise page in the newsletter. Mention about the page “Vkontakte” in mailing list. In addition include a reference to the Public on the letter template. Publish in the header links to your pages and groups in social networks.

Conduct interviews. Interviews increase audience interest. To create a survey in the publication field, select menu “Add” next “Poll”. Most of all users like to take part in anonymous surveys.

Add useful links to the page. Links can be different, for example: link to corporate website, description of specific goods and services, useful services. It works like this: in chapter “Page Management” select the tab “Links” and start working.

Invite the audience to take a part in the discussions. Create several discussions with topics which are interest for the audience. Support discussion to know what the audience likes.

Activate prizes among subscribers. You will attract new subscribers, if you play the prizes and give gifts.

Offer a discount for subscribers. You would not believe what people are ready for the discount. And subscribe to the page for each discount agree [12].

Publish the user’s photos. Administrator has an option to publish photos of winners of the competition or most active participant of the discussions. The sense of the publication is to show followers that the community is working and there are a lot of real people in it. Photos can be published with the user consents.

Administrator has to pay attention to the visual appeal of publications. Every day users who follow your public page have an

opportunity to read hundreds of different posts in their social networks tapes. While reading the company post, it has an option to attract user's attention. To solve this problem, use a bright picture and interesting information.

Headline in social network have to be provocative so it has an option to sell the subscriber viewing the article.

Promote the page offline. The manager of the company has to distribute the public page title and URL on printed products, business cards, souvenirs.

Congratulate page followers with the holidays. Publish thematic content, give gifts and write greetings.

Attach the best posts. To secure the post, click on the date of publication, and use the appropriate option.

Take a part in discussions on the other pages or groups. The main task is to attract attention to the personal account, through the confirmation of the reputation of an expert in the chosen topic. This will attract new users to the personal home page or the public page.

Hashtags. Mark the publication with hashtag, it increases the visibility of your posts.

Promoting of a travel agency or tourist services across the page in social network "Vkontakte" is very popular nowadays. For achievement the desired result administrator has regularly to offer an interesting and useful publication for the audience. If everything is made correctly, the quantity of followers will grow up [12].

#### **Based on a review material, next conclusions could be done:**

Many companies in Ukraine still have no clue how to use marketing in order not only to meet a market needs, but also to win in a competition. Marketing sector could not find application in the tourism industry for a very long period. However, with the increasing of the competition it has become necessary. The tourism sector has its own characteristics in the provision of services and sales forms. In order to use marketing as a reliable tool for achieving success in the market, expert's think that companies have to how to apply the marketing in their work in a proper way.

All tourist firms are trying to apply the marketing of its activities, studying the demand and supply of the specific tourist services accounting for the price of a new project, touting their services. Marketing acts as a "compass", which allows the firm to work and go to the goal in a secure way. Tourism as one of the largest and most dynamic sectors of the economy belongs to the service industry. High

rates of development, large amount of foreign exchange earnings influence the various sectors of the economy, which promotes the formation of its own tourist industry.

Thus, the modern World goes in a virtual way of living. Therefore, SMM of the tourist companies is an innovative set of the practical tools, associated with the promotion and marketing of tourism products, goods and services. All these allow company to create an effective communication with its target audience through the social networks on-line. However, it must be keeping in mind that promotion and marketing in social networks is a trial and error process.

While working on the publication it can be noticed that social media marketing is developing every day. People make most of all purchases... Based on the information above it can be referred that nowadays it can be seen a strong competition among the companies in social networks. To position the company as a leader on the social network and have a capability to sell their goods and services a company has to create a strategy. It will help not only to control innovations, stimulate market, but also to promote a company as a brand.

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**Mandiuk Nazarij**

*PhD in Economics, Associate  
Professor, Department of  
Tourism, Ivan Franko National  
University of Lviv*

**Manko Andrij**

*PhD in Geography, Associate  
Professor, Department of  
Tourism, Ivan Franko National  
University of Lviv*

**PUBLIC RELATIONS TOOLS  
AND BRANDING ELEMENTS  
AS MEANS OF FORMATION  
OF COMPETITIVE EDGES OF  
TOURIST COMPANIES**

Introduction of marketing communications is becoming more urgent and straight necessary in circumstances of increasing competition and new market requirements. The same applies to tourist companies and creation of their competitive edges through means of marketing communications. Use of promotion will help to attract more customers, to form their attachment to the company and its products, which in its turn will provide increased profit of the companies and its economic development. Herein it is necessary to form a promotion complex properly, to choose those means that match to a particular situation and goals and objectives, set for the tourist company, the best.

Accordingly, an important issue, that requires a solution for effective marketing and future development of the tourist company, is formation of policy of promotion of tourist product. Formation and maintenance of a favorable positive image of the tourist company should be one of the main objectives of this policy. It is positive image that is one of the main preconditions for increase of demand for tourist products and a “nourishing soil” for attracting investment for development of the company and thus – for profits increase. In turn, market research areas, specificity of formation of tourist products and list of promotion tools are in direct connection with this objective.

An important argument for the importance of setting and achieving this goal is specificity of tourist services and market behavior of consumers of these services.

Intangible nature of the services means that they cannot be shown, seen, tried or estimated till the time of receipt. Together with the service consumer receives intangible product, as well as satisfaction or frustration related to it. For consumer it is difficult to understand and

assess what he is buying, both before and sometimes after a receipt of tourist service. He has to take the word of the seller of services. As a result, of the consumer's side there is an element of hope and trust to the seller. Accordingly, motivation to purchase travel services in the majority of cases are emotional and irrational, subject to influence of subjective factors.

Intangibility of services also complicates the work of the seller. The company providing travel services always has at least two problems. On the one hand, it is very difficult to present the services to the potential customers; on the other – it is even more difficult to explain them what they are paying for. The seller can only describe the benefits to the buyer; the services themselves can be assessed only after they are rendered. Moreover, there are services that the customer may not be able to assess even upon receipt (for example, health treatment services).

That is why the image of a tourist company, including resorts, is often the decisive feature.

An important element of the marketing policy of promoting of the tourist company is the impact on the market behavior of consumers of tourist services. The essence of such impact is to, due to the chosen marketing means, purposefully influence on the perceptions and attitudes of potential consumers to the tourist product of the company, thus motivating them to purchase it. That is, it's about positioning and repositioning of a tourist product and referral efforts for changes towards improving consumers' attitudes to the company. Consequently, measures aimed at formation of consumers' attitudes should provide consumers' propensity to our tourist product in comparison to others proposed by companies with similar specialization. That is, issues of competition and ensuring our edges through promotion policy are brought up.

Achieving consumers' conviction that they need to purchase tourist products at all is an important aspect. Thus, we raise not only economic but also social problem; that is forming this conviction we urge people, particularly large cities citizens, to health, healthy lifestyle and awareness of the history of the region (according to the existing tourist and recreational resources).

Accordingly, this task involves two aspects. The first is promotion of healthy lifestyle, enjoying the outdoors and acknowledgement with historical sites; second – is providing confidence that it is our tourism product that is able to meet consumers' needs for travel and leisure [3, p. 246].

Thus, basing on the objectives set by our promotion policy, specific features of our consumers and specific features of tourism companies, the most appropriate means for achieving these goals turn to be Public Relations tools and usage of branding elements.

Public Relations – activities aimed at creating and maintaining a favorable image of the company by establishing relationships between the organization and contact audiences, dissemination of information on products, ideas and services, which is presented as news and to prevent and eliminate unwanted rumors and actions that may damage the enterprise.

Brand – imaginative combination of a product or service with a set of inherent characteristics, expectations and associations that are caused by the perception of the product or service in the minds of consumers.

Branding – the process of creating brand and management throughout the life cycle. Branding – receptions of create a special impression on consumers of tourism product or service, that contributes to the overall image of the tourist enterprise and to relation the target market segment to the tourism product or service.

Arguments for of the use of these marketing means in promoting are the following:

First – Public Relations tools and usage of branding elements provide opportunities for establishing effective communication with the public and conducting active work relating to the impact on social and economic behavior of consumers.

Second – an opportunity to reach a wide range of consumers by using Public Relations tools.

Third – it is thanks to well-organized system of Public Relations and using of branding elements we are able to direct consumers' market behavior in the desired direction and secure it for the long term, which is a prerequisite for creating a positive image and competitive advantages of the tourist company.

Fourth – using of Public Relations tools and branding elements combined with traditional means of promotion such as advertising and sales promotion provides a comprehensive impact and process of communication with potential customers. It allows approaching to informing and convincing consumers, to forming of their commitment to the company and to encouraging them to purchase more efficiently.

In addition, global trends of development of Public Relations market, which is ahead of the advertising industry, demonstrate the effectiveness of the PR-technologies.

According to the results of financial year 2013, global PR-industry during the third consecutive year shows growth at around 8%, which is higher than the rate of global economic growth [6].

In its turn, International Association for Measurement and Evaluation of Communication (AMES) jointly with USC Annenberg Center for PR conducted a global study of PR-communications and gave the forecast of growth in the global market of PR-services, from \$ 14 billion to \$ 19.3 billion over the next five years (from 2015 to 2020) despite the difficult economic and political situation in the world [4].

Although PR-market trends in Ukraine are not stable, experts mention its growth prospects. According to data published by “Publicity Creating in Ukraine”, market size in 2009 according to various estimates ranged from 250-300 mln. USD. Increase of PR market in Ukraine before the crisis was 40-50% per year [7]. Further studies of PR-market trends in Ukraine confirm variable trends, as for growth, so for falling or stabilizing.

According to the results of the study on “The practice of public relations in the leading companies of Ukraine”, conducted by Ukrainian Association of Public Relations in cooperation with the Ukrainian office IFAK Institut, situation in budgeting for PR activities in Ukraine in 2010-2013 remains more or less stable with positive trends. The overwhelming majority of respondents indicated that the budget for PR activities increased or remained at the same level. Despite this, respondents indicated that the role of PR is growing [6].

Results of these studies also confirm the importance of creating a positive image and reputation of the company in society. 73% of the companies surveyed said that they have a policy or strategy of corporate social responsibility. At that, the majority of companies said that the growing role of corporate social responsibility is one of the most prominent trends Public Relations market for them. 87% of respondents said that the implementation of CSR strategies has an impact to the improvement of the company's reputation and helps to strengthen the company's brand among target audiences [6].

Also the company “Publicity Creating in Ukraine” discovered higher efficiency of Public Relations tools compared to advertising. As a result of their research, 48.3% of respondents (specialists in advertising and PR-activities surveyed in the study) believes that PR is more effective tool of promotion than advertising, while 20% of the respondents are of the opposite opinion. The main tasks that can be solved through Public Relations, as according to the survey, is to build a reputation (74.8%), to

create the trust (68.9%) and to form the image (58.8%) [7].

Let's define several principles of application of Public Relations and elements of branding for achieving the required abovementioned impact on potential customers.

1. Sending efforts on formation of value assessments of potential consumers in relation to the tourist product through presentation of the brand, not only on adapting of existing assessments.

2. Implementation of the two-level impact on consumer through Public Relations tools and branding: on a rational level by presenting specific arguments and facts and on irrational level – by value-emotional means of influence.

3. Interrelation of the brand of the tourist company and personal values with an aim to put them in a row, that is to make them synonymous.

4. Reaching the conditions which will make use of the brand to be some social norm. That is, certain social norms established by promotion system, in particular by Public Relations tools, advertising through reference groups' opinions will serve as a specific model which will focus potential consumers of tourist services.

5. Given the peculiarity that the brand is essentially a commercial stereotype, use of branding elements in promotion will facilitate the selection of a tourist product by stereotypical assessment that it should create.

It should be emphasized that propaganda is a particularly effective tool of Public Relations system. As it was noted above, one of the key purposes of promotion policy should be creation of a positive image of the tourist company and it is usage of propaganda that suits achieving this goal the best.

It should be noted that propaganda should be made in several ways.

The first of them is promotion of healthy lifestyle, need of recreation and of active and meaningful leisure activities.

The second one is emphasizing the value and diversity of the range of travel services by our company, which meet the needs of the target audience of consumers.

The third – is informing and maintaining constant two-way communication with the public, taking into account interests of the community and society, dissemination of information on participation in various events and development programs of social nature (participation in organizing sporting events, movements for a healthy lifestyle, restoration of historic and cultural heritage, learning the history of the

native land, etc.), their implementation and achievements. Thus, introducing regularly such information for a general discretion we can continue to attract the target audience to the company, and awareness regarding the implementation of programs will promote the formation of the positive attitude to tourist company and its activities.

The fourth – is creation of a positive image of the tourist company for financial and other investments. In this aspect all events, as a promotional so the others, should be aimed at creating of sustainable economic and social climate, friendly relations with other entrepreneurs, consumers and governmental bodies, both local and national.

An important point for creating a positive image is attraction of attention of a wide range of consumers of the tourist product. It is to certain extent difficult for a product that has long been in the market and has already formed a certain image of positive and negative features.

The best way to correct this situation is to present some kind of novelty. Any of changes, which are constantly taking place in the internal environment of each tourist company, can be such a novelty. These novelties may include: launching of a new tourist product or entering of a new service; beginning of a new promotion campaign, start of the marketing research, changes in pricing policy; change of an image; expansion of activities, that is entering new markets, such as international market; innovative activity, that is presenting new research plans, introduction of technological or organizational modifications, presentation of the effectiveness, economic, social and environmental benefits; notification of completion of a major project; report on financial results, obtained income and investments; special events such as anniversaries, cooperation with famous persons; reporting on certain records, including the number of tourists in the period; attracting of renowned experts to address specific problems.

It should be noted that the above presentations should occur continuously at regular intervals and orientation, so as to keep the public attention focused on this tourist company, but do not overload it with redundant information. Thus, the potential consumer should have interest to the company, tourist product or its individual tourist services, as well as have company's image, which is positively changing regarding to the consumer and society.

Let's consider the list of tools that are necessary for effective Public Relations. The first and the most basic of them is forming and maintaining regular communications with the media. The importance of this tool is that it is the media that provides as a link between the tourist

company and the general public, allows conveying information to a potential customer.

Different kinds of reports on radio, television or in the press, organizing interviews with government officials, leaders of major projects or major tourist and recreational facilities, formation of a journalistic lobby, preparation and placement of a series of articles in the press or a series of programs on the radio may be effective.

Educational nature of such measures is an important point here. That is, absence of any elements of advertising, references to names of businesses, contact numbers, etc. is a necessary prerequisite. As far as that information is perceived as advertising, respectively, it will lose its value and will not bring the desired result, namely to induce the interest of public to the tourism and recreation as a whole and to tourist product offered by the company in particular.

It is a question of fact that advertising is perceived by people as a mean of conviction and imposition of a product regardless of whether it has a certain utility or not. Accordingly, the level of trust to such information by potential customers will be much lower than the trust to articles or reports, which do not have obsessive character and have certain benefits for people who are sensitive to that kind of information.

Public Relations through Internet is especially important tool. With development of information systems and computerization of the society, the tool becomes more and more important.

It is worth noting that since Internet is popular mainly among young people, accordingly, its use would be more appropriate to promote youth recreation, both winter or summer one.

Also, we should note the growing role of social media, becoming increasingly important as a Public Relations tool. According to the research of the Ukrainian Association of Public Relations vast majority (71%) of the interviewed business representatives, who in their structure have PR departments or employees actively performing PR functions, use social media as a tool for delivery of information in a course of their daily work. Also, the studies have shown a constant increase in using of social media as a channel of communication with the consumer [6].

Participation in the specialized exhibitions and fairs is the next necessary mean of promotion. Presenting own tourist product on the exhibition, we shape the perception and attitude to our company. Thus, participation in exhibitions turns out to be another tool of propaganda.

Exhibitions became a mirror of technological development, exchange of information, an indicator of price, economic forum of

forecasting market changes and special social phenomenon with economic, political and public content.

Also exhibitions creates advantage of direct communication and contact with the live goods and services.

Politics tourist enterprise participation in exhibitions not limited to selling their tourism product or service. It has be organically connected with all means of marketing, especially advertising and public relations.

To participate in the exhibition tourist enterprise allow public relations, special attention should be paid to geographical location, number of participants, number and quality of the media involved, information about the exhibition, infrastructure, quality of support services, opportunities for business meetings etc.

Travel company may participate in international exhibitions as an independent exhibitor or as part of pavilion of their country. In this decision influenced by such factors:

- size tourism enterpris;
- required funds;
- a program participation, which is part of the program marketing;
- readiness;
- awareness of specific exhibition;
- results are expected to participate in this exhibition;
- experience and organizational capabilities tourist enterprise (personnel, time, risk, etc.);
- restrictions participate in exhibition;
- state policy of fairs and exhibitions (purposefulness, mutual interest, commitment, etc.).

Thus, participation in exhibitions, organized according to the chosen strategy of promoting, allows us managing the process of creating a positive image of the enterprise.

One more effective way is propaganda through sponsorship. In this case it may be sponsoring of sports and other events, festivals, concerts, children charity activities, including recreation. It should be noted that sponsorship in this case has a triple effect.

First – it contributes to a favorable public opinion and thus creates a positive image of the tourist company. Second – it contributes to solving social problems. Third – the company receives additional point of sale for its products while sponsored events.

Another tool of Public Relations is organizing of events, such as various kinds of celebrations timed to certain dates and anniversaries, festivals, games, competitions. Organization of events can give a

positive result in the promotion of sports, skiing and cognitive tourism products. In this case, it is appropriate to organize (or participate in the organization) sports festivals and competitions, such as competition in ski sports, orienteering, hiking. In turn, participating in the organization of cultural and historical festivals and reconstructions of historical events contribute to promotion of educational type of tourist products. In this case, important point is involvement of celebrities and measures for reaching such a level when these events become traditional and more and more popular.

Thus, marketing policy built according to these principles, through creating a certain image, will allow forming a positive public opinion about the tourist company and its product and will provide commitment and confidence by potential customers. It is particularly important that this positive image will be long-term, which will allow to consolidate it as a competitive edge in the tourism enterprise.

Also while using propaganda we encourage consumers in their belief that they generally need to purchase tourist product. That is, in this case we solve not only economic but also social issues, because creating this confidence we urge people to health, healthy lifestyle and meaningful leisure.

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**Nezdoyminov Sergey**  
*Ph.D. in Economics, Associate  
Professor, Department of  
Economics and Tourism  
Management, Odessa National  
Economic University*  
**Andryeyeva Nataliya**  
*Dr. Sci. (Econ.), Professor,  
Professor, Department of  
Marketing, Odessa National  
Economic University  
Odessa, Ukraine*

**EUROPEAN CRUISE  
MARKET: PROSPECTS OF  
DEVELOPMENT IN  
UKRAINE**

In recent years, sea and ocean cruises firmly take its place among the most perspective sectors of world tourism. Modern development of cruise services market is a combination of almost all forms of international tourism and combining different types of services and leisure (including hotel services, restaurants, sightseeing activities). Globalization of the cruise industry, the increasing number of cruise ships requires activation of all forms of economic activities in the area of cruise services in ports and their role in the reception and servicing of cruise tourists in the coastal regions of Ukraine.

Problems of modern development of cruise business in Europe, international marine tourism and the role of ports in servicing and reception of cruise tourists were investigated in the works of experts: Schulz A., Auer J. (2010), Logunova N. A. (2013), Bosneagu R., Coca C. E., Sorescu F. (2015) and others [1;2;3;4]. Overall, their conclusions converged on the need to develop the cruise shipping, international integration of transport communications, upgrading of Ukrainian sea ports infrastructure. Not reducing the value of works of scientists, it should be mentioned that problem of integration into the international cruise industry, activation of all forms of economic activities in the area of cruise services in ports and their role in the reception and servicing of cruise tourists in the coastal regions of Ukraine is studied not enough and it need further investigation.

The modern cruise industry is a globally integrated industry, directly linked with almost all basic sectors of the world economy (from shipbuilding to the entertainment industry). Experts believe that by 2020

every second tourist feel the unforgettable experience of cruise tourism. Globalization of the cruise industry, the increasing number of cruise ships reception requires activation of all forms of economic activities in the area of cruise services [5].

The cruise industry continues to grow, which benefits communities around the world. In 2013 worldwide economic impact was manifested in nearly 900,000 jobs and economic income of \$117 billion. With more than 22 million people cruising worldwide each year, the cruise industry will invest \$25 billion to launch 55 new ships between 2015 and 2020. In 2015, the industry introduced six new oceangoing cruise ships and 16 new river cruise ships [6].

There are three reasons why Europe is a key market for the global cruise industry. First, with 6.39 million Europeans cruising in 2014, Europe represents the second biggest source market worldwide, after the USA. Second, Europe is also the number two cruise destination in the world, after the Caribbean, having received 5.85 million cruise passengers last year. Third, Europe's world-class shipyards continue to exercise near-total control over the global order book, being scheduled to build 29 oceangoing cruise ships to be delivered until 2018 [7].

Cruise Lines International Association (CLIA) has presented its a comprehensive analysis of the global cruise industry's operations in Europe and its contribution to the European economy in 2014. Established in 1975, Cruise Lines International Association (CLIA) is the world's largest cruise industry trade association, providing a unified voice and leading authority of the global cruise community. Some of the major highlights of cruise operations in Europe during 2014 were:

- During 2014 there were 42 cruise lines domiciled in Europe, operating 123 cruise ships with a capacity of around 146,000 lower berths. Another 60 vessels with a capacity of around 89,000 lower berths were deployed in Europe by 18 non-European lines.

- An estimated 6.4 million European residents booked cruises, a 0.5% increase over 2013, representing about 30% of all cruise passengers worldwide.

- An estimated 5.85 million passengers embarked on their cruises from a European port, a 3.6% decline from 2013.

- The vast majority of these cruises visited ports in the Mediterranean, the Baltic and other European regions, generating 29 million passenger visits at a total of around 250 European port cities, a decrease of 7.1% from 2013.

- In addition, an estimated 14.4 million crew also arrived at

European ports.

As a result of the European cruise operations and the investment in new cruise ships by the global cruise industry, this industry generated significant economic impacts throughout Europe. The total economic impacts of the cruise industry included the following:

- €40.2 billion in total output.
- €16.6 billion in direct spending by cruise lines and their passengers and crew.
- 348,930 jobs.
- €10.75 billion in employee compensation.

