

## THE COMPETITIVENESS OF DESTINATION ROMANIA

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*The paper disseminates the results of National Research Project: STUDY REGARDING THE OPTIMIZATION OF THE NATIONAL TOURISTIC POTENTIAL DEVELOPMENT STRATEGY AND THE IMPROVEMENT OF ROMANIA'S IMAGE AS A TOURISTIC DESTINATION, PCE 375/2007 (CNCSIS), Research Manager - Assoc. Prof. Ph.D. Gruescu Ramona*

*The aim of our paper is to depict the state of affairs in the Romanian tourist industry as well as to point out the necessary steps and the effective strategies in order to capitalize on the huge tourist potential of our country. The biggest problems that the Romanian tourism is confronted with are: the lack of transparency in government decision-making, road infrastructure, positioning in government priorities, marketing efficiency, branding, quality services and poor access to improved drinking water. Thus, the tourism sector needs a restructuring, in order to articulate the valuable potential of the natural beauties with the tourists' needs and pretensions, in terms of comfort, relaxation, contentment with quality services, amusement. The studies on Romania's competitiveness show that if we managed to improve and sell better the image of our country, the tourism sector would become flourishing.*

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Romania before 1990 represented a very important destination for the European market, promoting mainly the seaside tourist offers, the SPA resorts, cultural programs and the monasteries from northern Moldavia and Bucovina. The Romanian tourist offer did not change over the time, becoming uncompetitive compared to the market of tourist offers of the other countries. Although the eight regions of the country, and especially those that fell behind with their development have a huge potential for tourism development, at this stage the contribution of tourism to the national economic growth is still reduced.

The engines of the Romanian tourist industry are in fact a few segments that work well: Agrotourism, SPA and mountain tourism, Circuit and event tourism. These regions have a high potential for tourism because of their natural cultural and historic background. The differences between regions regarding their development as well as the infrastructure of the country sometimes hindered the development of some very attractive areas but with a very low level of accessibility, and facilitated the development of other areas. A good example for this is the evolution of Prahova Valley compared to the Rucar - Bran corridor, as well as the superior part of the Buzau Valley.

Romania has a diversified tourist potential and distributed well, concentrated especially in the Carpathian Mountains (including the mountain resorts and SPA), Black Sea and areas with very old cultural traditions (Bucovina, Moldavia, Transylvania, Banat, Dobrogea). An important characteristic is given by the fact that undeveloped regions concentrate the most important tourist objectives and attractions. These areas can be revitalized by exploiting the value of their tourism natural and cultural potential. Two categories were identified for tourism potential: areas with complex and high value tourism potential (24% from the country's area), which include National

Parks and Biosphere Reservations, natural monuments, protected natural areas, SPA resources, museums and memorial homes, and areas with high potential for tourism (34% of the countries area), which includes at least one of the following categories: reservations and natures monuments of national interest, national treasures, cultural national treasures, SPA resources, museums and memorial homes.

Outside these areas, there are series of tourist attractions, natural and anthropic which offer opportunities for tourism development, even if they have a lower density. More than a third of Europe's mineral waters are in Romania. In any case, through the "Baile Herculane" resort, which has been attested since the Roman Empire (2<sup>nd</sup> Century AD), Romania can be considered in its right way the founder of SPA tourism. Around 160 SPA resorts - some of them well known in Europe, some known locally, represent as many possibilities to treat a series of affections (rheumatism, neurotic, etc). The infrastructure for tourism has known some major modifications after 1990, and the quality improved visibly, this aspect being highlighted by a study commissioned through a Phare17 program from which the Ministry of Development, of Public Works and Housing benefited. In 2007 the accommodation capacity showed that approximately 18% of Romania's accommodation capacity is found in sea side resorts (without Constanta), 29.7% is in Bucharest and county capitals (except Tulcea) 19.4% in SPA, 16.6% in mountain resorts, 0.96% in Danube's Delta (including Tulcea) and 15% in other tourist destinations.

The accommodation capacity on regions highlights significant differences between regions. The south-east region has the biggest capacity (47%) being followed by the Central Region (12.5%) and the North-West region (9.2%). It can be appreciated that in the following period the development of accommodation distribution capacity per regions will be balanced. Anyway it is expected that in the next period as well the sea side region of the Black Sea will develop along with the Danube Delta and the Carpathian and sub-Carpathian areas.

