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# OPPORTUNITY FOR INCREASING REVENUE IN TOURISM WITH OPTIMAL STRUCTURE OF THE TOURISM OFFER

Mihajlo Budinoski<sup>1</sup>

## **Abstract:**

According to number of participants in the international tourism from 922 million in 2008, the tourism represents the biggest migratory phenomenon in the history of mankind, and according to the income from the international tourism, 944 billion dollars in 2008, it is one of the most significant economy branches. The income from the international tourism for many countries in the world, especially for the countries in development represents an important factor for the development not only for the tourism economy but the overall economy. Therefore every country insists on increasing the tourism income from the international tourism, and decreasing the outflow of foreign currency for the tourism travel abroad as much as possible.

The Republic of Macedonia despite the favorable possibilities for the tourism development is still outgoing tourism country, i.e. the outflow of foreign currency from the stay of our citizens abroad is higher than the inflow of foreign currency from the international tourism. In this paper an attempt has been made to realize the overall number of citizens from our country that stay abroad, and the possibility via optimalization of the structure of the tourism offer of the tourist destinations to increase the number of the foreign tourists, and decrease the volume of travel of our citizens abroad.

*Key words:* tourism offer, tourism community, tourism turnover.

## **INTRODUCTION**

In a relatively short period from the middle of the last century until nowadays the tourism has grown into a global phenomenon. Judging by the number of participants in the international tourism (922 million in 2008.) and revenues from international tourism (U.S. \$ 944 billion in 2008.), tourism today represents a leading world tourism industry. Such significance of the tourism has conditioned the revenue from tourism for many countries in the world, especially for the developing countries to represent a very important factor not only for tourism development but also for other economic and non-economic activities. Therefore, each country strives to provide as much as possible a foreign exchange influx from international tourism, and less possible outflow of foreign currency on the basis of the travel of its citizens abroad. The determination of

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total revenues and expenditures in respect of tourism, i.e. tourism balance is very complex. Tourism balance can be defined in a broader and narrower sense. When it is defined in a broader sense it covers all types of international transactions related to tourism, the form which expresses the tourism balance in a broader sense no matter how comprehensive it is, in practice encounters difficulties in determining the individual items. Therefore tourism balance is often defined in narrow terms. When it is defined in a narrow sense, the tourism asset balance includes revenues realized from: accommodation and stay of foreign tourists in catering facilities and other accommodation facilities (private houses, apartments, health centers); food, beverages and other services catering facilities; transport of foreign tourists who use domestic means of transport, transit tourists; revenue from special tourism services (travel guide, interpreters, instructors of sports, museums, phone, etc.), commercial enterprises in the function of tourism (souvenirs, cigarettes, newspapers) fees etc. The liabilities of tourism income in the narrow sense are foreign exchange costs of: travel of tourists and their stay abroad; promotion and other marketing activities abroad; import of equipment and other goods (food and drinks), no matter whether they are intended for domestic and foreign tourists<sup>2</sup> (Vukonic and Cavlek 2011, 338-339).

The subject of analysis in the paper is the tourism trade expressed in number of tourists and nights spent in the Republic of Macedonia and of the citizens of the Republic of Macedonia realized abroad. As the number of nights spent by foreign tourists decreases and the number of citizens of the Republic of Macedonia who stay abroad is growing, a need for constant adjustment of the structure of the tourism offer is imposed, at the various needs of tourists. The purpose of such adjustments is to increase the number of domestic and foreign tourists and reduce the outflow of foreign currency on the basis of the stay of the tourists from the country abroad.

## **CHARACTERISTICS OF TOURISM TURNOVER**

The development of the tourism in the Republic of Macedonia in the period after the Second World War is characterized by various trends. The period of 1960-1987 is characterized by continuous growth of the tourism turnover. In 1960 in 10,626 beds 869,000 overnight stays were realized, and in 1987 in 82,411 beds 3,978,028 overnight stays were realized of which 39% were foreign tourists. Since 1989 the number of tourists and overnight stays is constantly decreasing. These trends among foreign visitors were particularly expressed in the period after 1994. The reasons were varied and largely associated with the wars that swept the former Yugoslavia. As a result of the declining standard of living of the population the unrests that took place in 2001 in the Republic of Macedonia only 1,254,582 overnight stays were realized (of which only 16.7% were foreign tourists), or approximately as in 1970, when the country possessed modest 19,859 beds (State Statistical Office Statistical Yearbook of the Republic of Macedonia 2005, 508). In the period after 2001 the tourism turnover has a slight growth and in 2009 only 2,101,606 overnight stays were realized. However, this turnover is far from the capacities that the Republic of Macedonia possesses for the

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<sup>2</sup> Boris Vukonic and Nevenka Cavlek, eds. Dictionary of Tourism [in Croatia], 338-339. Zagreb: Masmmedia.

development of tourism and about what Macedonia has already realized in the field of tourism until 1990. (Appendix table 1).

**Table 1.** Number of overnight stays in Macedonia

Year	1960	1970	1980	1987	1997	2001	2009
Domestic	825000	1076000	2765000	2426108	1321622	1041831	1517810
Dom. in %	94,93	83,93	87,44	60,1	83,3	83,4	72,2
Foreign	4400	206000	397000	1551920	265524	212751	583706
Total	869000	1282000	3162000	3978028	1587146	1254582	2101606

Source: SZS, Statistics Yearbook of Yugoslavia, 1961, 1971, 1981, Belgrade; CSV: Statistical book of Macedonia, 1982 Skopje; State Statistical Office: Statistical Yearbook of Macedonia, 1987, 1997, 2001 and 2005, Skopje, 2006, State Statistical Office: Tourism in the Republic of Macedonia 2005-2009, Statistical Review Transport, tourism and other services, no.8.4.10.03, Skopje, June 2010.