These impacts are the sum of the direct, indirect and induced impacts of the cruise industry. In summary, each €1 million in direct cruise industry expenditures generated:

- €2.42 million in business output.
- 19 jobs paying an average annual wage of nearly €33,700.

At the same time new building and investment in cruising are planned for 2015–2018. Over the period from 2015 to 2018, 31 cruise vessels have been scheduled for delivery for worldwide trading with capacity for 93,300 passengers of which 29 will be constructed in Europe and two in Japan. In addition a further four ships are already on order for 2019–20, all in European yards. Thus, from the beginning of 2015 through 2021, Europe will account for 34 of the 36 new cruise ships to be constructed [7].

Out of the 2015–18 total, 10 ships with 30,375 berths (30.0%) will primarily serve the European source market, representing an investment of €5.2 billion. Many of the others will visit European destinations. This new investment underlines the cruise industry's continuing commitment to the future of its business both in Europe and elsewhere in the world (table 2.1) [6].

*Table 2.1*

**Cruise Ship Orders 2015-2018 [6]**

<i>Year Completed</i>	<i>Ships</i>	<i>Berths</i>	<i>Investment (Millions)</i>
2015	7	18,930	€ 3,335
2016	11	28,546	€ 5,475
2017	6	22,124	€ 3,936
2018	7	23,708	€ 4,211
Total	31	93,308	€ 16,957

The cruise industry has enjoyed dynamic growth over a period of 30

years, driven initially by demand from North America and more recently by growing demand from Europe and the rest of the world. Table 2.2 sets out international cruise sector growth between 2004 and 2014. Over the ten years from 2004 to 2014 demand for cruising worldwide has increased from 13.1 million passengers to 22.0 million (+68%) with 3.4% growth achieved in 2014.

Table 2.2

**International Demand for Cruises 2004 to 2014 [6]**

Region	2004	2009	2010	2011	2012	2013	2014
	Million passengers						
<i>N.Am</i>	9,14	10,40	11,00	11,44	11,64	11,82	12,16
<i>Europe (1)</i>	2,80	5,04	5,67	6,15	6,23	6,39	6,39
<i>RoW (2)</i>	1,13	2,15	2,40	2,91	3,03	3,09	3,49
<i>Total</i>	13,07	17,59	19,07	20,49	20,90	21,30	22,04

We note that the: 1-Including Russia and Central and Eastern European countries outside the EU–7. 2-Rest of the world: Largely estimated and adjusted from 2009 to take account of dynamic growth in China and the southern hemisphere. Source: G. P. Wild (International) Limited from CLIA, IRN and other sources. In 2014 a total of 152 cruise ships were active in Mediterranean waters. The market in the Mediterranean is expected to recover slightly in 2015 as a result of increases in capacity both from European and more particularly American-domiciled operators. Source Markets. There were an estimated 22.04 million global cruise passengers in 2014. The countries of Europe accounted for 29% of them in terms of a source market (fig. 2.3).

The European market has grown by 128% over the last ten years but with economic growth moderating over the past five years, European-sourced passengers have only increased by about 4% over the past three years. Fifty-six percent of Europeans cruised in the Mediterranean and Atlantic Isles in 2014, 22% in Northern Europe and the remaining 22% cruised outside Europe, primarily in the Caribbean. Athens, 26 May 2015 – CLIA Europe, the association representing the 40 billion euro cruise industry in Europe, and MedCruise, the association of cruise ports in the Mediterranean and its adjoining seas, have signed a strategic partnership agreement to collaborate, sponsor and support the advancement of a European travel agent training program. Set up in Rome in 1996, MedCruise is the Association of Mediterranean Cruise Ports. MedCruise's mission is to promote the cruise industry in the Mediterranean and its adjoining seas.

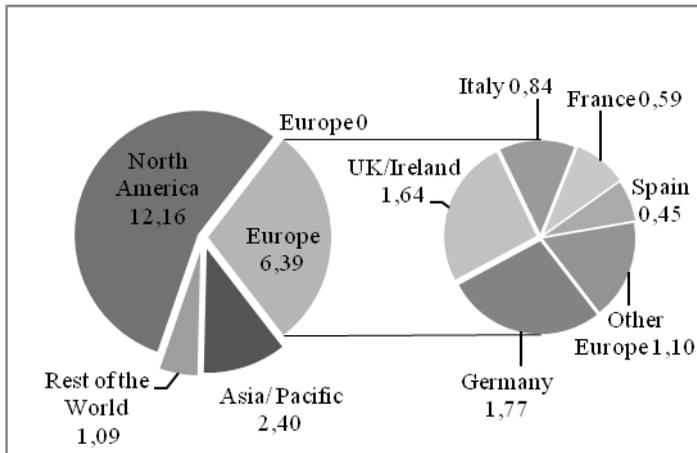


Figure 2.3. Global Source Markets by Cruise Passengers [6]

The Association assists its members in benefiting from the growth of the cruise industry by providing networking, promotional and professional development opportunities. Today, the association has grown to 74 members representing more than 100 ports around the Mediterranean region, including the Black Sea, the Red Sea and the Near Atlantic, plus 31 associate members, representing other associations, tourist boards and ship/port agents. Countries represented in MedCruise: Croatia, Cyprus, Egypt, France, Georgia, Gibraltar, Greece, Italy, Malta, Monaco, Montenegro, Portugal, Romania, Russia, Slovenia, Ukraine, Spain, Syria, Tunisia, Turkey. MedCruise members in Black sea are Batumi, Constantza, Odessa, Sevastopol, Trabzon, Sinop, Sochi. The total of cruise passenger visits at the 72 MedCruise port members for which data are available in 2014 reached 25,8 million. Comparing to the previous year, this number is 7,28% lower (fig. 2.4), as the cruise passenger movements that had taken place in 2013 were 27,8 million. 2013 stands as the year when all records were broken [7].

As for Ukraine, the ports of the Black Sea region have enough great potential for the development of cruise tourism. In the basins of the Caribbean and Mediterranean Seas cruise ship are crowded. The fight for customers makes the cruise companies to seek new markets for their services. Black Sea region is suitable for this like no other, because, in fact, is part of a Mediterranean cruise market. Ukraine could initiate establishment of an international cruise cluster of ports of the Black Sea. Black Sea by its geographical location is not transit, therefore, in order

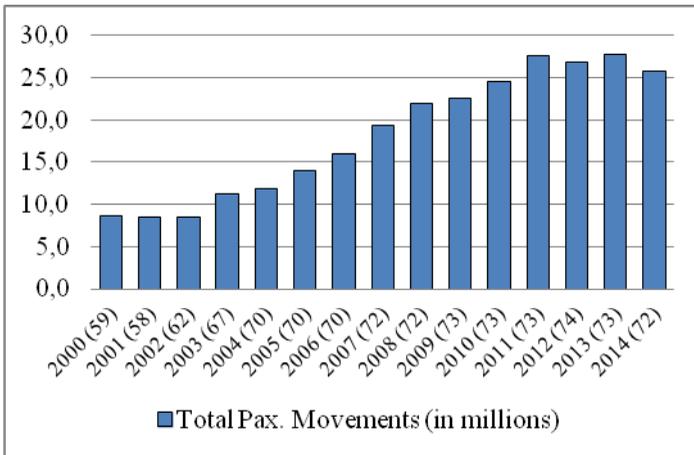


Figure 2.4. Cruise passengers growth on MedCruise ports (2000-2014) [7]

to stand out in an independent direction for mass cruise tourism at least five ports should have infrastructure capable of handling vessels up more than 300 m. Today this infrastructure have two Black Sea ports - Odessa (Ukraine) and Constanta (Romania). Now the modernization of facilities for receiving passengers is going on in ports of Burgas (Bulgaria), Sochi (Russia) and Batumi (Georgia). After this the Black Sea region can declare itself as cruise ship direction for the mass segment [4].

The cruise market in Ukraine is in a state of decline. According to the operative data of the Department of Tourism Service and European integration of the Port Authority, the number of passenger ships' visits to Odessa this year was 13, which is 15 ship calls less than last year and 93 ship less than in 2013. Head of Department Elvira Leshchinskaya in a brief comment said that for the season 2016 the port administration has already received 33 requests for visits by cruise ships. However this number may vary in one and in the other direction, depending on many factors. Among the negative factors the first place can be given to the transformation of the Crimea in "gray" area for cruise line operators - says E. Leschinskaya. - The historically formed ship courses Odessa-Yalta, Odessa-Yalta-Sevastopol were brands in the regional market. Odesa, by itself, remainis very hospitable and very attractive place for tourists, but it cannot recoup the costs of the charterer in the north-western part of the Black Sea [5]. However, positive things do occur.

Thus the administration of the Odessa seaport successfully passed the audit of quality management system for compliance with ISO 9001-2008 (DSTU ISO 9001: 2009). A certified quality system improves the production activity of the company, strengthens its image, competitiveness and investment attractiveness of the market, allows to expand the range of services.

Through membership in MEDCRUISE (since 2008), the port of Odessa failed to effectively implement several image projects, gave notable impulse to the development of the industry of sea travel in the Black Sea region. Among other things, it should be noted the success of the international conference Black Sea Cruises. But the main result of this partnership, of course, was an increase in the number of visits to Odessa cruise ships under foreign flag in 2013 (more than 100 calls). The administration of the Odessa sea port took part in the 47th General Assembly MedCruise, which was held in the Italian town Olbia (North Sardinia) from 14 to 17 October 2015. The administration of the Odessa seaport was represented by the Head of Tourism and European Integration Department - Member of the Board of Directors Association of the Black Sea region - Elvira Leshchinskaya. E. Leshchinskaya reported that in near future the number of cruise ship calls is unlikely to increase because of the steadily formed image of Ukraine abroad, including Odessa as an unsafe area. In addition, cruise lines plan their routes in two or three years in advance, and Ukrainian ports are not included in the plans for 2016-2017 years. The reasons mentioned above. However, despite this, the General Assembly and the Board of Directors decided to hold the 48th anniversary of the General Assembly MedCruise in Odessa in June 2016 [5].

The 48th MedCruise General Assembly will take place 22-25 June 2016, in Odessa, Ukraine. This major cruise event will mark the celebrations of the 20 years of the Association. During the General Assembly meeting, MedCruise member representatives together with other esteemed guests will discuss the latest developments of the cruise sector, as well as the implications and prospects of cruising in the Med and its adjoining seas. In line with the MedCruise tradition, all regular and associate members will have a first class opportunity to discuss the developments in the region, while they will also devote time in B2B meetings and interactive Workshops with cruise line executives.

World experience in the formation and development of civilized economies confirms the universality of formulation and implementation rules of economic policy in terms of mutual respect, complementarily

and coordination of national and regional interests and capabilities. In our opinion, among the priorities of social and economic development of coastal areas that form the strategy for economic growth in Ukraine, implementation of ecological and economic reforms, objectively and reasonably determined by the level of competitiveness of the tourism and recreation industry as a highly profitable industry that should meet the needs of domestic and international demand for travel and recreation services. Such event will actualize the interest of the leading cruise market operators to the Ukrainian direction voyages. The presence at the 48th General Assembly session MEDCRUISE of top managers of the cruise lines, representatives of shipping companies, known media journalists will strengthen the position of Odessa as an international tourist center, will carry information about the Europeans to South Palmyra, as a safe, economically attractive city with a rich historical cultural heritage and natural and recreational potential, will present profitable opportunities of passenger terminal in Odessa port.

Positioning of Ukraine as a maritime state requires a consideration of global trends in world maritime trade and keeping those trends that occur in the Azov-Black Sea region. The necessity of the development of national marine economy and port infrastructure is dictated by the high profitability of market cruise services through a world-recognized competitive advantages of waterway transport (environmental friendliness, low cost, investment attractiveness, etc.). Thus, government authorities, port and cruise business entrepreneurs need to make significant efforts to promote Black Sea tourist region in the European market of cruise tourism. The development of cruise shipping stimulates the development of related sectors of the regional economy (hospitality, catering, transport, shipbuilding, ship repair, etc.). It promotes investment, creates a multiplier effect for regional economic development, and therefore - helps to create new jobs.

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## Chapter 3

# ENSURING COMPETITIVENESS OF ENTITIES TOURIST BUSINESS

**Gerasimenko Victor**

*PhD in Economics, Full  
Professor, Odessa National  
Economic University*

**Pavlotskiy Vladimir**

*Odessa National Economic  
University*

## METHODS OF EVALUATING THE COMPETITIVENESS OF THE UKRAINE'S TOURIST DESTINATIONS

One of the most representative features of the present stage of economic development is a constant increase in the share of services in the structure of GDP for most countries. Tourism plays a significant role in the service industry. Its share in the international trade of services is second after passenger transportation.

Sustainable development of the tourism industry is strategically important for Ukraine and its regions, as it allows bringing relatively small financial resources to significantly increase economic activity, fiscal revenues, and improve structure of employment, as is shown by the experience of many countries.

Unfortunately, to date, the competitiveness of Ukraine in the travel and tourism industry remains extremely low. According to the results of the Tourism and Travel Competitiveness Index, Ukraine placed 76<sup>th</sup> through 85<sup>th</sup> in recent years, yielding to almost all of the neighboring countries [28]. In 2015 Index wasn't calculated because of the social and political situation in the country. At the same time, WEF experts pay a lot of attention to the influence of Ukraine's political instability to the dynamics of the tourist activity in previous years [29, pp. 53-56].

Obviously, this placement reflects the average levels of the region's competitiveness in the tourism field. With increased competition on the global tourism market, assessment of competitiveness for not only countries and regions, but tourist destinations has become relevant. Thus, the presence of objective assessment tools to measure competitiveness of tourist destinations is required for tourism enterprises

and for regional administrations.

Recently, methodology of comparative evaluation of tourist destinations' competitiveness has been systematically being investigated by authors from different countries. However, the conceptual approaches and even specific techniques that have been applied in this case are significantly different. The main differences are in determining the most significant external (exogenous) factors of the competitive environment and techniques of normalization and processing of statistical information. It should also be said that the existing diversity of viewpoints is a consequence of ambiguities in the interpretation of the complex, multi-level category of "competitiveness".

A tourism destination's potential begins studied systematically in the scientific literature since the eighties of the last century. Works of Haahti and Yavas, Lovingwood and Mitchell, Smith developed the concept of spatial planning, which was based on analysis of the impact of tourism infrastructure on major economic indicators of regions [16; 20; 27]. Under this approach, elements of competitive analysis were used. Polls were created asking tourists about the quality of tourist services such as hotel's services, interaction with local residents, state of shopping infrastructure, etc., and used this information to draw conclusions about the appropriateness of an investment in the tourism sector of the corresponding destination [16].

Despite the fact that the volume of research information was limited, and the opinions of tourists were not always objective, considered work became the basis for subsequent studies in the 1990s.

Among those studies, the most considerably known is the "flexible specialization" model [23]. To improve the competitiveness of tourism destinations, Poon offers to follow four basic principles: pay special attention to the quality of the environment, to make tourism a leading sector in the region, improve efficiency of distribution channels and contribute to the dynamic development of the private sector of the destination [23, p. 240].

For the same purpose, De Keyser and Vanhove used a five-factor model that takes into account the state policy in the field of tourism, the macroeconomic situation of the region, the level of development of the transportation system, demand, and supply of tourism services [9]. Development of this approach can be traced in Go and Govers, who analyzed and compared the positions of competing destinations on criteria such as quality of the leisure, overall affordability, quality of service, accessibility, location image, the climate and the environment

[14]. These and similar models were applied for comparative analysis of tourist attractiveness of the Caribbean, several countries in Europe, and in Asia. Their common flaw, in our view, was their use of approximate estimates of the attributes based on the opinion of small groups of experts. Furthermore, research in the field of spatial planning was basically solving the problems of state and regional management of tourism industry, and had no practical interest for the private business.

At the same time – the 1990s – the so-called cluster approach was developed for evaluating the competitiveness of tourist destinations. The term “cluster” was introduced into scientific circulation by the famous British economist Alfred Marshall, who studied developed areas of concentrated textile and metal-working enterprises in England [21].

The concept of clusters was used by M. Porter as an important element of the doctrine of competitive advantages in industrial enterprises (Diamond of competitive advantage), that he developed. In accordance with this theory, companies consolidate in to the industry cluster on the basis of competitive advantage of development and placement [24].

Porter’s approach has been adapted to the tourism sector and has acquired spatial-geographical content in the works of G. I. Crouch and J. R. B Ritchie. Since 1993, they have developed a conceptual model of evaluation of tourism destinations’ competitiveness. The authors proposed a hierarchy of components in accordance with the degree of their influence on the competitiveness of tourism destinations. Each of the components involved a homogeneous group of factors, including destination attractors and deterrents. The model’s concept reflects the researchers’ vision of the competitiveness of tourism destinations as an indicator of citizens’ overall quality of life and sustainable destination development due to tourism activities on them [5].

Over the subsequent years, the authors upgraded their model by studying different opinions, based on the series of interviews with CEOs of the Convention and Visitor Bureaus of leading North American urban tourism destinations [6; 7; 25].

The improvement of the Ritchie and Crouch approach was the Integrated Model of destination competitiveness. This model was used to analyze the tourist destinations of South Korea, Australia, and later in Slovenia and some other Balkan states [11; 12; 15]. In this model, tourist demand plays a substantial role. The level of demand is considered as one of the model’s major determinants [11].

Unlike Ritchie and Crouch’s models, the Integrated Model of

destination competitiveness is linear – all 83 individual indicators affect the competitiveness of destinations in one direction. The authors proposed a set of specific indicators, used to measure the competitiveness of tourist destinations, which simplifies the application of the model [11].

However, both models contain a number of shortcomings, which are noticed in a later works by other scientist [1; 4]. Large numbers of individual indicators make the process of data collection extremely time consuming and the present analysis subjective. Scientists have developed a model that does not offer criteria for prioritization of competitiveness indicators or a clear algorithm to generalize the results [1; 4]. The developers of models emphasize that the importance of the attributes of competitiveness cannot be the same for different destinations [8]. “There is no single or unique set of competitiveness indicators that apply to all destinations at all times” [11, p. 375]. This approach greatly complicates comparative competitive analysis of the destinations.

Another conceptual direction in evaluating the competitiveness of tourist destinations is their life cycle analysis. Research in this field has a long history and is based on the marketing theory of the product life cycle. The idea of applying this theory to tourist destinations belongs to R. Butler, who distinguished four phases in the tourism area life cycle (TALC), in accordance with number of visitors and level of development of tourist infrastructure [2; 30]. Soon, G. Hovinen applied Butler’s TALC model to study Lancaster County in Pennsylvania [18]. Hovinen’s study suggested that the actual state of a tourist destination can be described by features that belong to the neighboring TALC phase. On this basis, Hovinen combined Butler’s consolidation and stagnation stages in to “maturity” stage [18]. Other scientists used interpretations of the TALC model for the assessment of tourist destinations conditions [3; 17].

The approach, which is based on the systematic monitoring of the main parameters of tourist destinations, is interesting for regional or municipal government. It gives the opportunity to objectively compare the state of the same destination in the dynamics. However, comparing the competitiveness of different tourist regions, based only on determining phases of their life cycle, leads to very approximate results.

Attempts to overcome the limitations of the techniques discussed, related to the lack of systematization and hierarchization of the competitiveness factors, is undertaken in the “Pyramid model” of

regional competitiveness [13; 19]. The basis of this approach is in the separation of concepts' "competitive potential" of the region and "competitive position" of the region, placed at different hierarchical levels of the model.

Z. Papp and A. Raffay adapted this model for the purposes of assessing the competitiveness of tourist destinations. They used factors that synthesized attributes of the competitiveness from Ritchie and Crouch model, the Integrated model of destination competitiveness, and Lengyel model of regional competitiveness [22]. The proposed technique also allows taking into account features of competitiveness of tourist regions in countries with a transformation economy. However, this model, like previously discussed models, does not provide a clear algorithm to quantify the destinations competitiveness, which limits its applicability.

It is also necessary to note the composite tourism competitiveness index models, which were developed by a number of international organizations for the comparative analysis of the travel and tourism sector in different countries. The most known among them became the Travel and Tourism Competitive Index (TTCI), compiled by the experts from the World Economic Forum. TTCI is calculated on the basis of three sub-indexes: policy rules and regulation, business environment and infrastructure and human, cultural and natural resources in the field of tourism. Each of sub-indexes includes 4-5 corresponding group indicators that, together, summarize the effect of 73 individual factors of competitiveness. Based on generalized data and processed by a special technique expert's assessments, the tourism competitiveness rating for each country is determined.

A technique that is similar in objectives and implementation is the Organization for Economic Co-operation and Development (OECD) method of measuring competitiveness in tourism. The competitiveness of OECD member countries is determined by four groups of indicators: tourism performance and impacts, ability of a destination to deliver quality and competitive tourism services, attractiveness of a destination, and policy responses and economic opportunities [10]. Ratings of countries, determined by these methods, are widely used for public policy analysis in the tourism field. However, to apply this approach to determine the competitiveness of individual tourist regions is almost impossible. Some members of OECD even "have put in place a national competitiveness index allowing an international perspective (how a particular region is comparing to another region in the same country, but

not comparing with other countries)” [10, p.13).

Despite relatively few studies of the competitiveness of tourist destinations in Ukraine, there are several directions of research in this area.

Scientists who chose to analyze businesses specialized in domestic tourism and oriented on organizing short-term tours – eco-tours or excursions, focused on attractiveness of destinations – due to the presence of tourism resources [34]. However, state of regional natural resources, considered in isolation, creates a competitive advantage for limited number of tourism enterprises.

Other authors narrow down the understanding of the regional tourism market as relationships of local tourism enterprises (tourist operators and travel agents) and consumers of their proposed products. Based on these considerations, economic and marketing options of competitiveness should be analyzed. One version of this approach is to determine destinations ratings based on integrated main performance data as reflected in the statistical and administrative reporting of tourism enterprises [32; 33, pp. 90-92]. Unfortunately, current literature contains only a limited number of indicators; without additional data, it is not possible to objectively evaluate the competitiveness of the tourism destinations.