The structures for reception and especially the offer for fun activities are obsolete, uncompetitive, the tourist services are stereotypical and of low quality, and in price for quality wise is not non conclusive. That's why in the past 20 years a continuous drop in external demand for Romania's tourist offer. For this reasons it's necessary to modernize, relaunch and develop Romania's tourism and to create modern touring products that are competitive on the tourist market. It's important to develop the amusement offer of high grades, by creating theme and amusement parks, water parks, offers that are present in countries that have a long tradition in tourism around the globe. The most important tourism factors reflect inequalities at regional level, in number of tourists and the degree in which the accommodation capacity is used.

To identify the strong and weak points of the Romanian tourism, compared to other countries in the region the so called Analysis For Regional Competitiveness can be used, analysis which is based exclusively on the data offered by the World Travel and Trade Council (WTTC) included in the so called Monitor for Competitiveness elaborated in partnership with Christel de Hann Tourism and Travel Research Institute from Nottingham University-United Kingdom. This monitor for competitiveness is in fact an analytical framing which:

- Offers a recording of the political indicators and of the evolutions that had an impact on the tourism industry and travel.

- Compares national statistics, political and government engagements.

- Indicates the efficiency of national policies to attract direct foreign investments and the expenses of the tourists on a competitive market.

- Shows the importance of strategic planning and the need of the tourism and travel industry to be included in the politics and government decisions.

Another ranking worth mentioning is realized annually by the department of Aviation, Travel and Tourism of the World Economic Forum, organization which has it's headquarters in Geneva and that was founded in 1971. The criteria taken into consideration regard the regulations in this sector, the sustainability of the environment, safety and security, health and hygiene, the priority

of tourism in national programs, the infrastructure of motorway, railway and air transportation, the tourism and telecommunications infrastructure, the competitiveness of the prices, human capital and, the affinity for travel and tourism and natural and cultural resources. The competitiveness analysis in tourism is based on a series of 14 indicators that have values between 0 and 7 and that show the performance of every country compared to other countries. The 0 value represents the smallest value and 7 the highest.

In the analysis of competitiveness in tourism for Romania 8 countries close to Romania have been considered: Bulgaria, Croatia, Serbia and Montenegro, Hungary, Czech Republic, Slovakia, Poland and Ukraine. The global analysis makes reference to the comparison of the countries that are analyzed regarding the values of the 14 indicators. We offer this situation in the following table:

**Table no. 1.**  
**The competitiveness indicators for central European and South-eastern European countries**

<b>Indicator</b> <b>Country</b>	Sector settlement indicator	Environment indicator	Safety and security indicator	Health and Hygiene indicator	Prioritarization of tourism indicator	Indicator for air transport	Highway and railway transport indicator
<b>Bulgaria</b>	4.0	4.4	4.6	6.6	4.3	2.4	3.4
<b>Croatia</b>	4.3	4.8	5.5	6.0	4.5	3.0	4.0
<b>Serbia</b>	4.4	3.3	4.9	5.5	3.3	2.5	3.1
<b>Romania</b>	4.6	4.7	4.9	3.8	3.6	2.6	3.4
<b>Hungary</b>	4.8	5.1	5.7	6.6	4.8	3.0	4.8
<b>Czech Republic</b>	4.8	5.1	5.5	6.8	4.8	3.4	5.1
<b>Slovakia</b>	5.0	5.1	5.7	6.5	3.3	2.4	4.6
<b>Poland</b>	4.3	4.6	4.6	5.0	4.2	2.6	4.0
<b>Ukraine</b>	3.7	4.2	4.5	6.4	3.8	2.4	3.2
<b>Indicator</b> <b>Country</b>	Tourist infrastructure indicator	Information and technology indicator	Human resources indicator	Price competitive indicator	Travel affinity indicator	Natural resources indicator	Cultural resources indicator
<b>Bulgaria</b>	5.4	3.4	5.0	4.6	5.7	3.2	4.0
<b>Croatia</b>	6.6	3.7	5.0	4.3	6.2	3.1	3.3
<b>Serbia</b>	3.9	2.8	5.1	4.4	4.4	2.3	2.7
<b>Romania</b>	4.4	3.2	5.0	4.1	4.4	2.7	3.1
<b>Hungary</b>	4.9	3.8	5.0	4.4	4.3	2.7	4.7
<b>Czech Republic</b>	5.0	4.2	5.4	4.1	4.8	2.9	5.0
<b>Slovakia</b>	4.9	3.5	5.4	4.4	4.7	4.0	2.7
<b>Poland</b>	3.6	3.6	5.2	4.4	4.1	3.7	4.7
<b>Ukraine</b>	3.5	3.1	4.9	3.9	4.8	2.4	1.9