Significant methodological differences also exist in approaches of reporting the results of evaluation of competitiveness. The easiest way to present a relative competitiveness of destinations is the ranks method. It allows determining the position of regions-competitors by ranking values of main indicators of their activity. The most competitive tourist region has a lower number of recruited ranks (if the best indicator determined by the minimum grade) or higher number of recruited ranks (if the best indicator determined by the maximum grade). By comparing the ranks of all indicators that have been decided by experts, a region’s position in the competition can be established. The advantages of the ranks method are the ease of use and the ability to utilize both quantitative and qualitative indicators that are prevalent in the service sector to evaluate competitiveness. However, this method has significant drawbacks; it gives only approximate results and cannot establish exact differences between competitors and it is weakly formalized, allowing only very general recommendations for the development of competitive strategies [31].

In order to minimize the negative side of the techniques discussed, we can offer an approach to use a variation of parametric method for

assessing the competitiveness of the tourist regions. The main idea of the method is that the tourism market of the regions are evaluated using the appropriate quantitative indicators. Many of them are present in administrative and statistical reporting forms. One of the possible options to calculate the integral indicator of the tourism region's competitiveness can be represented as follows:

$$C_i = m_1 \times I_r + m_2 \times I_{nt} + m_3 \times I_{rcc} + m_4 \times I_{ac} + m_5 \times I_{anr} + m_6 \times I_{cha}, (3.1)$$

where:  $C_i$  – the integral index of tourism region competitiveness;

$I_r$  – parametric index of revenue from tourist activities;

$I_{nt}$  – parametric index of number of tourists and excursionists served for tourism enterprises;

$I_{rcc}$  – parametric index of recreational centers capacity;

$I_{ac}$  – parametric index of accommodation capacity;

$I_{anr}$  – parametric index of area of natural resources;

$I_{cha}$  – parametric index of number of cultural and historical attractions;

$m_1; m_2; m_3; m_4; m_5; m_6$  – weight indexes of each of the parameters.

It is recommended to calculate parametric indexes by comparing the value of certain parameters for each of the regions with the average value for the studied regions or with the region's best value.

As mentioned earlier, a significant drawback of using many integral indicators is subjectivity in determining the weight of parameters ( $m_i$ ). Almost all existing methods engage experts to establish weight indexes. However, their number and the required level of qualification are controversial, and problems of expert selection and summarization of their views are seriously obstructing the construction of an integrated model.

The use of the elements of Fuzzy Set Theory, and in particular, the method of analysis of hierarchies, designed by known American mathematician T. L. Saaty, contributes to the solution of these problems [26]. Uniqueness of this method is setting hierarchy of the selected indicators, by a relatively small number of experts. According to the method of analysis of hierarchies, problem elements (discussed above

parametric indexes) are compared in pairs by their impact on the resulting index (level of tourism competitiveness of regions). A system of paired comparisons leads to a result which can be represented as a matrix of paired comparisons, the so-called symmetric invertible matrix or Saaty's matrix. The element of the matrix  $a(i, j)$  is the intensity of property of the element of hierarchy  $i$  relative to the element of hierarchy  $j$ . If the comparison of element  $i$  with element  $j$  makes  $a(i, j) = b$ , then for the comparison of element  $j$  with the element  $i$ , we obtain:  $a(j, i) = 1/b$ . This way, matrix of pairwise comparisons is being created [26].

The next step is to multiply the score for each indicator and take the  $n^{\text{th}}$  root, (where  $n$  = number of analyzed parameters, in our case – a sixth root). Then the sum of all roots is calculated as well as the proportion of each root in this sum. The resulting vector composes the relative importance (weight) of specific indicators in the overall assessment.

To coordinate experts' opinions, we used Kemeny's median algorithm, developed by the eminent American mathematician J. G. Kemeny.

The procedure for assessing the region's tourist competitiveness, using the method we proposed includes the following steps:

1. Selection of destinations-competitors for comparison;
2. Gathering information on the indicators that have been selected for evaluation;
3. Calculation of parametric indexes, by comparing indicators for destinations with the average for all regions of Ukraine;
4. Determination of integral indexes of tourism competitiveness of the analyzed destinations.

Let's construct the Saaty's matrix, with elements, that are pairwise comparisons of the impact of examined performance indicators to the level of tourism competitiveness of destinations (table 3.1).

Values of matrix elements represent the conformed view of the experts, who are professors of the Department of Economics and Management of Tourism of Odessa National Economic University. When selecting experts, preference was given to those who had scientific publications on the tourism competitiveness problems.

According to these criteria, eight experts were selected. Each of them was asked to fill in the pairwise comparisons matrix template.

After defining weights, we can rewrite formula (3.1) as:

$$C_i = 0.28I_r + 0.16I_{nt} + 0.09I_{rc} + 0.11I_{ac} + 0.19I_{anr} + 0.17I_{cha} \quad (3.2)$$

Table 3.1

**The pairwise comparisons matrix of the impact of parametric indexes to the level of tourism competitiveness of destinations**

Para- metric index- es	$I_r$	$I_{nt}$	$I_{rcc}$	$I_{ac}$	$I_{anr}$	$I_{cha}$	Product	Root	Weight
$I_r$	1.00	1.75	6.75	3.75	1.60	2.10	148.8 4	2.31	<b>0.28</b>
$I_{nt}$	0.59	1.00	3.50	2.00	0.97	1.30	5.14	1.31	<b>0.16</b>
$I_{rcc}$	0.38	0.58	1.00	0.75	0.72	1.05	0.12	0.71	<b>0.09</b>
$I_{ac}$	0.42	0.67	1.50	1.00	0.77	1.10	0.35	0.84	<b>0.11</b>
$I_{anr}$	0.67	1.21	5.38	2.88	1.00	1.17	14.43	1.56	<b>0.19</b>
$I_{cha}$	0.58	1.08	5.25	2.75	0.88	1.00	7.91	1.41	<b>0.17</b>
Sum total	X	X	X	X	X	X	X	8,14	<b>1.00</b>

Using this formula, let us analyze the tourism competitiveness of some destinations of Ukraine and focus on the most successful regions, in terms of tourism activities.

Let's display values of all parametric indexes in figure 3.1.

The data source for figure 3.1 and table 3.2 was a yearly report by Ukraine's National Statistics Service, called "Tourism activities in Ukraine in 2014." It summarizes annual statistical reports of tourism and hospitality enterprises for all Ukraine's regions [36]

Destinations revenue from tourism activities and the number of tourists and excursionists comes from the reports of tourism activities (Form 1-Tourism) for 2014. The recreational centers and accommodation capacity numbers has been obtained from the Accommodation's Reports (Form 1-KZR). Finally, the regional average number of cultural and historic attractions and area of preserved territories were found in the General database of tourism resources of the Department of Tourism and Resorts Ministry of Economic Development and Trade of Ukraine.

Note that, as the average values indexes, that are average for all administrative-territorial units of Ukraine, and not only for 5 regions above, were used.

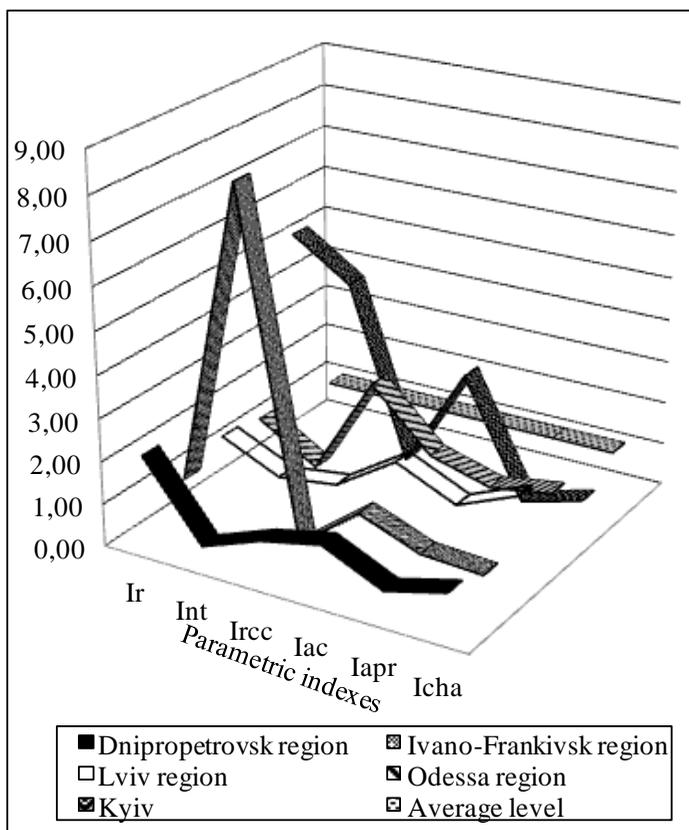


Figure 3.1. *Parametric indexes of the tourism destinations Competitiveness*

Calculation of integral competitiveness indicators for selected regions of Ukraine is shown in table 3.2.

As evidenced by the table's data, the most competitive of reviewed regions is the city of Kyiv (2.61). This is due primarily to the highest income of the tourism enterprises resulting from their activities. The next place is taken by Ivano-Frankivsk region (2.00), followed by Odessa and Lviv regions (1.63 & 1.57).

The methodology to evaluate the competitiveness of the tourism destinations, in our opinion, is fairly objective and has a number of advantages over methods that were considered earlier:

Table 3.2

**Calculation of integral competitiveness indicators for selected regions of Ukraine**

Estimation parameters of the 2014 tourism regions competitiveness and due parametric indexes	Regions					
	Kyiv	Dni-pro-pet-rovsk region	Ivano-Fran-kivsk region	Odes-sa re-gion	Lviv re-gion	Avera-ge le-vel for all regi-ons
Revenue from tourist activities, million uah	2264.8	929.7	417.2	537.3	606.5	469.3
$I_r$	4.83	1.98	0.89	1.14	1.29	1.00
Number of organized tourists and excursionists, thousands	576,5	51.5	1079,6	53.3	102.8	144.6
$I_{nt}$	3.99	0.36	7.47	0.37	0.71	1.00
Recreational centers capacity, thousands beds	6.6	17.8	3.8	53.5	18.5	10.5
$I_{rcc}$	0.62	1.68	0.36	5.08	1.76	1.00
Accommodation capacity, thousands beds	18.5	8.2	8.6	9.5	12.6	4.4
$I_{ac}$	4.15	1.85	1.94	2.14	2.83	1.00
Area of preserved territories, thousands of square kilometers	0.5	6.4	8.2	11.3	13.8	9.3
$I_{anr}$	0.05	0.69	0.88	1.22	1.48	1.00
Number of cultural and historical attractions	941	2050	1419	2663	3934	1667
$I_{cha}$	0.56	1.23	0.85	1.60	2.36	1.00
Integral index of tourism region competitiveness	<b>2.61</b>	<b>1.31</b>	<b>2.00</b>	<b>1.57</b>	<b>1.63</b>	<b>1.00</b>

- Taking into account all major sources of tourism competitiveness of the region (natural and anthropogenic tourism resources, key performance indicators of tourism enterprises, and tourism sector infrastructure);

- Formed a more objective assessment of the competitive position of destinations, by limiting the subjective opinion of experts. They only determine the significance of performance indicators;

- Uses real quantitative indicators, present in administrative and statistical reporting.

In general, complex assessment of tourism competitiveness of destination should be based on a model that would represent a region as an integrated system of tourism resources, subjects of tourism activities and services for recreants and tourists.

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**Mykhailichenko Hanna**  
*Dr. in Economics, Professor,  
Tourism and Recreation  
Department, Kyiv National  
University of Trade and Economics*

**Hlushko Volodymyr**  
*Magistr of Tourism Management  
Tourism and Recreation  
Department, Kyiv National  
University of Trade and Economics*

**ESSENCE AND  
IMPORTANCE OF  
INNOVATIVE  
TECHNOLOGIES USING IN  
THE TOURISM BUSINESS**

The current situation of the world market where there are many sellers of tourism services, tourist industry makes the company look for ways to market their own products and gain greater market share. World tourism market characterized by increasing individualization of demand of tourism products, so companies have to seek innovative products to satisfy the needs of the maximum number of consumers.

One of the ways of improving the competitive position of the tourism enterprise is the implementation and use of innovative technologies. Great experience of many tourism developed countries convinces us that companies that use innovative technologies in their work are more successful and profitable.

The issue of innovations in the service sector especially in tourism business is the subject of research of many scientists such as P. Drucker, K. Haksever, L. Berry, G. Avanesova, N. Monchy, E. Mansfield, I. Perlaki, M. Porter, J. Schumpeter, H. Mykhailichenko, M. Boyko, D. Ushakov and others.

**The purpose of the research** is to define the modern concept of "innovation", types of innovations and innovative technologies which are used at enterprises of tourism business.

**Tasks due to the purpose of the research:**

- defying the nature and types of innovations used in the tourism business;
- analyzing the basis of innovative products formation as the driving force of business tourism;
- determining the foundations of innovative technologies' researching in the tourism industry.

**The object of the research** is modern types of innovative technologies using at the tourism business enterprises.

**The subject of the research** is theoretical, methodological and practical principles regarding using of modern types of innovative technologies at the tourism business enterprises.

**Results of the research.** Innovative activity is a set of scientific, technological, organizational, financial, commercial events that are lead to innovation. The activity is innovative, if it brought new knowledge, technologies, methods, approaches to obtain the result, which is widely demanded in society. Innovative activities of enterprises can be defined as the joint work of all employees, aimed at creating and implementing innovations.

The tourist business innovation rests on the foundation of accumulated knowledge. To begin the implementation of new ideas and creating new tourism destinations it follows only after knowing and studying the forms and methods of work both past and present. A thorough understanding of the scope of activities allows you to anticipate developments and stay ahead of competitors.

On innovation in tourism affects the economic situation in the country, the social situation of the population, the national legislation, as well as intergovernmental and international agreements. Therefore, the motives and causes of innovation in tourism activities in each country are different.

Main directions of innovative activity in tourism:

- production of new types of tourism product;
- using of new technologies in the production of traditional products;
- using of new tourist resources, not previously used. Unique example – tourists traveling on the spacecraft;
- changes in production and consumption of traditional tourism products;
- new marketing and management;
- identification and using of new sales markets (hotel and restaurant chains).

The term “innovative activity” in the modern sense, was firstly applied by J. Schumpeter, who emphasized innovative activity as “...a process of creating new value... geared first towards customers, as the main arbiters of business competitiveness, but one that can also involve other stakeholders as major beneficiaries, such as the organization itself (employees), shareholders (profitability), external partners, etc.”

All the new destinations are successfully competing against the traditional tourism countries, which in many cases have exhausted existing resources and the potential for rationalization. Additional inputs

of capital and labor are costly in such circumstances and do not always lead to the desired level of growth. Innovations are expected to add customer value and increase profits for the suppliers of tourism products and services.

Joseph Schumpeter identified innovation as the critical dimension of economic change. He argued that economic change revolves around innovation, entrepreneurial activities, and market power.

Other scientist Marc Chason defined innovations as the actions required to create new ideas, processes or products which when implemented lead to positive effective change. While invention requires the creation of new ideas, processes or products, innovation moves one step further and requires implementation of the inventive act.

Combining all this definitions from the famous scientists we can create our modern determining innovation as the art of creating new customer values and benefits or invention or new unique idea implemented at the tourism business enterprise to commercialize it.

The basic principles of innovations in tourism include [7]:

1. The principle of science, the main sense of which is using of scientific knowledge and methods to create innovations that reflect the needs of tourists.

2. The principle of consistency. Strategy of innovative development of tourism in the region must take into account the factors and conditions necessary to meet the needs of consumers; resource capabilities (economic, financial, human and other); social impact on society; environmental factors.

3. The principle of matching innovations to the needs of tourists. They proposed those innovations that the customers really need, not those that can make and implement tourism organizations.

4. The principle of positivity of results. Excluding unreasonable creation and implementation of innovations that can be dangerous for tourists, a particular company, the biosphere and society in general.

5. Accordance with innovation and its results to the level of society development.

6. The principle of connectivity. The process ends with the advent of innovations on the market a product that has at some stage of their life cycle trigger a need (to encourage the idea) create the next innovation.

8. The principle of security. Any innovation should ensure that no harm to people and the environment.

According to the basic principles of innovations we can define main modern types of innovations which are shown at the table 3.3 [2].

Table 3.3

**Classification of the main modern types of innovations**

The name of innovation	Types of innovations
1. Product or service innovation	- new or significantly improved services; - observed by the customer and regarded as new: never seen before, new to particular enterprise or destination, may become factor in purchase decision.
2. Process innovation	- backstage initiatives for efficiency, productivity and flow; - often facilitated by technology investments (self-service); - in combination with competence building and HRM (human resource management).
3. Market innovations	- strategic activity in segments, messages, brand; - that are used: loyalty programs, integration of tourism products, experiences into other products.
4. Imitation	- from ski resort to all-year round resort that called benchmarking

Today in the tourism industry have gained wide use of innovative technologies – applications for electronic tours booking. The appearance of this type of new program not only helped reduce the cost of communications, but also made it possible to work all the participants of the tourism market as a single office. Working with such programs allows the agency to obtain current and accurate information on prices and the number of seats available at any given time and be able to monitor the passage of the orders at all stages of its implementation. There are different reservation systems, they differ from each other by a set of services and technology of their work. For example, the most popular in the world programs such as Galileo, Amadeus, Sabre, Worldspan and others.

The basic functions of innovations:

- they involve new productive forces in the production, enhance increasing of productivity and production efficiency, reduce different kind of costs;

- improve the standard of living of every person and society as a whole due to the diversity and quality of products and services that meet the needs of the population;

- help to align the structure of production changed the structure of demand, help to maintain the balance between supply and demand, between production and consumption;

- they are the result of the application of creative ability and knowledge of a particular individual, the human intellect, which in turn

stimulates further growth of creative activity.

Based on the provisions of the General Agreement on Trade in Services (GATS), the tourism sector in developing innovation in three areas (figure 3.2):

1. Innovation implementation (organizational innovation), which is associated with the development of tourism enterprises, including reorganization, amalgamation, merger competing entities on the basis of the latest techniques and advanced technologies; personnel policy (updating and replacing staff, system training, retraining and incentives for workers); rational economic and financial activities (introduction of modern accounting and reporting forms, providing stability and position of the company).

2. Marketing innovations that allow to cover the needs of target customers or attract unreached at the time clients.

3. Periodic innovation (product innovations), aimed at changing consumer properties of a tourist product, its positioning and provide competitive advantage.

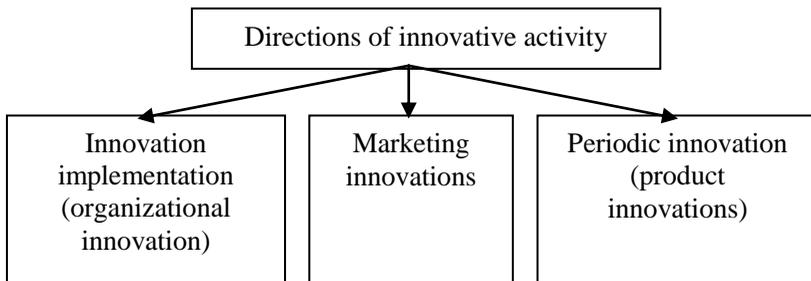


Figure 3.2. Main directions of innovative activity according to GATS [1]

In those areas we can define next types of innovative technologies [4, 343 p.]:

- by sphere of novelty: new for the industry, new for the country, new for the world, new for the enterprise;
- by content: organizational and managerial, informational, technological, technical;
- by cause: reactive and strategic;
- by potential: radical and modifying.

According to this classification Internet technologies will apply to information innovative technologies that can be used in the formation of

the tourism product for travel agencies for [6]:

- 1) advertising activities;
- 2) informing customers about new products and promotions;
- 3) formation of a positive image about the company among tourists;
- 4) promotion of new types of tourism services (visit museums of the world using an Internet).

Also one of the main drivers of the innovation development is an Internet because:

- Google is the most important first step selection of vacation;
- more than 90% look for information on the internet before deciding on vacation;
- most people compare 15 sites before decision;
- increasingly common to create own package in the internet;
- and one more important thing in our time – people want to be connected on their vacation (using the most popular social networks as Facebook, Instagram, Twitter etc.).

Except that one of the perspective forms of the tourism enterprises development is economical integration of independent enterprises for formation of innovative clusters. Many scientists such as K. Adamov, M. Porter, M. Feldmann, B. Preissl, T. Andersson, V. Demchenko, S. Sokolenko, E. Belyakova paid attention to the questions of economical clusters formation and development. As this phenomenon is quite new for tourism industry there are many discussions about its definition (table 3.4).

*Table 3.4*

**Approaches to definition of innovative cluster [3, p. 291-292]**

Author	Research	Definition of innovative cluster
D. Audretsch, M. Feldmann	Innovative clusters and the industry life cycle: review of industrial organization	Many interrelated organizations that contribute to the removal of innovations in a particular industry or sector of economy
B. Preissl	Innovation clusters: combining physical and virtual links	A set of independent organizations that contribute to the realization of innovations in an economic sector or industry
T. Andersson, S. Schwaag Serger, J. Sorvik, E. Hansson	The cluster policies whitebook	A special kind of cluster, which has properties that allow to accelerate the generation, production and commercialization of innovations

In consideration of the driving forces of innovation development, results of innovation development of economy of the state as a whole

are important, depending on the overall state innovation policy, the degree of scientific and technical capacity of the national innovation system, resources and more.

The role of the national system of tourism innovation is also essential in at least three ways [5, 112 p.]:

- development of research, quality of the training provision;
- tourism policy and action of institutional bodies;
- direct production of innovations by public operators (carriers, territorial authorities) with the benefit of government funds and substantial human capital.

In this case it is necessary to pay attention to the strategic aspect of management of innovations.

According to a systematic approach innovative strategy is one of the components of economic strategy that is defined as a set of rules, methods and tools for searching the best perspective for the organization of directions for science and technology research, resource policy.

Less common notion is to consider the purposes and means of approach, which is based on determining the organization's goals and ways to achieve them. Within this approach, innovative mode of action is the main means of achieving competitive market position in the context of globalization and rapid change.

L. Vodachek and A. Vodachkova defined four main types of innovation strategy: actively aggressive, moderately aggressive, defensive and residual.

According to the classification of H. Freeman there are six types of enterprise innovation strategy: offensive, defensive, imitative, dependent, traditional and “by chance”.

A. Bogdanov identifies four main types of innovation strategy: acute offensive, mildly offensive, defensive and license (absorbing) strategy [3, 123 p.].

Analyzing considered classifications, we conclude that the authors often separated the different types of innovative strategies which have similar characteristics, terms of choice, with similar names, while not repeating the content or similar types have different names. For example, offensive innovative strategy of H. Freeman, combining the features of an active offensive innovation strategy and acute aggressive innovation strategy is in its semantic characteristics similar to the strategy of “independent innovation of production”.

In practice, the company often holds invariably of the same strategy as the strategy of “pure”, using numerous modifications innovative

strategies, combined innovative strategies as the most effective in cases securing position and the transition from the defensive to the offensive innovation strategy type. It is not possible to use only one “pure” type of the strategy without combining them because there are a lot of competitors in the market and tourist’s demand is so high nowadays.

The reasons of such situations are the following:

- lack of financial resources for regional and local innovations development programs;
- including in these programs the projects not connected with innovations;
- concentrating attention on the projects without strategic significance for the region;
- underdeveloped financial and lending organization for funding innovation projects;
- obstacles connected with bureaucracy which refuses to include innovation projects to the region innovation development programs;
- inefficient budget distribution, because of the financial shortage, disables local authorities to establish tax incentives for encouraging companies to innovation activity;
- low investment attractiveness of the regions that stands in the way of finding funds for local innovation projects;
- low level of cooperation between private and governmental structures;
- lack of innovation infrastructure in the country.

The importance of innovations in the tourism caused by many factors as high level of competitiveness at the tourism market, increasing of destinations amount, unstable world economic and political situation and high level of risks in some countries. Using innovative technologies companies and countries grow up amount of tourists, have closer contact with them, and improve conditions of infrastructure and economy in the state.

**Conclusions.** Tourism is constantly developing, despite the various obstacles of political, economic and social character. Tourism business is often initiator and experimenter in the development and implementation of advanced technologies, constantly changing forms and finds new opportunities for customer satisfaction. Therefore innovation activity is an integral part of the tourism business enterprises and the economy as a whole.

In tourism innovations introduced every day under the influence of the diversified nature of scientific progress and intellectual development

of mankind.

Innovations in tourism sometimes occur quite suddenly and unpredictably even under the influence of developments in society. Therefore, the study of innovation processes, causes of innovation, development of methods for their implementation is of considerable practical and scientific interest.

An important role of government is to promote innovation in the tourism sector, because comparing to other countries, this area is not very developed. And there is an urgent state support of the innovation process in the tourism industry.

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## Chapter 4

### THE POTENTIAL FOR THE DEVELOPMENT OF SPECIALIZED FORMS OF TOURISM

#### **Bakalo Nadiya**

*Ph.D. in Economics, Assistant  
Professor*

#### **Diachkov Dmytro**

*Ph.D. in Economics, Assistant  
Professor*

#### **Potapiuk Iryna**

*Ph.D. in Economics, Assistant  
Professor  
Poltava National Technical Yuriy  
Kondratyuk University*

### THE PECULIARITIES OF SPECIAL KINDS OF TOURISM IN UKRAINE

The industry of tourism plays an important role in the country's economy and has a considerable influence on the world economy: it develops national economies and the economies of integration associations, assists in the formation of the region's image, allows to focus the attention on the problems of the development of the society. The world crisis of the recent years has stipulated the necessity of the cardinal revision of the accents in the in the formation of tourist services which, first of all, requires thorough analysis of the category apparatus and methodological concepts. Despite the fact that the history of tourism development began long time ago, the question of theoretical and methodological basis has been raised in the scientific circles several times and caused numerous discussions in the frames of geography, economics, sociology, philosophy, medicine, ecology. The complexity of clear definition of methodical-conceptual apparatus of tourism industry is caused by its poly-functionality and role in the society.

One of the topical problems demanding the solution is the question of classification of tourist services, the definition of the kinds of tourism, because the development of separate kinds of tourism in any region depends on geographical, social, and social factors. The formation and spreading of new kinds of tourism is also provided by the processes of globalization and

scientific-technical progress, as the internationalization of the economies and introduction of the latest scientific technologies assists in appearing and developing of absolutely new directions in tourism. Many works by such Ukrainian and foreign authors as A. Babkin, M. Birzhakov, V. Bogoliubov, Yu. Hrabovsky, V. Kiptenko, M. Kliap, N. Lytvynenko, M. Malska, V. Makhovka, O. Skaliy, T. Skaliy, V. Khudo, I. Chernysh are devoted to studying the theoretical aspects of the classification of tourism kinds.

In the process of investigating, the top priority task was defining the kinds of tourism which are legislatively grounded; these are: children's; youth; for elderly people; for disabled persons; cultural-cognitive; treatment and health improving; sports; religious; ecological (green); rural; underwater; mountain; adventure; hunting; automobile; amateur.

At the same time, M. Malska [12] classifies the kinds of tourism according to the direction of tourist currents: internal tourism; incoming tourism (foreign tourism); outbound tourism (tourism abroad); international tourism; tourism inside the country; national tourism.

The other group of the authors [7, 8, 13] support the classification feature for defining the kinds of tourism according to "covering the territory": local tourism; far out tourism; transit tourism; boundary tourism; internal continental tourism; intercontinental tourism; round the world tourism; interregional tourism; regional tourism; internal regional tourism (tourism to the separate regions of the country of residence).

N. Lytvynenko [11], O. Skaliy [4], T. Skaliy [4] define the kinds of tourism according to the principle of payment and organization of travelling; they single out the following kinds: VIP-tourism; commercial tourism; social tourism; incentive tourism; promotion tours (info-tours).

Rather interesting is the approach according to which the kinds of tourism are distinguished according to socio-demographic features: school tourism; children's tourism; youth tourism; tourism for the middle aged; tourism for elderly people; family tourism; mixed tourism; tourism for women; tourism for men; tourism for single people; tourism for physically and mentally disabled people; corporate tourism.

Thus, it is possible to classify the kinds of tourism cultural practices according to various features the most important of which are: the aims of tourism, territorial characteristics, temporal characteristics, cultural components, individual enquiries of the tourist.

Active and passive kinds of tourist practices are distinguished depending on the intensiveness of activities during the rest. The active kinds are: adventure trips, extreme tourism, safari to the nature, mystery tour. The passive kinds are: tours for families with children; tours for medical

treatment; tours for elderly people; green tourism.

All the above mentioned facts stipulate not only the necessity of classifying the kinds of national tourism, but also characterizing the latest and exclusive kinds of tourism in Ukraine.

A large number of approaches to defining of “tourism” have been developed in modern Ukrainian and foreign literature. These approaches are based on various features and can be united into different groups.

As far as special kinds of tourism is concerned, A. Babkin distinguishes tours which are completely or partially characterized by the following features [1]: not mass, rather rare kinds of tourism; labor-intensive kinds of tourism in order to create the final product; capital-consuming kinds of tourism; tours uniting various kinds of tourism; new kinds of tourism which are stipulated by secondary needs of people; the kinds of tourism using non-traditional kinds and sources of financing.

In his opinion, the most widely spread kinds of tourism which correspond to the above mentioned requirements are: religious tourism; business tourism; congress-exhibition tourism; intensive tourism; treatment and health improving tourism; ecological tourism; tourism of events; mountain skiing tourism; extreme tourism; cruise tourism.

Nevertheless, if one correlates the characteristics with the kinds of tourism, suggested by A. Babkin, it is possible to observe certain unconformity [1]. For example, religious tourism and treatment and health improving tourism cannot be described by any of the enumerated characteristics. The classification feature “...satisfying secondary needs...” is also not corresponding, because tourism is actually aimed at satisfying secondary needs. The investigated classification of the special kinds of tourism has also something in common with the classification of the main kinds of tourism.

M. Birzhakov [2] distinguishes the following special kinds of tourism: recreation tourism; professional-business and congress-exhibition tourism; cultural (cognitive) tourism; religious tourism; treatment and health improving tourism; ecological tourism; rural and agro-tourism; sports tourism; extreme tourism; water kinds of tourism; cruise tourism; yachting; timeshare; political tourism; social tourism; new and peculiar kinds of tourist activities.

V. Bogoliubov [3] distinguishes the similar special kinds of tourism: natural and ecological tourism; walking and bicycle tourism; extreme tourism; sea and cruise tourism; medical tourism; sports and improving health tourism; rural tourism; scientific tourism; religious-pilgrimage tourism; social tourism.

In our opinion, the basis for referring tourism to a special kind can be the person, aim, or usage of rarely utilized transport means.

It is possible to classify the kinds of cultural practices of specialized tourism according to various signs the most important of which are: the aims of tourism, territorial characteristics, temporal characteristics, cultural components, individual enquiries of the tourist.

The market of the consumer of specialized tourist product must be structured according to many signs, the first of them the aim of travelling should be considered. The aim is the concrete realization of the motivation to make a tourist trip, in which the need to have a rest is reflected; this need is realized as a request for a concrete tourist product.

Thus, it is suggested to distinguish the following kinds of specialized (exclusive) tourism in Ukraine depending on the aim of the trip: cognitive, pilgrimage (religious), health improving, business, political, extreme, shopping-tourism,, nuclear, dark, gastronomic, sports, speleological, hunting, thermal, rural and green, wedding, photo-tourism, ecological, thematic, exotic, medical, suicidal, educational, nostalgic (family),and others.

Tourism, oriented at cognizing another culture, which includes cognitive tourism (consists in visiting historical and cultural or geographic sights) and pilgrimage (consists in visiting religious places).

As far as health improving tourism is concerned, at present it is developing practically in all the regions of Ukraine and is one of the most popular directions in tourist activities. The kind of tourism mentioned above occupies considerably important place owing to favorable climatic conditions, the presence of mountain complexes and seas. The most favorable places for health improving rest are the Carpathian and the Black sea regions.

The specifics of Ukraine in tourist sphere are the possibilities for developing of rural and green tourism. There are historical and cultural monuments of the world level, unique natural reserves in all the regions of the country. Also about 2/3 of the rural population are unemployed or partially employed. According to the questionnaires' data, more than one million of them are ready to offer their houses to tourists [11].

Taking into account modern approaches to defining the subjects of activities in tourism, nostalgic (family) tourism should be singled out; it envisages the form of organizing trips, connected with family relations, in particular, it is important for the countries, in which the part of the population lives or lived abroad. Every year, family tourism becomes more popular; it assists in uniting the members of the family, helps open, "make

the contact”, learn about the interests and hobbies of children and parents. Recreation of the families with and without children, and also the groups representing several families, belongs to such kind of tourism. But in Ukraine, most often, travelling with the child, who is younger than 11, is understood as “family tourism”.

Sports tourism envisages trips with the aim of active or passive (as fans) participation in sports events or persons who wish to take part in prestigious, outstanding event in sports. The peculiarity of sports tourism in Ukraine is the fact that it is an important component of the general state system of physical culture and sports, patriotic and spiritual upbringing of the youth, strengthening health, developing physical, moral, strong-willed, and intellectual abilities of the person by attracting him or her to the participation in competitions, sports tourist trips, and other competitions in the kinds of sports tourism. Sports tourism unites the following kinds in the frames of the whole sports: walking (hiking), water, bicycle, mountain, speleological, sailing, skiing, automobile and motor cycle, and others [15].

Business tourism is one of the most promising directions of modern tourism which is developing in the most quickly way. This kind of tourism is rather profitable, and it is very important for the host country from the economic point of view. Instead of the notion “business tourism” the English abbreviation MICE is often used, which reflects the structure of this kind of tourism: meetings – strategic, cyclic meetings, negotiations, presentations; incentives – encouraging trips, motivation programs, stimulating the loyalty of partners, employees, dealers; conferences/conventions – conferences, forums, congresses; exhibitions/events – exhibitions, event tourism, corporate events [10].

At present, the development of business tourism in our country is very timely, because Ukraine which is situated in the center of Europe, on the crossroads of transport ways and has favorable natural and climatic conditions, a considerable historical and cultural potential for the forward development of its tourist sphere. Creating the infrastructure of business tourism in Ukraine will assist in comprehensive developing of cities in particular and the state on the whole.

Political tourism (diplomatic tourism, connected with political events and arrangements) is the kind of tourism the main aim of which is visiting places and events connected with political activities. Political tourism is subdivided into diplomatic, the participation in congresses, and also the tourism connected with political events and arrangements.

Educational (study) tourism is travelling aimed at receiving or improving knowledge. The most widely spread are the trips for studying

foreign languages and internships.

Exotic tourism is aimed at seeing, cognizing, and feeling something unusual, in particular, climatic conditions, unusual flora and fauna, the cuisine of various countries, architecture, national customs, etc.

Extreme tourism – is the kind of tourism, which presupposes a definite degree of risk or extreme physical or psychic load under extremely difficult conditions. Overcoming difficulties, tourists strengthen their character; participating in expeditions to places which are difficult to access, the tourists prove the unlimited possibilities of person.

Adventure tourism is the kind of tourism which is connected with the organization of non-standard tours to exotic and ecologically clean natural reservations using unusual, non-traditional transport means.

Mountain climbing, rock climbing, ice climbing, rafting, speleological tourism, hill walking, walking (hiking) tourism, water, skiing, mountain skiing tourism, canyoning , equestrian tourism, mount-biking, diving, paragliding can be related to adventure and extreme kinds of tourism.

Jailoo-tourism is the variety of tourism which envisages tourist's staying in the primitive tribe or ethnic groups with all the advantages of their way of life. The essence such tourism is that the tourist is sent to wild places, and he or she lives like our wild ancestors – there are no advantages of civilization, only the nature and the tourist. This kind of tourism is spread in the western part of Ukraine where the culture of our ancestors is expressed most of all, and old national customs are followed.

Speleological tourism is the tourism which means travelling in natural underground cavities (caves) and overcoming different obstacles there (siphons, wells) using various special equipment (aqualungs, carbines, ropes, hooks, individual insurance systems).

Nuclear tourism is the variety of tourism which is connected with visiting the places where nuclear energy was used.

At present, the bravest people create tourist routes to the places connected with nuclear explosions, disasters, depositories. Tourists visit the territory of closed towns, territories with great interest, for example, on the their way to the most popular in nuclear tourism Chornobyl zone of estrangement, the tourists watch the film about the catastrophe and its consequences on the territory of Ukraine and abroad; the ghost town of Prypiat which is included into the plan of the tour is like a picture from the black and white film which keeps the last minutes of life in the town.

Eco-tourism is the tourism which includes travelling to the places with a relatively unchanged nature with the aim of getting the idea of natural, cultural, and ethnographic peculiarities of the given locality, and at the same

time this tourism does not disturb the integrity of eco-systems and creates such economic conditions under which the protection of nature and natural resources becomes profitable for the local population. Ecological tourism is expanding nowadays: more often events are held which promote ecological tours. There is such a notion in the international practice as “a blue flag”. This sign is given to ecologically clean districts where tourists prefer to have a rest, and nothing endangers their health in these places.

Hunting tourism is the tourism the aim of which is searching, tracing, chasing, and preying of some kinds of wild animals. In spite of high prices for these services, paid by foreign tourists, hunting tourism is expanding. Hunting tourism is simultaneously business and entertainment, consisting of searching, chasing, and preying (catching or killing) of some kinds of wild animals (mainly, birds and mammals).

Dark tourism (black tourism, tanato-tourism, tourism to prisons) is the variety of tourism which provides visiting depressive zones, that is, places connected with death and suffering. The places of dark tourism are the Nazi death camps in Poland, the places of Holocaust and Famine-Genocide in Ukraine, the prison Alkatras in the USA, famous castles in Scotland, England, France where executions and murders took place; the places of forced death; visiting former prisons, concentration camps, chambers for prisoners sentenced to death.

Medical tourism is the activity connected with the organization of medical services of patients far out from the places of their residence. The patients can go to medical establishments both in the country (inbound medical tourism) and far abroad (international medical tourism). Besides, prices for medical services in different countries differ greatly which induces people to leave their native country in order to specify the diagnosis of the disease and undergo treatment. Many “medical tourists” have the opportunity to combine medical services with recreation in resorts, health, SPA, and Wellness centers. That is why today the term “health improving tourism” is often used while speaking about medical tourism. As the system of medical services in Ukraine is not developed and requires restructuring, the given kind of tourism is almost not represented in our country.

Thermal tourism (geothermal tourism) is the variety of tourism which provides visiting geothermal water (hot springs) by the tourists for treatment. The most popular places of geo-tourism are Truskavets, Mukacheve, Yaremche, Uzhhorod,, and the Carpathians in general, that is, the places where famous geothermal health resorts, aqua-centers, and swimming pools are located.

Gastronomic tourism is travelling with the aim of getting acquainted

with the peculiarities of the local cuisine, culinary traditions, and tasting unique, interesting dishes or food by visitors.

Tourism of sweets (sweet tourism) is the sub-kind of gastronomic tourism; it is the tourism connected with visiting places of consumption and production of sweets. The confectionery for the tourists is made according to traditional recipes using the secrets of homemade batch, and only the confectionery of high quality made of natural components is allowed to be presented at sweet festivals.

Another sub-kind of gastronomic tourism is wine tourism with the opportunity to taste the original bouquet and taste of wine in the locality where it was made. Real connoisseurs of wines know their main peculiarity: wine does not like travelling. That is why high-grade wine with its unchanged quality can be only in the vaults and woods where it was made and kept.

Thematic tourism (event tourism) is devoted to some event. Unique tours uniting traditional rest and participation in the most spectacular arrangements of the planet gradually become more popular. Event tourism is a wonderful atmosphere of holiday, individual conditions of rest, and unforgettable impressions. The main peculiarity of event tourism is a lot of bright, unique moments.

Photo-tourism is the variety of tourism connected with the tourists' passion for the photography. Tourists, accompanied by the photo-guide, make photos of the most picturesque places untouched by people.

The aim of wedding tourism is visiting places for holding wedding ceremonies. Wedding tours are: having honeymoon, celebrating the anniversary of marriage, "golden" wedding, official marriage registration, religious wedding ceremony. At present, the consumers of wedding tourism have their weddings on the mountain peaks and under the water, in the deserts and on polar ice. There are wedding tours which include the organization of symbolic wedding ceremony according to local customs and traditions. Such rituals can be characterized by refined romanticism accompanied by putting on national costumes, and celebrating at the table with local delicatessens, and dances.

Shopping tourism is the variety of tourism the aim of which is shopping during the tourist trip. Taking into account the geographical position, it is expedient to make shop-tours from Ukraine to the countries of Europe and the Middle East. The most popular shopping places are in such European countries as Poland, Romania, Greece, France, Spain, and Italy. For example, the inhabitants of western regions often go to Romania to buy cheaper consumer goods and even food products. Greece is famous for the

cheapness of fur goods, and France – clothes and footwear of world brands. Shop tours to the UAE have lately been becoming more and more popular. Dubai is a free economic zone with a very low import tax rate. In this connection, practically all imported goods here are considerably cheaper than in Ukraine and other countries of the EU. It is especially profitable to buy electronics goods, jewelry, fabric, fur, watches, and also local souvenirs.

Suicidal tourism is “one-way” travelling. Its capital is Switzerland, the only country on the Earth where euthanasia for foreigners is officially allowed. So, a classical suicidal tour includes: arriving at the canton of Zurich, where the euthanasia group “Dignitas” is located, walking along clean and boring streets, having a farewell look at the lake, control examination by the doctor, signing the documents in which the person officially refuses to live any longer, and having a glass of juice with the mortal dose of nembutal. The positive moment is that the number of such tourists from Ukraine is low. Only several such cases have officially been known for the past 5 years.

Thus, the special kinds of tourism in Ukraine are most often closely interrelated with each other, and it is not always possible to single them out in the pure variety. For example, business tourism is often united with excursions or sports, ethnic – with sports or religious, target – with recreational or social, etc. So, the classification of cultural practices of tourism is very diverse. Tourist industry has achieved rather high rates, and the tourism satisfies the diverse wishes of travelling lovers.

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**Berezina Lydmila**

*Doctor of Economics, Professor,  
Department Economics of  
Enterprises, Poltava State  
Agrarian Academy*

**GREEN TOURISM AS THE  
DIRECTION OF SUBJECTS  
OF AGRICULTURAL  
AREAS**

Rural green tourism attracts more attention in Ukraine. Nowadays, many regions of Ukraine take both entrance (foreign) and internal (Ukrainian) individual tourists mainly families during their holidays that in turn, causes the expansion of chain stores, businesses restaurant facilities, services and entertainment. Given that these trends are manifested in rural areas, it is believed that green tourism promotes organizational and economic relations primary the entities of the agrarian area. Therefore, it is green tourism that is a kind of trend of the agricultural sector.

In ensuring effective organizational and economic relations of agricultural enterprises and other areas of the national economy, special place is occupied by the establishment of social partnership as a means of achieving a balance between the needs and interests of the major structural components of the social environment, namely the state through the government, employers' associations through the owners of authorized representatives, trade union formations as the defenders of the interests of employees. The level of the entire national economy and, in particular, agricultural enterprises, the pace of their integration into the European and global space, the development of their relations with business tourism depend on the level of coordination of these structures on the basis of compromises in solving socially important problems.

Currently, the change of social organization of production and ownership has caused a number of problems of both economic and socio-political character. Therefore, exceptional urgency is the issue of effectiveness of social partnership.

The development of the national economy requires attention to any areas of economic activity where green tourism is no exception. Favorable foreign territorial situation, endless recreational opportunities give grounds to identify the further development of green tourism in Ukraine as an important source of local revenues that will contribute to the development of social infrastructure of rural settlements.

Development of organizational and economic relations of

agricultural enterprises should link with the characteristics of current state of their functioning that is manifested in the following terms:

Transitive state of organizational, legal, and industrial structures forming separate business segments of agriculture that is explained by incompleteness of process of change of governance and ownership of land and property;

All entities of agribusiness operate in the same economic environment; therefore, the transformation of forms of business entities does not change their nature;

The establishment of private enterprises in all sectors of agriculture determines their status as independent and economically responsible subjects of market relations;

demands increases to the market environment for knowledge, the need for large amounts of information, improvement and validity of management decisions under conditions of imperfect competition, non-equivalence of inter-branch relations, imperfect market infrastructure, price fluctuations for agricultural products, raw materials, energy and other means of production;

Risks of economic activities are increased, etc.

Such condition of agro-industrial complex necessitates new forms of organizational and economic ties with partners in the markets where green tourism has certain advantages and prospects.