Source: calculated by the author from the information found in The Travel & Tourism Competitiveness Report 2008, p11-17, World Economic Forum

If we make an average of the indicators presuming that all of them have the same importance we obtain a so called: "Global competitiveness indicator". According to this indicator Romania in the

field of competitiveness of tourism is clearly surpassed by the Czech Republic, with the highest score of 4.8, by Hungary and Croatia with a score of 4.6, and by Bulgaria (4.4), Slovakia (4.4) and Poland (4.2)., although our country retains an advantage over the neighboring countries Ukraine and Serbia. Romania is competitive compared to some of its rivals regarding prices, the environment, openness towards commerce and tourism, cultural and less for technology, human resources and infrastructure.

In conclusion, Romania's competitiveness compared to the other countries appears to be like this:

- Compared to Bulgaria is more competitive in legal regulations, environment (carbon dioxide emissions are lower than in Bulgaria, but population density is higher), and with safety and security for traveling (with values higher than Bulgaria).

- Compared to Serbia, the competitive analysis shows that Romania is more competitive in: Technology (Romania having a higher number of Internet users), Legal regulations, environment, travel safety, prioritizing of tourism, Transport and Infrastructure, and human and cultural resources.

- Compared to Hungary, Romania is no longer competitive regarding prices, in which it was more competitive until 2006 (regarding prices per room in hotels and level of taxation in tourism), remaining superior only in the affinity for travel.

- Compared to Slovakia, Romania is more competitive only in prioritizing of tourism, air travel and culture.

- Compared to the Czech Republic, Romania reaches the same level of competitiveness, in prices being surpassed in all the other areas.

- Compared to Poland, Romania is more competitive only when it comes to political regulations, the environment, safety and security, tourism infrastructure and culture.

- Compared to Ukraine, Romania is more competitive when it comes to prices (tariffs per room in 2007, the parity of the buying capacity, and the level of taxation in tourism), human resources (only regarding the involvement of the population in tourism), environment (carbon dioxide emissions are lower than in Ukraine, with a higher population density), Information and technology (Number of Internet users, mobile telephony, high tech exports), regulations, safety and security, and transport safety (air and land), Ukraine having higher scores than Romania regarding Health Hygiene and prioritizing of tourism.

Romania is ranked 69 out of 130 in the ranking for tourism competitiveness published by the World Economic Forum in 2008. The biggest problems of Romania's tourism are lack of transparency in government decision making, road quality, development sustainability, positioning in government priorities, marketing efficiency, branding and poor access to improved drinking water. In between the strong points we can find market presence of the big car lending companies, HIV infestation numbers, low number of countries that need an entry visa, low pollution levels with powders, and hospital bed numbers. In the first three spots of the ranking were Switzerland, Austria and Germany. Even with all this from the criteria that the study organizers took in to consideration, Romania ranked in the best place regarding "Business environment and infrastructure" - rank 66, and regarding "Human resources, culture and natural resources" was in the 73 position. And regarding the "Legal Regulations for Tourism" things were not better, Romania being positioned in the 72nd place. Regarding resources, the score is being pulled down by the Romanian's affinity for travel which placed us on the 101 spot. Not even the natural resources are much of a help being ranked only as low as 96, at the same time skilled labor for tourism was placing Romania in the 84 place.

A rank even better regarding business environment could have been obtained if Romania would have not been affected by the 109 place in which is placed in price competitiveness and in 88<sup>th</sup> place for air transport infrastructure.

Regarding ranking by points, Romania is in the best place for HIV infestation, having the lowest percent of the whole population, and the presence of big car rental companies. Also is in the 7<sup>th</sup>

place for the number of states that need an entry visa, and in the 8<sup>th</sup> place for fine dusts pollution. To obtain the rest of the results relevant for the other 130 countries included in the ranking public information are being used, data provided by experts and the results of an annual survey for the World Economic Forum.