It would be unfair to attest that certain issues of tourism development, including green tourism in Ukraine, have not been investigated in recent years. However, unlike many countries in the world, tourism in Ukraine in common and, in particular, green tourism, has not received their priority development. Among the reasons for this situation, the lack of appropriate infrastructure is considered, while its formation takes a place only in certain regions in extremely slow manner. Individual entities in the area of eco-tourism are unable to monitor the state of its development. Their activity requires some coordination and reasonable public policy. [1]

The development of eco-tourism is considered in the research as a form of economic activity, taking into account the formation of its infrastructure and the creation of an appropriate network of institutions and objects that can unite and support the development of this important area of the economy. We are convinced in the need to ensure coordination of activities of green tourism, involved in recreational and tourism activities.

Further development of eco-tourism should include creation of a

network of institutions and organizations able to unite and support such kind of economic activity in a particular region. According to the experience, it may be the agencies of rural tourism, the associations promoting tourism, organizational centers, unions, and others. In terms of socio-economic development of regions (regions, regional centers), the settlements where the development of green tourism is the most promising should be identified. Creation of appropriate infrastructure in this place will further raise funds for investment projects for the development of green tourism, the effectiveness of which will largely depend on their level of economic feasibility, creation of regional demonstration estates with the elements of ethnography, the formation of tour routes and programs. The meetings of working committees (groups) should be considered by the local authorities as an important task, which should regulate consistent economic cooperation between different actors and entities of agrarian areas of green tourism in a region, including the possibility of coordinated management of the flow of goods and services, further development between organizational and economic relations.

The entities of green tourism in the same region may be involved in recreational and tourist activities through joint ventures of the national cuisine, production and marketing of handicrafts, crafts, and sales of outdoor equipment. Such projects should be preceded by conducting training seminars on the development of green tourism, training booklets, and launch of thematic programs in the media. The results of the formation and development of economic activities in the area of ecotourism in a region and the obtained experience of expanding relations with agribusiness entities have to find coverage and publication at seminars, meetings on round tables, thematic scientific conferences, and exhibitions.

The processes of improving the organizational and economic relations of agricultural enterprises require a balanced assessment of their internal state and made comparisons with defined prospects, which leads to determination by appropriate structural measures for further development by the managers, owners, and labor groups. In this respect, the role of the enterprises geographically connected by the boundaries of an administrative region creating a coherent economic entity, taking into account local needs, the characteristics of the regional labor market and employment, lever control, distribution and control of resources, local cultural and historical traditions and demographic transformations seems important. It is these businesses that are considered the entities of green

tourism.

Further development of rural green tourism is impossible without reasonable public policy and government regulation [2]. The main directions of the state policy in this regard are improvement of the legal principles regulating relations in the area of rural green tourism, comprehensive encouragement of citizens to participate in those activities, recognition of green tourism as an important part of the tourism industry in Ukraine and significant factor ensuring employment in rural areas and improving well-being, expansion of economic activity of agro-industrial complex, attraction of domestic and foreign investment in development of eco-tourism, local administrations and governments taking care of creation of favorable conditions for the development of green tourism, support for priority activities in this area, as well as creation of economic conditions that encourage the development of green tourism and rural areas, and development of social infrastructure of communities. The disadvantages and obstacles for the development of green tourism are low level of social services in rural settlements and the limited financial capacity that create a certain comfort to tourists during their stay in these objects. It should not be covered that living conditions in rural areas almost throughout Ukraine compared with the cities are much worse, that the complex of providing social and personal services is absent or poorly developed, that wages are lower, and the conditions for leisure are less favorable. The demographic situation became significantly worse. This condition does not meet public policy, which should take care of a person as a priority, and inhibits the development of eco-tourism in the area. Therefore, it is necessary to move the focus to the socio-cultural development of the country towards the countryside. Along with other measures, social development should include infrastructure improvements in rural settlements, municipal arrangement of rural, roads upgrading and transport development, education and health care, improvement of social and trade services, the ensuring efficient organizational and economic relations with agribusinesses. The mentioned measures should be a separate section of socio-economic development of each region where each of them must be provided with certain criteria, indicators, objectives, necessary resources, sources of their coverage, and implementation mechanisms. We believe that economic activity in rural areas by the nature and purpose should be considered as a single indivisible mechanism of operation of entities of agro-industrial complex and eco-tourism. Thus, it is about the change of emphasis in

which the interests of rural areas and their inhabitants would be really recognized as priority and therefore guaranteed by all content of the state agrarian policy and by a set of appropriate mechanisms for its practical implementation. This policy is extended to rural green tourism as an important line of business.

It is important to focus attention on the fact that the scientific community should expand scientific research on the development of green tourism and its interaction with the subjects of agro-industrial complex. Thus, the problems of rural development can only be solved through reliable primary interests of their inhabitants. The implementation of the state policy in the sphere of green tourism should be done by establishing the principles and foundations of standardization of tourism services, which Ukraine currently lacks.

Regional programs of rural green tourism in Ukraine as the components of socio-economic development of the region are formed and implemented for the rational use and development of local recreational resources (natural, cultural, ethnographic, historical, social, housing, etc.), their conservation and restoration. Patriotic and environmental education of the population should be considered as an important aspect.

Formation of effective organizational and economic relations of agricultural enterprises and the entities of green tourism is possible only if the functioning of the market with its inherent classical principles. Under these conditions, the product of every structural element is implemented as a commodity in accordance with the economic mechanism. When building the organizational and economic relations of the enterprises of agro-industrial complex and green tourism, the interests of all participants of economic relations should be taken into account.

Note that the considered principle (principium from the Latin is a top, base) as a basic rule, driving force, which is used for processing the methodological bases of formation and development of organizational and economic relations between the partners in the market. These relationships make it possible to implement the requirements of the objective economic laws, identification of violations and prevention of errors in business processes. These principles are the result of generalization of significant features and typical channels of communication, and reproducible signs inherent to the relationship of enterprises of all spheres of agro-industrial complex and constantly supported their economic activities. These principles are objective. They

reflect the laws of development of industries and sectors participating in the relations.

It should be noted that the methodological principles of forming of business relationships, including agriculture, are identical to the principles of public-regulatory relationships that serve as the basis of formation of effective mechanisms of organizational and economic relations of the market.

General economic principles are the following:

a) compliance with the legal framework: the state regulates property relations, creates a basis for the development of economic relations through legal acts;

b) effectiveness: the formation and development of relations involve receipt of the final economic impact (to meet the needs of the consumer market mainly with the produced resources, the formation of economic security as part of national security, enhancement of customer satisfaction in food, etc.);

c) justice: adjustment of the system of wealth distribution in order to prevent a sharp stratification of society by income level;

d) stability: ensuring alignment of ups and downs of the business cycle, creating new jobs, supporting economic growth;

d) consistency provides a comprehensive approach to solving economic, social and environmental problems in their relationship and orientation for a synergistic effect;

e) adequacy means the activity of a particular stage and meet the market trends and socio-economic status of the state;

g) unity of current and strategic planning and forecasting, where the consumer is recognized as a core of economic relations, while their interests are priority for formation of the tasks by any companies.

Efficiency of implementation of the projects of eco-tourism is defined primarily by supply of appropriate resources. Therefore, the financial component of these resources should be considered as the most significant for the successful implementation of effective program interventions. Thus, the solution of the problem on the volume of financial provision of the regional programs of development of green tourism depends, above all, on the attention of local authorities to the problems of development of green tourism in a region, awareness of its role in relations with the entities of agriculture, the development of regional economy, coordination of cooperation with local governments, and the public.

In order to finance regional programs of development of green

tourism, local authorities should seek additional sources.

In the regional programs of development of green tourism, important place should be taken to the measures directed to the establishment and development of a network of institutions oriented on the supporting this sector. Thus, such conditions of eligible relations of the participants can provide a wide range of advisory and technical, financial, credit, legal, information, advertising and other assistance. The mentioned support is especially necessary for the beginners in the area of rural green tourism.

In further, specificity of the building infrastructure of support of green tourism within a region, to our opinion, will lead to the need for efficient coordination of processes of formation of local authorities, NGOs, involving the entities of agro-industrial complex.

Effective development of eco-tourism areas can only be provided with timely and full receipt of information and advice support by the entities of such activities.

Transparency and efficiency of information on the development of green tourism may be provided through the introduction of web-sites of regional, city, or district administrations, as well as some entities of this area, where the information should be placed that can be useful for potential tourists.

Therefore, the market of green tourism as a form of economic activity is actively formed. In perspective, the solution of issues regarding the joint efforts of the entities of agro-industrial complex and other interested institutions and the strengthening social orientation of rural green tourism should be provided.

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**Bila Svitlana**

*Doctor of Public Administration,  
Professor, Educational and  
Scientific Institute of International  
Affairs (ESIIA), National Aviation  
University (NAU), Kyiv, Ukraine*

**PRIORITIES OF TOURISM  
AND RECREATIONAL  
SPHERE DEVELOPMENT  
IN UKRAINE UNDER  
EUROINTEGRATION  
CONDITIONS**

Tourist service (and related with it recreational service) in XXI century is one of the most prospective spheres of services market development. Tourist services satisfy the highest level human's demands – intellectual demands (to learn something new, to visit the historical and cultural heritage of one's own country and other countries of the world), while recreational services is closely connected with human health, one's rehabilitation. Ukraine has all preconditions (both historical and cultural), resort supply and human resources potential for the development of tourist as well as recreational services which will affect its economic growth in a positive way.

Having signed the Association Agreement with the European Union, Ukraine faces the challenge to fulfill the range of socio-economic reforms, conduct innovative structural transformation of sector economy (including service sector and tourism and recreational branch) concerning the criterion of their compliance with European standards of quality, security and institutional capacity. Such reforms will open up the new opportunities for entrepreneurship development, new workplaces creation, and sustainable economic growth for Ukraine.

The determination of basic priorities of tourism and recreation reformation in Ukraine should be based on revelation and detail investigation of existing resource potential in this sphere. Nearly every region of Ukraine has unique tourist objects (from St.Sophia Cathedral and Kyiv Pechersk Lavra in Kyiv to specific objects of city's historical part in Lviv). Slavyansk, Khmilnik, Myrgorod, Berdyansk, Skadovsk, Saki are considered the resorts of state importance in Ukraine. This country has wide network of tourist infrastructure objects comprising 4572 accommodation sites, i.e. hotels and similar sites (motels, campsites, hostels – 2645 items), specialized accommodation sites (sanatoriums, guest houses, holiday centres – 1927 items). In Ukraine there are 288 hotels possessing the certificates of rank, among which there 36 «five-star» hotels, 64 «four-star» hotels, 122 «three-star» hotels, 35 «two-star» hotels and 31 «one-star» hotels. Considerable part

of Ukrainian hotels are operated under the management of international and branched national hotel chains. At the same time Ukraine falls behind the developed countries of the world considering the service level and quantity of tourist infrastructure objects, which means that it loses profit and misses the chances of economic growth [1].

World Travel and Tourism Council Всесвітня рада з подорожей і туризму (WTTC) noted the following features of tourism in XXI century [2]: tourism is the largest industry of the world with the turnover of 3,5 trillion USD per year which naturally combines travels (cruises, buses, planes, cars, trains), accommodation (hotels, hostels, motels, conferences, exhibitions), catering (restaurants, cafes, bars and «street food» cites), rest and leisure (parks, attractions, entertainments). Tourism sphere is steady and large-scale taxpayer. Tourism trade creates new workplaces, promotes the population's self-employment: in 2014 more than 127 million people worked in the world tourist industry, that means nearly 15 % of all officially employed. Tourism is an economic sector which actively develops both in developed countries and developing countries as well as in the whole world in general. For instance, in 2015 income of tourist sector increased by 4 per cent at least comparing with 2014 (approximately by 1,2 trillion USD) [2; 3].

Within the period of 2000 – 2015 the average annual growth of international tourists arrivals was 5,1 %, annual growth of foreign exchange revenues to the countries' budgets was up to 14 %. According to the experts' forecasts rapid growth of tourism in the world will be in further progress. UNWTO states that in XXI century the tourist boom is expected: the amount of tourists in the world will grow to 1,6 billion people per year by 2020 which will increase tourists arrivals 2,4 times comparing with 2000. Developed countries of the world (the USA, EU, Japan, Canada) cover more than 60 % of international tourists arrivals and 70-75 % of international travels [4].

The following factors will promote the tourist trade development in the world: growth of world population income and poverty eradication; progress of education; globalization and rapid transport advances, reduction in transportation costs; expansion of the Internet services, digital technologies, world economy informatization. They favor the reduction in tourist services cost and make them available for the consumers with the different income level. Among the factors which hamper tourism development wars and local military conflicts, terrorism threats, population poverty, religious, ethnic and interstate political clashes should be mentioned.

The military conflict in the eastern part of Ukraine (2014 – 2016) and Crimea occupation (2014) extremely complicated tourism sphere growth in Ukraine. As a matter of fact, in 2014 there were 13,2 million international tourists arrivals comparing with 25,7 million in 2013. In 2015 the amount of international tourists visiting Ukraine lessened to 12,9 million people [5]. Domestic tourism in Ukraine is also poorly progressing. Triple depreciation of national currency – hryvnia (since 2013) and decrease in purchase power of Ukrainian citizens (because of inflation, “shock” structural reformation of production, growth in unemployment and other negative factors) essentially affect the demand for domestic recreational and tourist services in Ukraine.

Among the systemic problems which hamper the development of tourism and recreation in Ukraine the following ones should be considered: Significant level of moral and physical obsolescence of tourist and recreational infrastructure in Ukraine, poor condition of cultural and historical sites. Low interest of foreign and local investors to the investing in Ukrainian tourism and recreational sphere refers to the political instability in the country and the corruption threats (risks) which have been much spoken about in Ukrainian mass media lately; Unsatisfactory quality of infrastructure objects in Ukraine: from financial (occasional bankruptcy of small-sized and medium-sized banks) to transport and informational ones. This aggravates the challenge of tourism and recreation objects transport availability in all Ukrainian regions; Low level of information and marketing supply of tourism and recreation services in Ukraine. There is no national brand of tourism product which complicates promoting of Ukrainian tourism and recreational services to the world and European market. In particular, there is no advanced network of tourism informational centre’s (TIC) in Ukraine. These institutions are able to provide the tourism information quickly and of high quality (vacancies in the hotels, excursion contents, the nearest catering places, transport timetable etc.). The main peculiarity of TICs is significant share of free services. Moreover, they form positive image (brand) of regional tourism and recreational objects (sanatoriums, “green” holiday centre’s, campsites etc.) TICs are the essential element of tourism trade infrastructure, as the plenty of tourists (the youth, especially) travel at their own pace and need reliable information. To avoid chaotic creation of TICs in Ukraine state institutional support and coordination of the whole process are of great importance. Besides, the potential of tourist product promotion by the state to the world and regional markets is practically out of use, e.g.

international exhibitions, fairs, tourism forums etc. [1].

Within 1991 – 2013 four great tourism regions with the set of tourism and recreational services (Crimean, Black Sea riparian, Priazovsk and Carpathian) were shaped in Ukraine. Nowadays Crimean region doesn't use its tourism and recreational potential as Ukrainian region due to the Russian military occupation. But other regions got the great chance to develop their potential.

First and foremost, tourism and recreational potential of Western regions of Ukraine is based on the mountainous areas of Ukrainian Carpathians (Lviv, Chernivtsy, Ivano-Frankivs'k and Zakarpatya regions). These areas are famous for their unique natural resources and rich ecosystem, have powerful potential for tourism and recreation development which will lead to the creation of new workplaces and local economic growth. Tourism and recreation are the most prospective economic spheres for Western Ukraine. Carpathian region with its favorable climate is rich in historical, cultural, architectural and natural sights, recreational facilities, tourism routes, ethnic traditions and has all preconditions for the «green tourism» development. Despite the above-mentioned advantages the area potential efficiency is rather low, the main reasons for that are poor transport availability, communal infrastructure obsolescence, lack of qualitative service. Chronic deficiency of investments makes the use of Carpathian regions benefits complicated.

Nowadays maritime areas of Ukraine include only 4 regions (Odessa, Mycholaiv, Kherson and Donetsk), as Autonomous Republic of Crimea has been occupied by Russian Federation since 2014. These areas have faced a lot of challenges in tourism and recreation economic spheres for the last two years. Annexation of Crimean AR by Russia as well as active anti-terrorist operation (ATO) on the territory of Donetsk and Lugansk regions led to intensification of securing measures for Ukrainian citizens which negatively influenced the development of tourism and recreation [6].

The largest assets of resort and recreation facilities in Ukraine had been concentrated on the territory of Crimean AR by 2014 (especially on its Southern coast). They served nearly 6 million people annually, including 4 million citizens of Ukraine. Common list of sanatorium-and-spa and tourist facilities contained 825 objects. According to the data of Ministry of social policy, because of Crimean annexation Ukraine lost 122 children's health camps (including international children's centre «Artek») where 60 thousand children improved their health seasonally

[7].

Now Odessa region situated on the Black Sea coast is considered 'pearl' of maritime regions in Ukraine with mighty recreational and tourism potential. Though the tragic events on the 2<sup>nd</sup> of May in 2014 in Odessa, when 48 people were killed and 247 people were injured during the mass riots, negatively affected the favorability of this region as a tourist area and interest decay to the tourism attractiveness of Odessa region. It should be emphasized that more than 500 various cultural and art events were held on the territory of Odessa region before the beginning of ATO, e.g. Day of Humor (1, April, Odessa), International Festival of Clowns "Comediada" (April, Odessa), Ethnic Festival «Bessarab tantela» (September, Izmail) [6]. Since 2014 tourism and recreational sphere of Odessa region has been experiencing high pressure of competitiveness from other players in Black Sea region such as Turkey, Georgia, Russia.

The general tourists arrivals in Georgia (which positions itself as stable and open country) has grown by 22 % in 2013 comparing with the figures of 2012 and comprised 5,39 million, that is higher than the population of the whole country. Competitive pressure of Russia at the tourism and recreational market has intensified after 2014 Winter Olympic Games in Sochi. Turkish travel agencies have chosen aggressive price damping policy in relation to the tourists from CIS and Ukraine, especially in low seasons. Turkey offers programs of active excursion and historical tourism as well as «shopping» [6].

Cruise tourism is considered rather prospective for maritime regions of Ukraine and it progressed greatly before 2014. But after Crimean annexation a lot of international cruise companies canceled calls to the Crimean ports as well as to the Odessa Sea Trade Port which was base for cruise tourism. In 2014 only 93 cruise ships called Odessa Sea Trade port instead of 154 ones notified. The lack of cruise ships in Odessa results in deficiency of Ukrainian tourist trade income, as each tourist coming ashore spends 100 – 300 USD on average per day on souvenirs.

Tendencies concerning introduction of projects on interregional and international cooperation within the Program of international financial aid EU-Ukraine also make the tourist sphere development in maritime regions rather prospective. Particularly, in 2014 three projects were in operation in Odessa region, they were financed by EU and Ukraine shares in capital. 1780 thousand euro were spent on the development of the project "International students' centre of tourism and recreation: the way to the nation's health". The project "The Black Sea network for

sustainable tourism – common marketing development strategy in the Black Sea region” should result in the formation of common marketing network for travel agencies of Black Sea region, especially in the spheres of wine tourism, ecotourism and spa-tourism. The project “Sustainable tourism development in the region “Low Danube” is being in operation within the common program “Romania – Ukraine – Republic of Moldova”. Its aim is promotion of cooperation among the tour operators of states-partners to create transboundary routes and popularize the local historical and cultural sights, encourage the economic activity in frontier regions of Ukraine [6].

To sum up, it should be emphasized that active efforts to attract foreign tourists, including those ones from European Union, India, China and other world countries, to the Ukrainian maritime regions will favor the development of tourism and recreation both in these areas and the country in general. Upgrading of tourism and recreation services quality, infrastructure development, active information and advertising campaigns, simplification of visa system for foreign tourists are of great importance for successful fulfillment of such plans. But first and foremost precondition for sustainable development of tourism and recreation spheres in Ukrainian maritime regions is securing the political stability in these areas and putting an end to the military actions on the Ukrainian territory.

According to the World economic forum data, Ukraine uses only a third of its national tourism and recreation potential now. Until recently tourism development has been considered as minor, so state authorities policy as for its organizational and economic support was unsystematic. Priority direction for Ukrainian travel agencies was mainly exit tourism, which resulted in foreign tourism market development, “green” tourism, recreational, cultural and historical domestic (Ukrainian) tourism progressed occasionally. But revenues to the local budgets of all levels from domestic tourism could be equaled the budget of the states similar to the Ukraine in tourism and recreation potential (nearly 10 billion USD per year).

Creation of recreation and tourism clusters is able to discover and use the existing tourism and recreation potential of Ukraine, which is confirmed by world economic management experience. Cluster (klaster (lat.) – bunch, cluster) is branch-wise, territorial and voluntary unification of entrepreneurs which closely collaborates with scientific and educational institutions, civic organizations and local authorities aimed at improving competitiveness of own goods (services) and

promoting the regional economic growth. Cluster network includes network of suppliers, manufacturers, consumers, elements of industrial infrastructure, research institutes and other actors interdependent in the process of added value creating. Cluster shapes the specific competitive network of goods (services) production based on the use of resource potential at local (regional) level and targeted at workplaces creation in the local area. It is tourist trade and recreation and tourism services that are adapted for making the best base for recreation and tourism cluster creation in Ukraine and starting the process of economic revival and growth at local, regional and state level.

Nature and protected assets of Ukrainian regions can make a perfect base for tourism and recreation clusters creation. For instance, resort and recreational zones in Ukrainian regions cover nearly 9,1 million hectares, or 15 % of all Ukrainian territory in general. The regional state register includes 130 thousand monuments among which 57206 archaeological monuments, 51364 historical monuments, 5926 monumental art monuments, 16923 architectural and town building monuments [5]. There are also 61 historical and cultural reserves in Ukrainian regions, operational stock of mineral waters allows to use more than 64 thousand cubic metres a day of them. 200 thousand people worked permanently in Ukrainian tourism trade before the ATO in 2013, more than 1 million people were employed on temporary basis [5; 7].

As for tourist and recreation clusters formation in Ukraine the greatest potential has the regions with healing mineral medicinal waters. The biggest amount of sources are concentrated in Carpathian area, particularly, in Lviv region and Zakarpatya. Significant number of water sources are found in Dnipropetrovs'k, Khmel'nitsky, Poltava, Kyiv, Cherkassy, Lugansk, Donetsk and other regions. The entire industry – medical clusters specialized on recreation and medicinal tourism – can be formed on the mineral waters base. Such clusters will promote the formation of small-sized and medium-sized business economic activity ‘circles’, points of economic growth. Cluster is the foundation which affects the economic growth multiplicatively at regional (local) level as well as at the national economy level.

In fact, integrated combination of nature and recreational resources, mineral waters and balneological resorts (spa), cultural and historical tourism objects is a real potential for the competitive tourist and recreation clusters development in Ukrainian regions. Besides, formation of such clusters will promote small-sized and medium-sized

business economic activity acceleration, population self-employment (in the spheres of logistics, hotel business and catering, entertainment). At the same time, the work of local (regional) food industry enterprises, medical institutions, wholesale and retail trade companies, ICT businesses and other actors will progress.

The level of tourist and recreation services development in Ukrainian regions relies on a number of factors the most significant of which are the following: geopolitical location of territory (region) (history of territory development, traditions, the level of energy infrastructure progress, natural resources, labor resources, transport communication etc.); availability of recreational resources; the level of tourism infrastructure advancement; the place and role of recreation and tourism in the regional economy; recreational and tourism policy and strategy. The opportunities for streamlining the close interregional cooperation, interregional collaboration of Ukrainian regions play an important role in recreation and tourism development at regional level which will allow to improve the resource concentration using the cooperation benefits.

Recreation and tourism branches are of great significance for social and economic development of Ukraine. This sphere is an important factor for creating additional (new) workplaces, replenishment of state currency reserves and improving of country's popularity at national and international levels. Recreation and tourism spheres development is characterized by multiplicative effect, in such a way its influence on Ukrainian economy growth and rise in GDP should be considered taking into account the development of closely-related branches such as transport, catering, trade etc. The market of recreational and tourism services in Ukraine is progressing scrappily, though practically all regions of this country possess unique natural, human, recreation and tourism resources. The systemic problems of tourism and recreation development are mostly related to creating of recreation and tourism clusters in regions, points of economic growth forming on its base and economic advancement affecting multiplicatively at both regional and state level.

European integration policy of Ukraine requires active state institutional support of tourism and recreation spheres development, in particular, concerning promoting (and real informative support) national tourism and recreation Ukrainian product to Ukrainian, European and world markets. It is necessary to maintain positive image of Ukraine as a safe, attractive for tourists from all over the world country. It is directly linked to putting an end to the military conflict in the east of

Ukraine. National tourism organization should be established in Ukraine. One of which functions will be tourism Internet-portal «Visit Ukraine» management in different foreign languages, that provides available and reliable information on tourism and recreation products (services) of all regions, cities and towns of this country.

Under the terms of European integration policy realization Ukrainian agenda includes structural national economy reorganization in which tourism and recreation take the honored place. The main priorities of tourism and recreation sphere development are the following: institutional reforms aimed at improving of legislation on tourism and recreation sphere, considering implementation European norms and standards as for security, quality, environmentally friendliness, protection of consumers; establishment of tourism trade as highly profitable economy branch; encouragement of national and foreign investments to tourist trade and recreation sphere progress, formation of innovatively oriented tourism and recreation clusters and creation of new workplaces on this base; promotion of entrance and domestic tourism, rural tourism and ecotourism ('green' tourism), other kinds of tourism and recreation as well as their combination; formation of Ukrainian national brand as unique 'tourism and recreational centre', tourism and recreation informational support spreading in Ukraine; widening of international cooperation in the sphere of tourism trade and establishing Ukraine as a competitive actor at the world tourism market.

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## Chapter 5

# CURRENT TRENDS IN THE HOTEL AND RESTAURANT BUSINESS

**Mazur Volodymyr**

*PhD in Economics,  
Associate Professor of the  
Department of International  
Business and Tourism  
Ternopil National economic  
University*

**IMPROVING  
COMPETITIVENESS OF HOTEL  
AND RESTAURANT COMPLEX  
ON THE BASE OF HOSPITALITY  
INDUSTRY**

Nowadays, generally, hospitality industry is very important and one of the key factors of successful development of tourism. The sphere of hospitality industry is not well developed in the 21<sup>st</sup> century. It is on the stage of renovation. It is connected with the beginning of technological progress; people do not pay attention and even forgot about human needs in kind words and communication. The employees pay attention only to technical development and have forgotten about the development of their highly qualified personal traits of character. That's why the problem of hospitality development became special important under the conditions of modern industrial surrounding.

Such scholars as H. Yakovlyev, E. Balashova, A. Kuskov, A. Medyk, Kh. Ingram, L. Shmakova, V. Kokhnenko, O. Lyubitseva, Kh. Rohlyev, V. Revenko, P. Putsenteylo, M. Malska and I. Pandyak investigated the questions concerning hospitality industry and analyzed its development. The range of defining trends in hospitality industry in increasing their competitiveness were investigated by famous and native scholars, such as: M. Porter, P. Kotler, J. J. Lamben, A. G. Strickland, David W. Cravens, I. Zulkarnayev, L. Ilyasova, L. Azoyev, Ye. Dzhandzuhazova, R. Fatkhudynov, I. Lifits, I. Spiridonov, A. Yanovskyy and others.

Hospitality was not investigated in all these works as the main factor forming the high level of enterprise competitiveness.

“Hospitality is a folk tradition of lovingly and respectfully welcoming. It is also readiness, desire to welcome guests and treat them;

the very ceremony of hosting somebody” – V. Zhayvoronok wrote in his work “Znaky ukrainskoyi etnokultury (Signs of Ukrainian Ethnic Culture)” [1].

H. Papiryan in his work “Hospitality Industry Management” described hospitality as a scientific term and considered this term as the system of measures and their implementation arrangement to satisfy different everyday, economic and cultural needs, their obliging service and rendering services [2]. Ya. Salo wrote: “Hospitality is a concept about civilization. Owing to big and constant progress this concept became one of the biggest industries in the 21<sup>st</sup> century where milliards of people work and develop. They create big and continuous service consumption” [3].

Hospitality industry is the sphere including activity of people in different spheres – hotel and restaurant business, recreation, tourism, entertainment, excursions, scientific conferences, public catering and exhibitions. Figure 5.1.

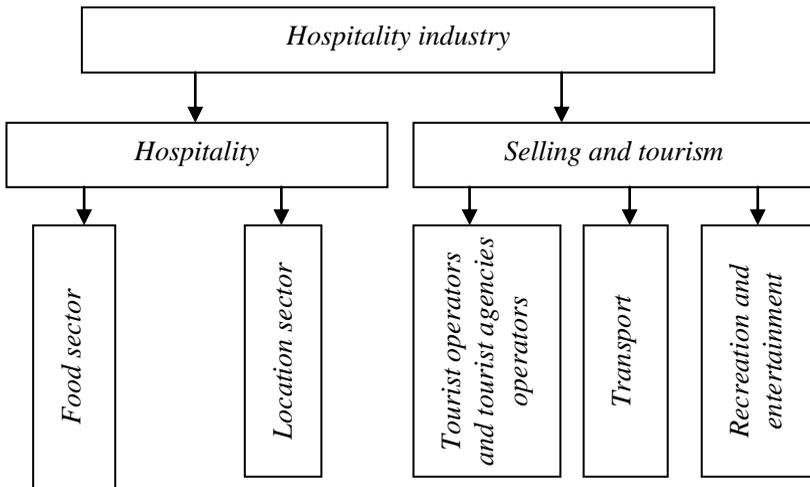


Figure 5.1. Hospitality industry [4]

It should be emphasized that there is a social sphere of hospitality demonstrating its human being reception nature. Hospitality institute is one of the oldest in the history of human civilization. Hospitality (Greek “proxenia”) has widely developed from ancient Hellas. In 78 antic states-polices only famous citizens – pyroxenes had right and obligation to care about foreign people.

Hospitality, derived from “guest”, shows its all content ambiguity. Its elements are fundamentally implicit, diffusive, close connected but at the same time contradictory and often even logically incompatible (friend – enemy). It causes the complexity of revealing structural elements of hospitality and available interconnections between them.

Such term as “hospitality industry and hospitality” can be observed in modern literature. Today we already understand that these concepts should not be investigated separately; that tourists are first of all consumers having a lot of needs which depend on different kinds of factors, and hospitality industry is one of complex spheres satisfying different consumer needs and services consumers. Different spheres of human activity are combined in this industry: recreation, public catering (hotel and restaurant business), entertainment and excursions – tourism, different seminars and exhibitions. Hospitality became inseparable part of tourism required by all hotel services consumers. Because of all these factors it is difficult to define the concept “hospitality” definitely. It can be hardly defined. However it is not only qualitative service but a high level of individual worker preparation and development. This preparation provides workers with necessary habits to create necessary hospitable conditions for a client [5].

Hospitality is specific method of perception, understanding and reflection of own inner world, implementation of individual way of thinking in some model of behavior caused by customs, moral traditions and social rules [6].

To improve tourist business development it is necessary to be competitive.

Talking about competitiveness in the sphere of hospitality industry, it should be defined that the main factors are not strategy of enterprise and its business plan but this industry enterprise ability to show its advantages, reveal and satisfy consumers’ needs and the level of development of information chains. That’s why in hospitality industry it should be defined such methods of competitiveness.

1. Estimation of quality level of services provision – such factors as the level of quality of services provision and the way of its provision (workers polite, caring and attentive treatment) are taken into consideration.

2. Estimation of the level of the enterprise development – all technical means providing services are taken into consideration. Talking about tourist service it should be considered tourist company, bus or hotel. Consumers pay attention not only to the way of service providing

but the place of its providing. If rooms or bus are dirty and broken a consumer will not be satisfied regardless the personnel politeness.

3. Estimation of the level of information technologies development – enterprises in hospitality industry should keep up with different information and that's why it should be constant and quick process of exchange information in any enterprise. Such software as ISMie, Overia, TourOnline and others is a good help for enterprises. Software is a good help for enterprises using in hospitality industry – 4. Estimation of innovative implementations is the main goal for the sphere of hospitality; it is constant keeping up and satisfaction of consumers needs. It should be taken into consideration that we live in time during technical development is very rapid and consumers needs change very quickly, that's why to be a competitive in hospitality industry the enterprise should react very quickly and not typically on such changes [7].

On the other side, if compare the meaning of hospitality in different tourist services, it will be more important while forming hotel services, for example while forming excursions. Considering this fact, we can make such conclusions that hotel enterprises in the sphere of hospitality industry perform the main functions because at first they form and then propose the whole set of hotel services in forming and promoting of which the majority of sectors of hospitality industry are involved.

Talking about hospitality in hotel, it should be of specific nature connecting with services providing by hotel complex. Because of such specific nature, except common methodic, there are separate methods of estimation of hotel competitiveness in the sphere of hospitality industry [8]:

1. Correspondence to the base of certification and standardization is standards existing in the world and which are acceptable in Ukraine not so long time ago.

2. Hotel complexes categorization. Hotel categorization by means of stars became very popular in European practice. Generally accepted is categorization from 3 to 5 because very often another marks are used also, such as: crowns, diamonds, etc. This categorization is created for consumers understanding about services providing by the given enterprise.

3. Understanding the importance of hospitality. The result of hotels activity during 1960 shows that if the enterprise pays attention only to technical peculiarities of service, forgetting about human factor, it will cause the hospitality decline, complete dissatisfaction of consumers and

as a result profit decreasing. If enterprise chooses hospitality as the main way of its development and this choice is shown by workers, consumers will feel it very good.

4. Personnel training in hospitality and kindness. Training should be in such formula: “Presentiment-recognition-satisfaction”. Workers should understand and act according to the principle – guest intelligent request is a law which should be quickly satisfied.

5. Personnel encouragement to show hospitality, by the means of:

- economic factors – an enterprise should support its workers with confidence in that they will save their working place if they execute their functions qualitatively and no reasons will prevent it;

- social factors – if an enterprise provides its workers with social programs and will understand its workers life situations, it will improve qualitatively their work;

- administrative factors – an enterprise should create such working conditions which are adopted by the legislation of Ukraine and they will not harm spiritual and physical health of workers;

- personal interest – an enterprise should develop questionnaires for clients to write about their opinion about an enterprise and its workers. And quarterly managers will chose the best worker.

These factors and working conditions unite the workers, make better the atmosphere among the personnel and inspire the workers to pay more attention to clients – as a result there will be qualitative work.

6. The level of infrastructure of number fund. The meaning of human factor in the development of a large sphere of hospitality was paid much attention. But it should be noted that all these efforts will be in vain if a client enters a dirty room without all necessary things for comfort living. That’s why a hotel should have a service providing repairing and changing some things, reacting quickly on client’s call.

7. Communicating with consumers. Managers have to understand that hospitality should be limited. Sometimes it happens that workers are very obtrusive but not hospotal. To avoid such situations it is necessary to make an anonymous inquiry among clients. They can share their impressions and make some suggestions, new ideas and wishes. A hotel doing so will be a competitive one.

In comparison with other spheres of human activity, the high level of completion is a characteristic feature for the sphere of hospitality industry. It also depends on many factors, such as: natural factors, outside, religious and political, natural conditions and cataclysms.

All conditions stated above and conditions influencing the

development of hotel and tourist services market, labor complexity and dictate the peculiarities of enterprises activity in hotel economy [8].

Unlike any of the other, economic essence of hotel activity has no material nature. Hotel enterprises propose their product by way of service, involving a consumer in its production.

Therefore, the output element in defining the term “competitiveness of hotel industry enterprises” one can consider consumer liking and choice choosing the given services.

To define advantages and disadvantages of hotel business comparing with competitors and developments of successive competitive strategy it is necessary to study conditions of competition in hotel services market, evaluate own competitive position and study competitors’ activity.

Evaluation of hotel enterprise competitiveness like other tourist enterprise can be done according to the next stages, figure 5.2.

Competitiveness of tourist enterprises is an effective way to develop this business.

Having analyzed the evaluation goal of hotel enterprises competitiveness, it is possible to use some methods of its level calculation. The method, taking into consideration the peculiarities of its activity, conditions of activity and tendencies of the development of the area can be used as the main factor for identifying hotel enterprises competitiveness.

Let’s consider the main methods of evaluation of tourist enterprises competitiveness (table 5.1).

During the comprehensive research of venture’s competitiveness there was made a conclusion that the best assessment can be made by means for matrix method.

Matrix methods of venture’s competitiveness assessment are based on tables built on rows and columns. BCG matrix was elaborated in 60-ties of 20<sup>th</sup> century by Boston consulting group and included only 2 variables: market share and market growth ratio. This matrix is preferable (simplicity, accessibility, obviousness, attractiveness and competitiveness, and low subjectivism) but has a lot of drawbacks like exaggerate primitivism, low market sales, and market share assessment.

To the contrary to double-factor BCG, the GE/McKinsey matrix is likely to be more detailed model. The matrix consists of 9 quadrants and characterizes long-term market attractiveness as well as call for proposals of any venture in it. GE/McKinsey takes into account the impact of a larger number of items (competition, financial & banking, socio-psychological as well as market indicators) than BCG matrix.

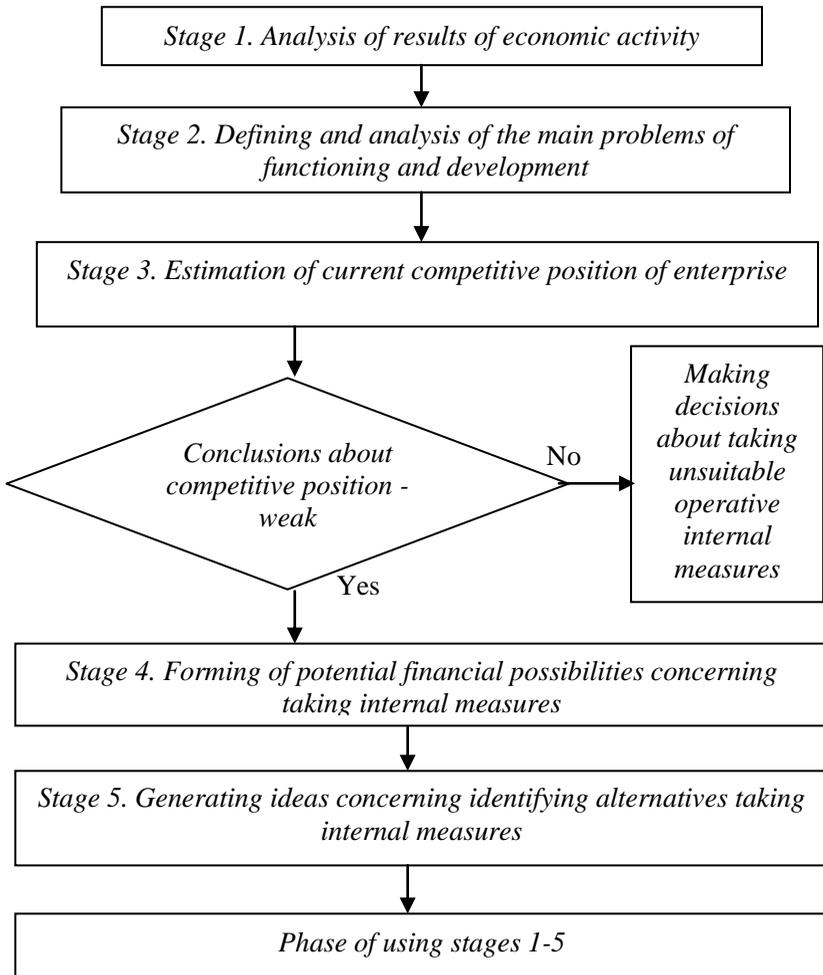


Figure 5.2. Forming strategy development of hotel enterprises competitiveness [9]

There were investigated for the first time both “physical” factors (sales, profits, investment return) and individual business characteristics like market share fluctuation, technologies, and human resources. So GE/McKinsey matrix is associated with such advantages as depth (without any further conclusions), flexibility (due to market situation), and usage range.

Table 5.1

**Analysis of competitiveness evaluation methods [10]**

Evaluation method	Characteristics	Conditions of use
Method of ranks	Let to evaluate the places of enterprises-competitors by the way of arranging main indexes, reveal their advantages and disadvantages	Truth worth data about qualitative and qualitative indexes of some enterprises-competitors activity
Method of differences	Provides comparison and defining deviations of some evaluation indexes of enterprises comparatively with indexes of only one competitor	Truth worth data about competitors, necessity of defining quantitative deviations of indexes of investigated enterprise activity from a competitor
Method of points	Provides common quantitative evaluation of enterprise state in competitive struggle comparatively with some competitors	Absence of true worth data about main competitors, proficient marketing specialists, which deal with information collecting and processing
Method of comparative advantages	Competitiveness of enterprises is caused by available comparative advantages. The level of competitiveness is evaluated by the way of comparison the level of one index of investigated enterprise comparatively to corresponding index of competitors.	Truth worth data about advantages and disadvantages of enterprises-competitors, does not require special preparation
Efficient competition method	It assumes the evaluation of industrial potential, and ratio analysis	Truth worth data about competitors, market conditions and training
Break-even point method	Deviation analysis	Truth worth data about turnover rate, expenditures and counterparts' profits
Market fate method	It will assess call for proposals due to market potential	Reliable data about tourist market and special training
Matrix method	It facilitates to define call for proposals comparing to other participants and determines the strategy. Matrix is the main instrument.	Information about venture's activity for a certain period of time and the necessity of temporary competitive analysis

The main advantage of GE/McKinsey model is the possibility for any indicator to be awarded different share value du to their relative

importance, which enables more precise business assessment. Despite all the advantages, this matrix has some drawbacks like being discrepant and subjective; these recommendations are general and should be specified [11].

Let us investigate the assessment methods for competitiveness under General Electric / McKinsey matrix.

At first, there are defined the indicators to reflect competitiveness of hotels which are then awarded their market share basing on determined ratios that are supposed to sum up in ‘1’ from market attractiveness and call of proposals.

Selected calculation method at first includes the selection of estimation ratios to comply with the research item.

It is important to select relevant evaluation criteria for all range of hotels as the average ratios are supposed to be used for hotel market research.

One has to assess the following ratios: hotel occupancy, location, pricing, additional services, hotel reputation and quality of service.

The assessment of call of proposals is calculated according to the formula (5.1) after market analysis of hotel services:

$$Pe = \frac{Rm}{Bm} * Pmax \quad (5.1)$$

where,  $Pe$  – point estimation of hotel competitiveness ;

$Rm$  – real meaning of index valuation of each enterprise;

$Bm$ – the best meaning of value index in total enterprises;

$Pmax$ – maximal point of index evaluation, in our case – “5”.

Complex coefficient of hotel competitive position is defined according to a formula (5.2):

$$Cc = \sum^n Pe * Wi \quad (5.2)$$

where,  $n$  – number of ratios;

$Pe$  – point estimation of each index and  $i$ -that index;

$Wi$  – each value and  $i$ -that index.

The calculations of market attractiveness are carried out in the same

way. There were selected such calculation values as market volume, market growth ratio, market profit, competitive rate, customers' loyalty.

Market Attractiveness	high	Retaining of leadership; search of leaders; protection of positions; maximization of investments	Optional growth; support of positions; capital investment; controlled investment	Optional growth; concentration of efforts; stabilization; search for new investments
	middle	Optional growth; retaining positions; assessment of potential to quit via segmentation	Profit management; identification of growing segments; stabilization; optional investments	Restrictions; elimination; investment minimization; planned withdrawal
	low	Stabilization: search for new niche; re-orientation of activities; planned default	Stabilization: search for new niche; shifting of markets	Shifting of markets, going bankrupt
		strong	moderate	weak
Call for proposals				

Figure 5.3. Strategy selection due to GE/McKinsey matrix [11]

Having analyzed the advantages and disadvantages of different matrixes there were selected the GE/McKinsey one. This model is recommended while taking into consideration the peculiarities of hotel business.

One has to assert the fact the hotel industry influences considerably the tourism industry. Both of them are developing side-by-side. The hotel industry has experienced a long history but, nevertheless, it is an inevitable part of high-quality travel and service. One has to take into consideration that hospitality is purely human feature which can not be rendered automatically. It is necessary therefore to these factors contribute mainly to build up internal and external psychological aspects.

Having made the comprehensive research of hotel business one has to state that a list of problems within the latter are likely to be a target system deeply associated with staff innovative motivation. The possible

positive trends of hotel industry development require further research concentrating on the approaches to assessment of hotel competitiveness.