The indicator for competitiveness in tourism and traveling is not an indicator for profitability of these fields. Each country has its own attractive areas, unique places which can attract millions of tourists. In which degree tourism can become the engine for economic growth depends on the Government policy. The World Forum Ranking confirms the conclusions of the experts, tourism in Romania has a big tourist potential that is still untapped. What the Government and the Private sector should do is to give priority to tourism and to develop the infrastructure and transportation, to create a business environment more favorable and better conditions to foreign investors.

Starting with the year 2000, approximately 95% of the influx of visitors has been interregional. From this 75% are represented by visitors from neighboring countries: Ukraine, Moldavia, Bulgaria, Hungary, Serbia and Montenegro. Analyzing the indicators provided by the accommodation capacities, we can see that a big number of these visitors either do not spend the night in Romania or they stay at friends or relatives places. In this case, it is difficult to appreciate the economic effect on tourism exports. From the EU-15 countries the biggest number of visitors comes from Germany, Italy, Austria and Great Britain.

Sadly though, starting with the year 2004 the number of arrivals in our country has dropped. This can be blamed on EU expansion by granting access to 12 new states, which attract foreign visitors through their policy of promoting the low-cost air companies.

Outside the European countries, Romania is visited by tourists from USA, which recorded a rise since 2000, with 110.000 arrivals in the year 2004, the American tourists discovering that Romania as a tourist destination is much more of a “Dracula” destination. Israel is another country of origin for visitors to Romania, although Israel's market stagnated in the past years.

China represents another source of visitors, and has a high potential which promises to send an ever higher number of tourists, especially because Romania received the “Approved destination state” (ADS) in June 2004. Although the number of arrivals from foreign countries is rising the earnings are much lower than those in the neighboring countries. This reflects in fact that once more Romania's visitors are more likely to transit or spend very low amounts of money during their stay in Romania.

The biggest part of foreign visitors to Romania arrives by road which states the importance of the neighboring countries in the incoming of tourists. Even so, air travel has recorded a dynamic stable and constant rise in the past years, at the same time with the rise in frequent air travel services, as well as the extension of charter flights to other cities in the country.

The only problem which could have some negative effects on the Romanian market refers to the national origin of transport providers, in the case in which the national companies would not be competitive. Using the train as means of access for foreign visitors recorded a fall in part because of the rise in air travel. The increase of arrivals in Danube's ports is the result of promoting on the tourist market, in junction with neighboring countries, of programs such as “Danube Cruises”. The accommodation sector is today 100% private, the majority of the 4000 hotels being ranked with one or two stars. In Bucharest there is still a lack of 4 & 5 star hotels, which has as a consequence a high rate of occupancy and high tariffs especially compared to Budapest or Prague. Holding into account the existing potential, but especially the joining of EU and the Euro zone, this sector will develop fast in the following years. The tendency of investment in hotels at this moment is to grow the number of 3 and 4 star hotels.

Although steps have been made to adopt the Q-Labels for hotels and classify them by stars, there is no real standardization of the accommodation facilities, not even when it comes to the segment that is targeting: Hotels, Motels, B&B, camping sites or resorts. The distribution of the

accommodation facilities across the country reflects the structure of the traditional classifier: The shoreline of the Black Sea for the summer holidays and the Carpathian Mountains for winter sports.

This position will leave its mark on the short term evolution of the tourist sector. At the same time we must underline the fact that Romania entered in 2007 on a new market in which will have to confront a fierce opposition, and at the current state of the utilities in the tourist industry it's hard to believe that it will benefit from the adhesion. Capital investment needs stimulation through improvement in the crediting system, to make it comparable to the systems in other countries in the European Union in order to promote low and medium investments in small and medium business. The idea that the efforts to train the workforce will create a migration of skilled labor to the neighboring countries where they would have a better working environment and better rates of pay is being formed. This would make the effort useless and unfortunately it is in much part true, but unfortunately this lack of skill is being reflected in the quality of the services.

The remedy would be that the companies and the state to adopt a joint program what would provide the qualification and the motivation of the workforce employed in tourism. Promoting the European identity of Romania can be realized through instruments provided at European level. The new Portal for European Tourism, which is being coordinated by the Commission for European Union, through which Europe is being presented as a single destination is sometimes very efficient in promoting all the images of the member states especially on the extra - European markets.

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