The proposed matrix method to assess the competitiveness of a hotel is a detailed model based on a number of factors (competition, financial & banking, socio-psychological as well as market indicators). The advantages of GE/McKinsey are considered to be the depth, flexibility, and dissemination. A main advantage of GE/McKinsey model is the diversification of share values depending on their relative importance for a business in a branch that surely evaluates the latter more accurately.

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**Melnychenko Svitlana**

*Doctor of Science (Economics),  
Professor, Kyiv National University  
of Trade and Economics*

**Kudlai Tetiana**

*Candidate of Science (Economics),  
Kyiv National University of Trade  
and Economics*

**Sheienkova Kateryna**

*Candidate of Science (Economics),  
Kyiv National University of Trade  
and Economics*

**THE INTEGRATION OF  
INTERNATIONAL  
HOTEL CHAINS IN THE  
NATIONAL MARKET**

The urgency of the use of the Internet technology is becoming a regular occurrence in the hotel business, as a significant proportion of booking hotel services in the hotel industry is going directly through the Internet. However, the research results showed the lack of one single environment that would provide information saturation of data about hotel chains that are operating in Ukraine. With this purpose, was developed structural and logical scheme of integration of hotel networks of national and international levels through a single information portal,

which will differ to those that will provide multilingualism of information, the possibility of booking of all the proposals, network feedback in real time and will give the possibility for consumers of hotel services to enter to the unified loyalty program.

The integration of hotel chains on the national market provides for deepening of information exchange between member enterprises - network as information technology occupy a key place in the development of hotel business. However, the research results showed the lack of one single environment of hotel chains in Ukraine.

In this way, the aim of the research is to analyze the current informative network of hotel enterprises, that are operating in the market of hotel services in Ukraine.

Over the last decade the global hospitality industry has become one of most profitable areas, serving as a catalyst for the development of transport system of the country, trade and entertainment. According to the WTO on 2014 year every eleventh person involved in the ensure of tourism business and hospitality [24].

Globalization processes in the hospitality industry in the global market are going to be a common phenomenon, including integration, which is occurs through the Internet technology. The actuality of the use of the Internet technology is becoming a regular occurrence in the hotel business, as nearly 70% of seats reservation on hotel enterprises is going directly through the Internet [21].

However, information consumers of hotel services are not always in the right level. The results of analysis of the hotel business leader websites (fig. 5.4) indicate a lack of feedback from consumers of hotel services and the possibility of tracking the number of available rooms of selected segment, which is the most actual problem of information support of consumers. The possibility of virtual tours on selected hotels can provide 49% of hotel operators. It should be mentioned that only 52% are giving a possibility of using more than six languages on their websites, than is not always allowed customer to get all necessary information. However, now the local hotel operators with individual brands websites that having limited geographical representation are becoming relevance. 59% of operators were simplified the booking process on the websites of their brands that allowing consumers to spend most comfortable reservation process, and 76% - have the ability to change the date of reservation without reverse action.

Intensive and rapid updating of hospitality leaders Internet resources demonstrates the need for maximum filling of the virtual information

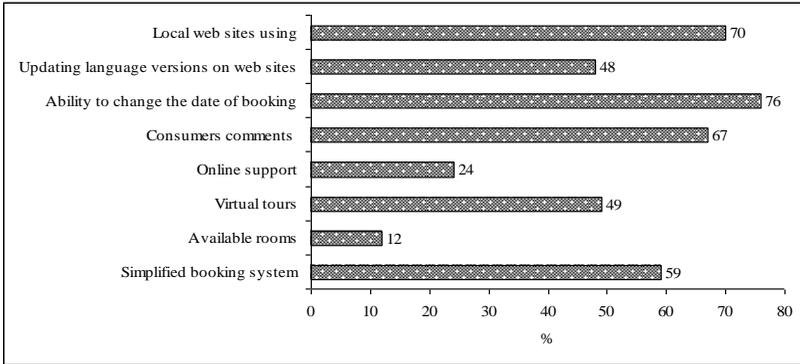


Figure. 5.4. Analysis of International hotel's operators web sites [17-20, 22]

environment, the quality of which can ensure customer loyalty to the brand.

Moreover, despite the competition, the leaders of hotel business such as Choice Hotels International, Hilton Worldwide, Hyatt Hotels Corporation, InterContinental Hotels Group, Marriott International and Wyndham Worldwide in 2012 launched the joint global booking Room Key, which allows to select any hospitality enterprise that is a member of one of the network operators on specific criteria. This system gives to the consumer an alternative and does not effect on brand loyalty [21].

Information saturation official websites of national hotel operators are also different positive characteristics (table 5.2), but the lack of a common information base and limited language provision does not allow the consumer to choose the best among all existing proposals.

Table 5.2

**Information support national operators websites**

Indexes	Hotel operator	
	<i>Premier International</i>	<i>Reikartz Hotel Group</i>
Language software provider	3	3
Language software brand	3	3
Feedback in Real Time	+	-
Availability Consumers	-	+
Simplified reservation	+	+
Best Rate Guarantee	+	-
Consumer Personal Account	+	+
Information about partner	+	+
Virtual tours	-	-

Analysis of sites of national operators and their brands suggests the limitations of language software, which can adversely affect the loyalty of other countries. Lack virtual tours and customer feedback prevents a full assessment of hotel management company. It should be noted that Premier International warrants the best prices, allowing the consumer to be sure of the loyalty price for the selected category number. However, lack of view of consumer opinions, limits potential customers in previous experiences, which can negatively affect brand loyalty. The ability to create personal office sites operators will simplify the booking process and monitor the status of the bonus program. Thus, the distribution function on all personal office site functionality allows you to make only site Premier International, at a time when Reikartz Hotel Group restricts consumer loyalty programs. Limited information on partnerships observed at all sites.

Despite the large number of integration processes in the hospitality industry, the results showed the absence of this process in the domestic market between international and national hotel chains, which in turn reduces their potential.

Research information environment of the hotel services points to a lack of cooperation on the domestic market, as hotel operators between national and international, as well as the lack of an integrated environment that would provide consumers with information about network enterprises hospitality industry.

Therefore, we have proposed the development of a single information portal for integration of national and international hotel chains operating in Ukraine, which will merge into a single information system and all hotel chains provide full information about them in a single online resource Internet.

Information portal will provide a single information space for hotel services consumers who prefer the network businesses hotel industry, for optimal and comfortable choice of accommodation throughout the country and enter into a joint program of loyalty hotel services hotel chains.

For forming of actual structure of innovative portal questioning among the consumers of hotel services and set next criteria is conducted for filling of portal (fig. 5.5).

One of key constituents, at creation of single informative space there is a polyglot of resource that will allow to the consumers in independence from knowledge of language to take advantage of services of portal, where the generalized information and the best suggestions

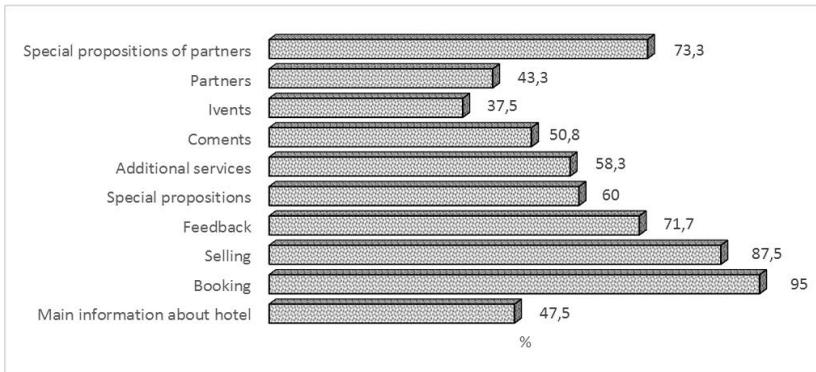


Figure 5.5. Hotel's chain integration through the informational portal

will be given from network hotels that function at the home hotel market.

Due to possibility of reserving and feed-back real time, hotels will have the opportunity to interchange consumers in default of representatives of network in a concrete geographical location. Intercommunication of informative portal with the consumers of hotel services will take place as follows.

Integrations of hotel networks through an informative portal take place with bringing in of the central systems of booking of hotel operators that will allow to save a benefit to the hotel's chains.

For effective work of informative portal and receipt of benefits from functioning, he must be moved forward and optimize. The most widespread and most effective method of advancement of portal is placing of context advertisement in the searching systems, as most of users of network the Internet finds necessary information exactly through the searching system. It is in addition, necessary to provide informing of consumers through the official web-sites of network hotels, that will be directly integrated with a portal that will allow to provide reserving of services exactly through the central booking system.

No less pressing question in creation of informative portals a volume of charges not only for creation but also for the successful functioning him during lasted to time. In this connection, the analysis of average cost of these services is conducted (table 5.3).

These costs are minimal to start and maintain a public international operation information portal for the year, which will determine its usefulness and the changes he needs in the future. Given that the development and operation of an information portal invited the

Table 5.3

**The minimum cost of creating, maintaining and keeping  
information portal per year**

№	Cost item	Cost, UAH thousand
1	Design	7
2	Organizing information	4
3	Make-up	1,6
4	The contents	0,8
5	Domain name registration	1
6	Hosting	1,7
7	Support and maintenance	30
8	Advertising campaign	36
9	Internationalization portal	10
10	The integration of the search module	3
11	The module "My Account"	15
12	Feedback Module	1
<b>Total</b>		<b>111,1</b>

involvement of partners in terms of collecting monthly payments, these costs can significantly reduced or be available for hotel chains that operate nationally market. It should be noted that the presence of hotel chains are in 21 cities of Ukraine, this can conclude that in collecting payment in the amount of UAH 1,000 a year and involved 10 partners one geographical location in budget implementation activities will be an information portal 210 thousand. USD, which is 47% more than the minimum cost.

According to the authors that preceded the creation of information portal should union hotel chains Ukraine (both national and international) to the Association, which would function through membership fees. The main functional duties Association net hotels Ukraine should be:

- generalization of experience work,
- legal support,
- development and expansion of international relations,
- communication links with unions and associations of other countries,
- interaction with suppliers and partners.

Generated information portal which is initiated by the Association, will let lobby for the interests of network of hotels Ukrainian market a positive image not only operators but also the country, thanks availability of multilingual resources, which will enable more users from

other countries.

It is important to define the basic functionality of information portal:

- management department sales and marketing,
- management of interactions with customers,
- the management of the combined loyalty program.

Information for its content portal will have the following elements (table 5.4).

*Table 5.4*

**Elements of information portal content of Ukrainian hotels chain**

<b>Elements of portal</b>	<b>Content</b>
Choice of the language of communication	Allows to select the language of communication
The main information about country	Information of the cities in Ukraine depending on the location of chosen hotel
The main information about the portal	The purpose of creation and the benefits of the registration
The main information about hotels	Presentations of hotels with complete description of rooms, additional services and cost
Information about special offers	Special rates and conditions of their use in all network hotel
Online booking	Booking form which will allow consumers choose the best viable option and hold a calculation
Feedback	Will identify all disadvantages and give answers to consumer issues that arise while using a portal
Forum	Discussion topics within portal, communication tool
Reviews and ratings of hotels	Electronic form which will let to leave comments either about separate hotels or about a job portal overall
Consumer personal account	The ability to create your own profile with traceable accumulated points and special offers
Loyalty program	Three-level loyalty program that will allow consumers to get more benefits
Partners	Opportunity to choose ancillary services from partners of the information portal

It should be noted that the portal would serve as an additional means of communication with consumers of hotel services, additional sales channel and bringing the latest news to consumers, as well as additional advertising product not only hotel chains, but the positive image of the country at all.

**Conclusions.** Integration in the hotel services provide deepening information interaction between the subjects of hospitality, including hotel operators with international and national levels. The integration of hotel management companies – members of the network, through unified information environment will deepen the interaction between network hotels which operate in the national market.

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**Mitsenko Natalia**

*Doctor of Economic Sciences,  
Professor*

**Mishchuk Andrii**

*Postgraduate,  
Lviv Trade and Economic  
University*

**DEVELOPMENT OF THE  
RESTAURANT BUSINESS IN  
UKRAINE: TRENDS,  
INNOVATIONS AND  
DETERMINANTS**

A special place of restaurant business in the country economy is caused by its connection with all phases of expanded reproduction: this is where food production is performed, its exchange for money, organization of private consumption, the process of distribution of the labor results. Specified service plays its role also in the scope of human development: the satisfaction level of human needs in quality and healthy nutrition is displayed on maintaining her health, reproduction of the labor force, increasing productivity, personal development.

The objects of the restaurant business feature organizational, economic and social peculiarities. Organizational and economic peculiarities include: limited time of the products realization; the need for continuous staff compliance with hygiene requirements; uneven loading of dining halls during working hours; the importance of ensuring quality control of raw materials, process of preparation and implementation of food; the impact of seasonal factors on the range of products and consumer demand. Among the peculiarities of a social nature note: dependent mode of dining on the mode of enterprises and organizations where they operate; significant volatility in demand for culinary products; conditioning of product range to restaurant business object in demand nature and serving peculiarities for the contingent, its professional, sex, age, ethnic composition, working conditions, training, recreation; impact on demand in this area of changes in income levels and prices of culinary products; dependance of type, capacity and location of the restaurant business institution from compactness of the settlement, network structure of existing restaurant business facilities and retail trade, types of ownership.

The processes of deregulation and privatization in Ukrainian catering began in the first half of the 1990s. Changing of economic conditions led to the need of transition to the active implementation of the principles of self-sufficiency and self-financing; the emergence of a competitive environment and economic activity risks actualized search

for effective ways of restaurant business development.

During the period of transition to market economy reduced the total number of mass catering facilities, especially at work and education places of the population, deteriorated performance of labor, material and financial resources, increased staff turnover, reduced the overall level of their skills. However, gradually are revealed new trends of restaurant business network objects development due to market needs and economic interests of stakeholders. Now «...restaurant business acts as initiative, independent economic activity and in a market economy aims to generate income by meeting the needs of people through the production, sale and consumption organization of certain products and services» [1, p. 110].

There have been significant changes among the functions, which are performed on the market of goods and services by the restaurant business objects. When in the command-administrative economy as the main features were considered industrial, trading functions and organization of food consumption, in current circumstances, a new function is formed - customers leisure organization which satisfies the needs of communicative, culture and entertainment. Development of market relationships in Ukraine and globalization processes in the world economy require clarification of the mission of the restaurant business - meeting the needs of the population in catering services, ecologically safe and high-quality own products, the formation of a high level service and food culture, recreation and leisure of population.

Building a successful strategy and outlining the prospects for the restaurant industry in Ukraine requires generalization of tendencies inherent in the current stage of its development, the main determinants of transformation processes in this area.

The study of official data of the National Statistics Service of Ukraine shows a tendency to reduce restaurant business network facilities and places in them. Over the years 2000-2014 (fig. 5.6) the number of restaurant business objects is decreased to 20,6 thsd. un., and the number of places in them - to 1472 thsd. un., due to several reasons: the main strategy of social uncertainty of economic and political development; recession; a sharp decrease in population incomes; use in food establishments obsolete, energy-intensive equipment, and so on. During this period, significantly reduced closed establishments network (at organizations, companies, schools) compared with the publicly available network due to lack of state financial support and the impossibility of maintenance of the proper level only at the expense of

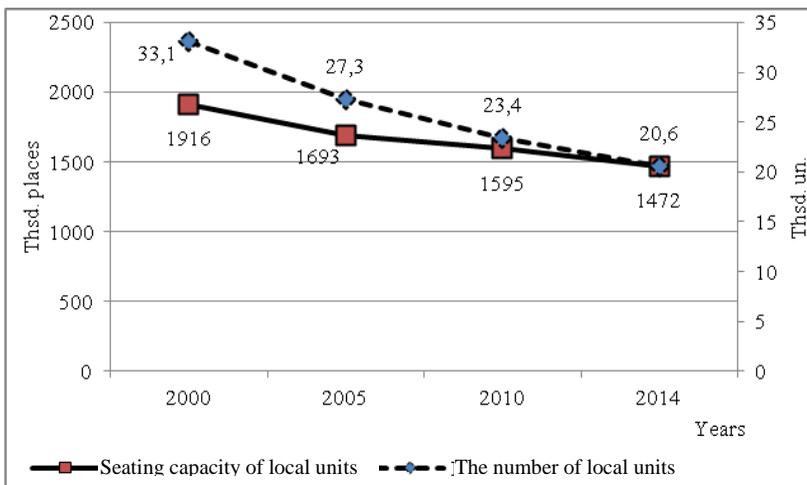


Figure 5.6. Dynamics of the restaurant business objects and places amounts in Ukraine for 2000-2014 years [3, p. 104]

major business subjects.

Objective conclusions about the adequacy of existing objects and places to serve the population allow to make network density indexes. On average across Ukraine in 2014 to 10 thsd. of people were accounted 5 catering objects and 324 places (table 5.5). In Europe, one place in the catering accounts for 8 people, while in Ukraine - 30, which indicates the great prospects of the sector. Against the base year restaurant business object supply decreased by 28,6%, and places in them decreased by 17,3%.

Table 5.5

**Dynamics of average restaurant business object size and availability of restaurant business network for population in Ukraine for 2000-2014 years [3, p. 112]**

Indexes	Years				2014 p. to 2000 p.	
	2000	2005	2010	2014	deviation	rate of change %
Average object capacity, places	58	62	68	72	14	124,1
The number of local units per 10 thsd. population	7	6	5	5	-2	71,4
Seating capacity of local units per 10 thsd. population	392	361	348	324	-68	82,7

Differences between levels of living of urban and rural population, which were worsened by the crisis, and reflected on the development peculiarities of local networks, 68,2% of restaurant business facilities (76,5% of places) are concentrated in cities and towns, and 31,8% of facilities (23,5% of places) - in rural areas. During this period, the number of restaurant business objects in urban areas decreased by 8,9 thsd. un., and the number of places by 350 thousand. However, in rural areas the network decreased by 3,6 thsd. un, and the number of places by 96 thousand. As a result, the gap in the provision of urban and rural places was 45,9%.

Comparative analysis revealed a trend of amalgamation of restaurant business facilities: during 2000-2014 due to the closure of mainly small facilities the average size of restaurant business object increased from 58 places in 2000 to 72 places in the 2014. The amalgamation process is inherent for networks both in urban and in rural areas. However, the gap in facilities power is very significant - 27 places.

Expanding the corporate and private sectors are characteristic for changes in the restaurant business network composition (fig. 5.7). Priority among legal forms is owned by private companies (12,8%) and limited liability companies (32,7%). In state and municipal property there are 15,0% of the objects, in the cooperative – 8,2%.

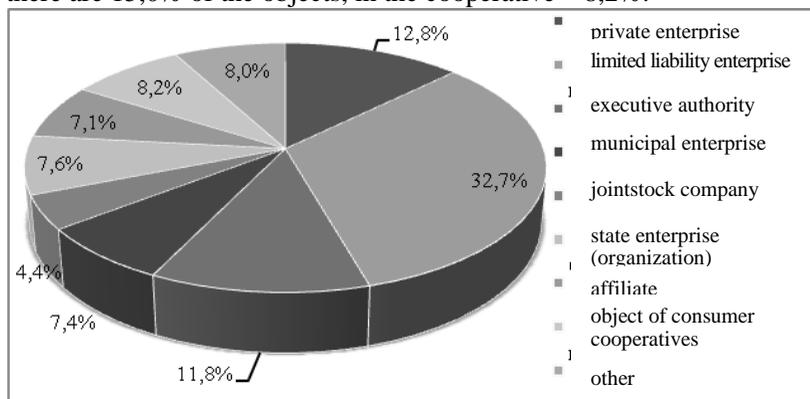


Figure 5.7. The composition of restaurant business network objects in Ukraine for 2014 (for organizational and legal forms) [3, p. 112]

As showed the experience of enterprise activities, which were transformed from the former government, they failed to properly adapt to the new environment, rebuild the work of the management apparatus,

abandon the old methods of management, carry out a new economic policy, which in many cases led to the bankruptcy and closure of these institutions. It is necessary to emphasize the fact that these institutions were focused on servicing almost all segments of the population, without specifying a particular group and needs of consumers. In contrast, the newly created institutions were focused on the study of the target market and founded those niches that answered only to certain segments of the population, took into account specific features in their service [1].

Much of the restaurant business objects is owned by individual entrepreneurs: in most regions of Ukraine it is more than half of the total network. Most restaurant business enterprises are applied to small businesses, and 70,7% - to microenterprises. Typically, these establishments are small enterprise subjects and use simplified accounting, reporting and taxation. Preferably - they are small, highly specialized institutions that orient its activities to the local market segment. A small proportion of enterprises restaurant business (only 4,3%) consists of medium and large enterprises.

Official statistics [3] allow to explore the structure of the restaurant business facilities network in Ukraine by economic activity types. Direct (basic) activities of restaurants, bars, cafeterias and prepared meals supply services carry 9344 (45,4% of total) restaurant facilities of the country, where are focused 791 thsd. of places (53,7%). Most of the restaurant business objects is concentrated in entities for which the basic is a different type of economic activity: retail trade (10,2% of facilities, 7,0% of places), industry (7,2% of facilities, 6,6% of places), education (4,2% of facilities, 5,2% of places), agriculture and forestry (3,6% of facilities, 2,4% of places), transport (3,3% of facilities, 1,1% of places).

During the crisis the economic survival tactics led restaurant business establishments to introduce extrinsic activities for the production of certain foods: bread, pasta, sausages; canned products; various smoked; oil and others. Particularly active this process was occurred in consumer cooperatives. Opening of such production allowed to load capacities more efficient, create new jobs and keep qualified personnel, increase the production of its products. Gradually these productions were separated in an independent department or small enterprise.

The study of changes in restaurant business objects typing showed that most of them are canteens. This type of establishment involves the sale of its products for mainly low prices for a certain contingent of

consumers usually combined by profession and intended for consumption of prepared food in a short time. The average size of the canteen is 90 places. A significant reduction of canteens network at industrial enterprises, organizations and institutions is caused by the following factors: a reduction in the number of industrial enterprises; the refusal of companies keeping on their balance canteen as structural unit; precise orientation of individual entrepreneurs in the restaurant business to achieve rapid commercial success [4]. An important problem is the organization of population at work and learning places.

On the second place among the types of objects are cafes, snack bars, buffets. These establishments are more attractive and have simple creation and operation conditions as opposed to such type as restaurant. The average size of the institution - 47 places. On the third place are the bars; the average size of the bar - 45 places.

Restaurants are a kind of popular types of restaurant business establishments, where the concept of work goes beyond the classic production and service activities, allowing creative approach to customers catering and leisure, menu design, interior design and more. Restaurants part is the smallest among the catering business establishments; the average size of the restaurant is 117 places.

In recent years takes place the rapid growth of the number of objects that are engaged in the supply of prepared food. If in 2011 there were only 70, in 2014 - 347. Thus provision of food supplies exercise not only restaurants and other catering establishments; these institutions are sometimes not even directly involved in the production of its products, but only arrange restaurants product delivery under agreements concluded with them, accompanying food supply with waiter service, organization of leisure.

Need to pay attention to the appearance on the market of a new type of cooking shops - deli food - because of the impact of number of social-economic factors: an increase in the proportion of working women; growing share of population engaged in entrepreneurial activity; increasing the purchasing power of some segments of the population; the desire of the population to receive intermediate, balanced diet with an accelerated form of service [2]. Stores of this type are increasingly competing with a retail food trade enterprises, and with quick service establishments that offer a limited range of dishes.

Several other trends show a typing restaurant business enterprises. Priority is owned to cafes and restaurants, which work in the more expensive market segment, form the restaurant chain, may have a

membership unit for the supply of prepared food.

Development of competitive relations in the restaurant business is associated with changes in market behavior of consumers: demand acts as a form of manifestation of people's needs in the culinary products and services for the organization of consumption and serves as part of the overall demand for consumer goods and services. Determinants of consumer demand for products and services of the restaurant business should be shared in the economic, social, demographic and climatic. Economic factors cover the welfare state of population, the amount of its income, the volume of effective demand, inflation, the price level of products, level of nutritional needs satisfaction by acquiring it in retail network and others. The social factors include the social structure of the population, living conditions, employment, consumer preferences, national and household characteristics. The main demographic factors are population, the ratio of urban and rural population, gender and age of the population, the size of the family. Natural and climatic factors are environmental conditions, physiological characteristics of the human body, lasting climatic seasons. A significant impact on the prospects of the studied areas of the economy will have: reduced time for cooking at home, reallocation of the released time for leisure, sports, family vacation, meeting the cultural and educational needs; stricter requirements for comfort and quality of restaurant business facilities, forming of visitors loyalty to establishments and restaurant networks; spreading European trends of «healthy eating» and healthy lifestyles; tourism development, the growth of foreign citizens flows in Ukraine on business, and others.

Growing of competition has prompted restaurant business subjects to the introduction of innovations: formats (catering, expo-kitchen, family, club, etc.), directions (architectural, conceptual, fusion, creative, «quick & casual», molecular kitchen, «cuisine», «open kitchen», «slow food», «free flow», «fooding», cooking in the presence of the consumer («penkitchen»)), methods and manufacturing technologies (convection, thermal radiation, monodose, technology frying foods under pressure, technology of fabricated refrigerated food, the technology of shock cooling, etc.), of labor (convection machine, vacuum closet, wine climate cabinet, blast-frizer, a cooling table, removable distributing line, tempered wardrobe etc.), forms of service («pilot», «buffet»), services (sommeliers, baristas, fumelye), management systems and technology business with usage of new software (ASM restaurant business facilities, franchising, method of actual cost, strategy of «uncorrupt» personnel,

training of personnel at the enterprise, periodic change of jobs within the production team, matrix selection of development strategy and competition methods, etc.), goods (new specialties and types of culinary products, tasting menu, presentation of dishes, culinary show, show bar) and methods of promotion («hour of fortune», «happy hour», discounts and bonus systems, service credit, savings programs, anticrisis menu, loyalty programs).

A manifestation of globalization is using of advanced information and telecommunication technologies. To form the target audience, learning potential customers with an assortment of products and services offered, operational orders the restaurant businesses subjects create their own Web pages and place them in different search engines (specialized, information, business, tourism). Using of technology Product Placement became a widespread to promote nutrition facility. Through information network (on-line-service «Produktor» social networks, forums for young mothers, cooking sites) offer delivery services for culinary kits with step by step recipe for restaurant meals. To generate interest in exotic or gourmet exquisite dishes were created sites (Eatbite / NYC), which allow potential visitors to download photos of dishes and a list of restaurants where they can taste them. Interactive tables orders, reservations and electronic book «complaints and suggestions» are actively functioning.

Restaurant business serves an important link in the hospitality industry. An important factor in the development and formation of European service network is to promote tourism. Ukraine has considerable tourist and recreational resources, has developed network of tourist connections, locates in the center of Europe. In the process of economic growth tourism becomes massive, covering all segments of the population and attracts foreign visitors. This trend will continue in the future, due to globalization, the entry of Ukraine into the world economy.

Tourism creates a new form of consumer demand, which concerns not only goods, but also a range of services. Successful development of the tourism industry largely depends on improving the quality of complex services offered to tourists and is associated with the mandatory certification of tourist, hotel services and restaurant business. At the same time, increasing of the Ukrainian tourists flow abroad allows them to get acquainted with the international experience of nutrition, level of service in the dining, culture of restaurant business services consumption, enhance quality requirements for products and

services. This will encourage domestic restaurant business entities to improvement of its activities towards the organization of production and management, customer service, using the world experience of doing restaurant business. In its capacity restaurant business has every reason to take its rightful place in the tourism industry of the country.

Taking into account the trends of the restaurant business, we consider the promising development of such market segments:

1) development of fast service (networking of fast service, creating areas of food (food-court); development of street stalls (street food));

2) the development of high price restaurants for customers with high and medium income levels, which make demands not only on quality and delicious food, but also for entertainment, comfortable holiday;

3) development of the most democratic catering - cafes, coffee shops, fast food with affordable price level;

4) the development of the combined companies;

5) development of catering in hotels;

6) the development of catering to major highways;

7) the development and expansion of the list of services (with the production of culinary products and confectionery: with consumer organizations and services; with the sale of culinary products; with leisure, information and advisory).

Thus, knowledge of trends in the restaurant business, understanding of the processes occurring in this area increases the awareness of managers and promotes the adoption of appropriate management decisions regarding the functioning of the restaurant business in a strategic perspective.

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**Zavidna Lyudmyla**  
*PhD, Associate Professor,  
Department of Hotel and  
Restaurant Business,  
Kyiv National University of  
Trade and Economics*

**KEY PERFORMANCE  
INDICATORS AND  
MOTIVATION SYSTEM AS  
BASIC SEGMENTS OF HOTEL  
BUSINESS**

In order to achieve a success in world of modern business, companies require innovative means and methods of management, which are focused on setting goals and determining the personal responsibility of staff. Technology of management by objectives, supported by competent material incentives, helps to motivate staff in reaching new ambitious achievements and creative self-improvement.

An important role in construction of objective and effective motivation system belongs to **Key Performance Indicator** (KPI, English) – indicators of department (company) performance, which could help organization in reaching its strategical and tactical (operational) goals.

The founders of present evaluation system are Peter Drucker, Robert Kaplan, David Norton and others [1, p. 3].

KPI is a part of Balanced Scorecard (BSC), which establishes causal relationships between objectives and indicators in order to see patterns and mutual influence factors in business – dependence of one parameters (results of activity) from others [3].

Nowadays the key indicators of performance are the powerful instrument of company performance evaluation and department of human resources in particular. World practice convincingly proves that introduction of KPI system increases the corporate profit from 10 to 30%, as far as it focuses the work of employees on result, increasing both motivation and loyalty of staff [2, p. 52].

Therefore, KPI is a system that is used for achievement of main objectives which are basic for any business, such as attracting and retaining of customers (clients), increase of staff professionalism, increase of revenue and reduction of costs. All these values are professed by general quality management.

On figure 5.8 we have indicated the correlation of KPI, objectives, strategy and understanding of business processes, the place of KPI values in structure of business processes using management by

objectives, that is using principles of formation, formulation, control and analysis of the objectives achievement.

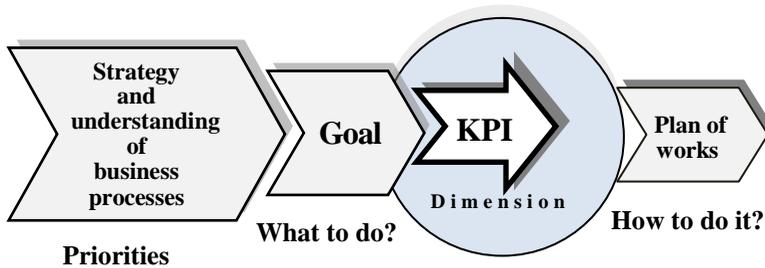


Figure 5.8. Place of KPI system in structure of business processes

*Source: constructed by author according to data [1, p. 4].*

Management by objectives (MBO) is an advanced method of business and staff management. It involves an active engagement of employees in process of achieving the strategic corporate objectives and is one of key factors, which could guarantee successful perspectives in development of company within dynamic market environment [1, p. 31].

The use of key performance indicators gives the organization an opportunity to evaluate its state and helps in evaluation of strategy implementation. By means of KPI system it is possible not only to control and evaluate the efficiency of workflow, but also to build an effective remuneration system. The condition for indicator operation is a possibility of its measurement.

There are following types of key indicators [1, p. 37]:

1. KPI of result – how many and what result was achieved;
2. KPI of expenses – how many resources were spent;
3. KPI of functioning – indicators of business processes fulfilment (allows to evaluate the compliance of process to required algorithm of its execution);
4. KPI of productivity - derivative indicators characterizing the relationship between the result received and time spent on its achieving;
5. KPI of effectiveness (indicators of effectiveness) – these are derivative indicators characterizing the relationship between the result received and cost of resources spent.

***Lets mark the main advantages of the KPI system:***

*Transparency* - employee knows how his salary will accrue and on which indicators it depends. The employee can independently calculate

the amount of bonuses.

*Justice* - staff bonuses are calculated on the basis of objective criteria. As a result, the payment does not depend on passions of the authorities, and is determined solely by usefulness of employee for the organization.

*Certainty* – an employee knows clearly what are the demands of him, he does not need to work on a "go there do not know where" basis, he has clear objectives and specific terms.

*Perspectivity* – employee knows how he can independently affect his career, salary and promotion.

*Feedback support* – management is aware of what separate divisions are involved in, what are their successes, and heads of departments have an idea about work of each individual employee [1, p. 7-5].

The reason of building KPI scheme for human resources service in particular company is its HR-strategy (Human resources) – human resources management strategy.

Formulation of HR-strategy is a painstaking laborious process: it is required to take into account not only the business strategy of the company, but also the company's image as an employer [2, p. 53].

Transforming it into HR-strategy (usually, in a generalized version, without taking into account the features of specific labor market and so on), we receive four key imperatives (unconditional rules):

- ✓ Staff is a source of company profit
- ✓ HR-objective – ensure the availability of qualified personnel broadcasting the culture of company.
- ✓ The company is ready to invest in its people.
- ✓ Employees are encouraged for competence, not for implementation of objectives.

On the basis of these imperatives the indicators are formed. Lets consider them on the example of HR-function “Recruitment and promotion” (fig. 5.9).

As we can see from the image, from the point of view of HR strategy only some indicators became the key indicators. A lot of those, which at first glance looked as important, were not included to the final list (for example, «speed of vacancies closing», «number of vacancies, closed by recruitment specialist», which are typical for strategy of "leadership in spending").

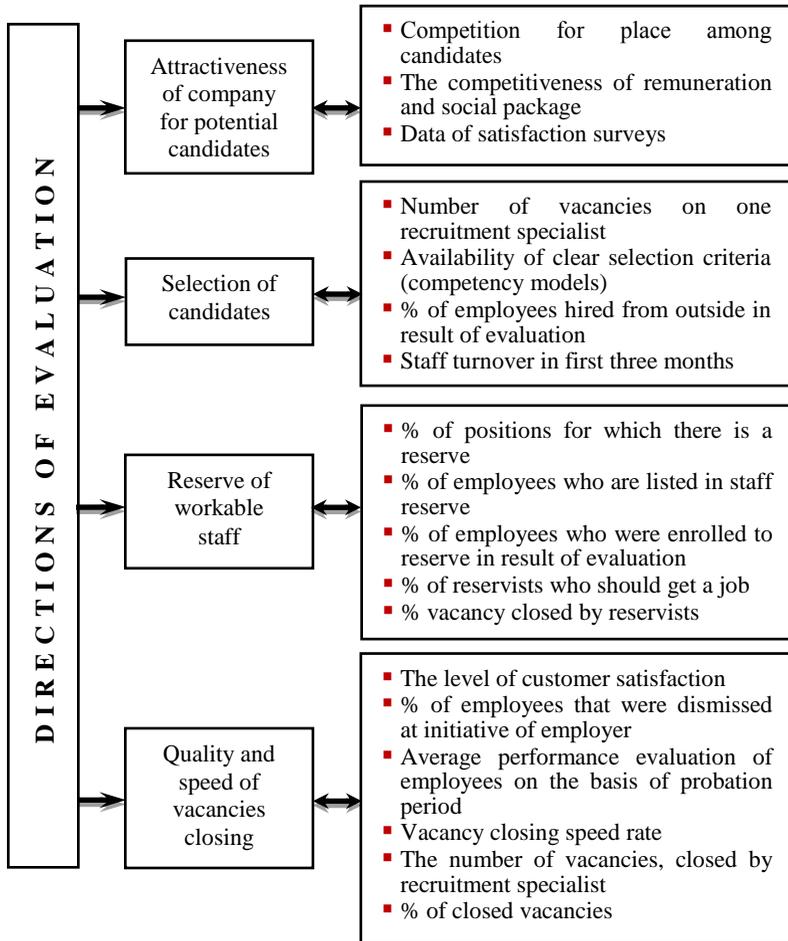


Figure 5.9 HR-functions «Recruitment and promotion»

Source: built by author according to data [4].

***In developing the KPI system it is required to observe the following principles:***

1. KPI should be accurately formulated, clear and simple.
  2. A set of indicators should include the minimum required number of them in order to provide a complete business process management.
- The optimal number of KPI for separate leader – 5-7, for regular

employee – 3-5. Financial KPI should be necessarily included, others are formed depending on specifics of activity.

3. Each indicator should be quantitatively measurable.

4. Cost of indicator measurement should not exceed the administrative effect from the use of present indicator.

KPI could be used both for evaluation of performance of entire company, its separate divisions and specific employees. The condition for indicator operation is a possibility of its measurement (table 5.6).

*Table 5.6*

**The most widespread KPI and system of their measurement / calculation**

Key indicators of performance	System of measurement / calculation
<i>Commercial indicators</i>	
Revenue	Plan / actual (ratio of actual revenue to planned revenue)
Profit	Plan / actual (ratio of actual profit to planned profit )
Accounts Receivables (AR)	Plan / actual (ratio of actual AR to planned AR)
Other indicators	Plan / actual
<i>Nonprofit (qualitative) indicators</i>	
Timely submission of reports	Plan / actual (ratio of actual term of report submission to planned term of report submission)
Fulfillment of customer visits plan	Plan / actual (ratio of actual customer visits to planned customer visits)
Staff turnover	Plan / actual (ration of actual % of turnover to planned % of turnover)
Number of new customers attracted	Plan / actual (ratio of actual number of new customers attracted to planned number of customers attracted)
Other indicators	Plan / actual

*Source: built by author according to data [4].*

It is the use of limited number of KPI that will lead to a more objective and meaningful evaluation of business results, that must be taken into account while designing the entire system of performance indicators.

The basic tenets of key indicators of performance system are the following: we could manage only what we could estimate; we could only estimate what we could measure; we could only measure what we could describe [2, p. 55].

While forming KPI system in hospitality industry, two approaches

could be used in order to form a system of indicators for measuring the performance of the company:

- *functional* (process) approach (definition of indicators depending on what functions are assigned to the department, specific employees, what types of activities (processes) they carry out - commonly used on the stage of company management foundation, the introduction of operational management system on a regular basis;

- *targeted approach* (determination of indicators depending on objectives of organization) – is used during transition to system of strategic management of company or changes in development strategy (provides the link between performance of particular department and entire company). As it could be difficult to determine accurately the contribution of each department in overall performance, this approach to a greater extent could be used in development of incentive systems. With targeted approach groups of indicators are usually defined according to corporate goals or objectives of a particular department.

The problem of efficient use of available resources and quality of customer service become the priority objectives for investors and owners of hotel business.

Key indicator of performance in financial and economic activity of the company - an evaluation criterion used to determine the efficiency of performance, measurable and important in terms of achieving strategic and operational objectives of the company.

For development of calculators algorithms we offer the following system of key indicators of performance for small company in sphere of hospitality business (table 5.7).

Any KPI has its so-called life cycle. Initially, when the indicator is introduced, it stimulates the staff and increases the efficiency of work. But over time its influence gets weakened and then it must be refreshed, reviewed or cancelled at all.

Therefore, the company should continuously analyze the efficiency of motivation system, based on KPI. Diagram of KPI review frequency is shown on figure 5.10.

The introduction of KPI system for evaluation of managerial staff activity is made according to objectives of increasing company profits and, therefore, lowering its expenses.

In table 5.8 author proposes "Method of motivational scheme formation", according to which the calculation of salary for hotel staff would be done.

Table 5.7

**Key indicators of performance for small company in sphere of hospitality business**

Indicator	Description of indicator
<i>Technical and economic indicators</i>	
Workload of accommodation facilities fund	Shows the degree of utilization of existing assets (accommodation facilities fund) for the period
Average revenue per one guest	Shows what value of hotel income is generated by one consumer
Average revenue per one place in public catering hall	Displays the amount of revenue provided by one place in hall of public catering of hotel company
<i>Financial indicators</i>	
Return on sales of accommodation services (accommodation + additional services)	Displays the amount of profit, which accounts for 1 UAH of revenue according to type (areas) of business activity: - Accommodation services - Catering services and commercial activities - Hotel in general
Return on sales of catering services and trade activity	
Return on sales of hotel company	
Solvency ratio (total liquidity)	Displays the ability of hotel company to be responsible for its obligations
Ratio of current assets provision with hotel own sources of funding	Shows what part of current assets is formed by hotel own funds
The coefficient of financial independence (autonomy)	Displays the degree of dependence of hotel company from the loan capital

Source: built by author according to data [4].

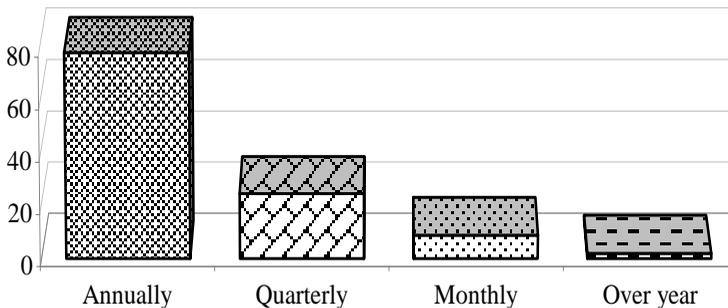


Figure 5.10. Periodicity of KPI revision

Source: built by author according to data [1, p. 29].

Table 5.8

**Methods of motivation scheme formation for calculation of salary  
for hotel staff**

№	Methodical procedure	Actual value	
1.	Determine the position in company structure	Services Sales Manager (Sales Department)	
2.	Define key performance indicators (KPI) for position and weight of each one, based on the goals set for this level of organizational structure	KPI1 – fulfilment of sales plan. Weight – 50% KPI2 – fulfilment of work plan. Weight – 50%	
3.	Define the procedure of indicators calculation	Actual/planned × 100%	
4.	Determine the range of indicator fulfilment percentage, value of indicator coefficient and the sense of its value	Percentage of indicator fulfilment	Coefficient
		< 50%	0
		51-89%	0,5
		90-100%	1
			1,5
5.	Form the motivation formula, according to which the calculation of salary would be done. Determine the ratio of "fixed part", "variable part" and "bonus" in salary	Salary = Fixed part + Variable part + Bonus.	
6.	Define the formula for calculation of the variable part of salary	VP = planned amount of variable part × (weight of KPI1 × coefficient KPI1 + weight of KPI2 × coefficient KPI2)	
7.	Perform the verification: calculate all possible variants of wage size for all possible values of KPI	Verification of all possible variants of wage size for all possible values of KPI	
8.	Form the document «employee motivation scheme»	Document of employee	

*Source: built by author according to data [1, p. 82-116].*

Weight of the most important KPI should not exceed 50%, and weight of the most insignificant – should be less than 5%. The total sum of indicators makes 100%. The acceptable levels of fulfilment should be specified for each indicator.

In general it could be assumed that the use of KPI provides hotel company with opportunity to assess its condition and help in evaluation of strategy implementation. KPI allows to perform the control of business activities of employees and company in general in real time.

Using competent approach this resource can bring additional profit to company, providing the use of team strength at 100%.

***We offer five arguments for the use of KPI system in motivation of hotels staff*** [1, p. 10]:

1) *100% result oriented* – employee receives remuneration for achieving result and for execution of works that should lead to result;

2) *controllability* – allows you to adjust the efforts of employees without serious modification of the system itself in case when situation on the market is changing;

3) *justice* – decent assessment of employee investment to the overall success of the company and fair risk sharing (between employee and company) in case of unsuccessful result;

4) *clarity* – employee understands for what the company is ready to reward him; the company realizes for what results and how much it is ready to pay;

5) *invariability* – any employee builds its work in accordance with motivation system. In case when at some point the system changes, part of the efforts of employee is wasted. Company defines the "rules of game" for employees, and if you suddenly decide to change them spontaneously, you will lose the trust "of players".

Therefore, the system of motivation according to key performance indicators not only makes it possible to efficiently motivate the staff, but contributes to formation of strong corporate culture. The main advantages of this corporate culture - focus on solving the actual business problems, high productivity, result orientation, dynamics. Herewith the entire company works as a single coherent mechanism.

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# **Mechanisms and models of development of entities tourist business**

Collective monograph  
edited by A. Berezin, M. Bezpartochnyi

## **Tūrisma uzņēmumu attīstības mehānismi un modeļi**

Kolektīva monogrāfija  
A. Berezin un M. Bezpartochnyi zinātniskajā redakcijā