From the travel and stay of our citizens abroad there is outflow of foreign currency. The amount of these funds depends on the number of tourists, overnight stays and the average daily consumption. As for determining the number of tourists and overnight stays from the Republic of Macedonia abroad, the country does not keep records, the data is used from the World Tourism Organization<sup>3</sup>.

In the tables (2 and 3 the number of tourists and overnight stays in several destinations for the tourists of the Republic of Macedonia.

**Table 2.** Number of tourists from the Republic of Macedonia abroad

Country	2001	2003	2005	2008
Belgium	1 022	1 350	1 781	1 336
Bosnia and Herzegovina	1 545	2 567	3 493	4 551
Bulgaria	44 430	100 250	73 874	78 524
Croatia	15 442	14 893	18 821	16 889
Serbia and Montenegro	25 846	32 162		
Serbia	-	-	29 634	27 626
Montenegro	-	-	14 940	29 436
Slovenia	8 907	9 233	8 562	10 272
Total	113 056	161 021	151 391	168 634

Source: UNWTO, Yearbook of Tourism Statistics, Data 2001-2005, 2007 Edition, UNWTO, Yearbook of Tourism Statistics, Data 2004-2008, 2010 Edition

<sup>3</sup> The data from the total number of Macedonian tourists abroad are used in the publications of UNWTO Yearbook of Tourism Statistics. In the publications of WTO the biggest number of the countries announce the data about: the number of people recorded at the border crossings in the country, the number of tourists, overnight stays realized in types of facilities and the total in all accommodation capacities.

**Table 3.** The number of overnight stays in all accommodation capacities realized by tourists of the Republic of Macedonia

Country	2001	2003	2005	2008
1. Belgium	2 523	3 224	3 987	3 183
2. Bulgaria	46 524	103 281	76 119	8 724
3. Croatia	62 875	60 554	79 700	1 481
4. Poland	1 160	1 234	745	1 822
5. Serbia and Montenegro	67 905	93 942	144 742	-
Serbia	-	-	55 837	52 908
Montenegro	-	-	88 905	2 300
6. Slovenia	21 819	20 151	17 758	2 493
7. Turkey	-	-	48 962 <sup>4</sup>	75 436
Total from 1-8	202 806	282 386	323 051	6 247
8. Albania (P) <sup>5</sup>	82 504	94 814	169 392	4 101
9. Greece (P)	338 239	531 983	493 324 <sup>6</sup>	420 050
Total 8-9	420 743	626 797	662 716	830 211
Total 1-9	623 549	909 183	985 767	1 454 238

Source: UN, WTO: Yearbook of Tourism Statistics, Data 2001-2005, 2007 Edition; UN, WTO: Yearbook of Tourism Statistics, Data 2004-2008 Edition 2010. The assessment about Albania and Greece is made by the author.

From the data in tables 2 and 3 it is shown that for tourists from the Republic of Macedonia the most favored destinations are Greece, Albania, Montenegro, Croatia, Turkey and Bulgaria, countries that are geographically close and are not landlocked. With the exception of Greece and Albania in other countries in the statistical yearbooks of the WTO it can be followed the number of tourist and overnight stays realized by the citizens of the Republic of Macedonia. Therefore the number of overnight stays presented in the following table (table 4) is made by the number of citizens of the Republic of Macedonia which are registered on the crossing borders with Albania and Greece.

**Table 4.** Number of citizens registered in the Republic of Macedonia at the border towards Albania and Greece

Country	2001	2003	2005	2008
Albania	68 755	79 012	141 160	341 801
Greece	281 866	443 319	-	350 043 <sup>7</sup>
Total	350 621	522 331		691 844

Source: UN, WTO: Yearbook of Tourism Statistics, Data 2001-2005, 2007 Edition and Yearbook of Tourism Statistics, Data 2004-2008 Edition 2010.

An exemption represents one part of the countries which do not give complete data and the countries where the number of tourists from the Republic of Macedonia is small, and the number of tourists from the Republic of Macedonia is presented in the column other. That means that the number of visitors and overnight stays abroad is based on more assumptions. With this the final results are greatly relativized.

<sup>4</sup> The data refers to 2006.

<sup>5</sup> A – Assessment. The assessment of the overnight stays from the Republic of Macedonia in: Albania and Greece were made by the author in a method which is elaborated in the paper.

<sup>6</sup> The data refers to 2004.

<sup>7</sup> The data refers to 2006

By analyzing the data of Table 4 shows that on the border towards Albania and Greece are registered a great number of Macedonian citizens, which indicates that these countries are highly desirable tourist destinations for Macedonian tourists. This conclusion is confirmed by the following data: in 2001 on the border crossings with Albania are registered a total number of 342,908 visits, of which 68,755 (20%) were from Macedonia. In 2003 from 557 210 visits, 79,012 (14.2%), in 2005 from 747,837 visits, 141,160 (19%), and in 2008 from 1 410 1191 341 801 recorded visits 341 801 or 24.23% are from our country (WTO: Yearbook of Tourism Statistics 2010). In Albania, the tourists from the Republic of Macedonia are ranked on the second place according to the number, after the tourists from Serbia (Kosovo). Assuming that half of the total visits are day-trippers (people that go to excursions, persons who stayed on business, people visiting relatives, etc.), the number of Macedonian tourists in Albania in 2001 should result in 34,377, in 2003 39,506, in 2005 70,580 and in 2008 170,900 tourists. Assuming that Macedonian tourists in Albania realize 2.4 overnight stays<sup>8</sup> on average, then the total number of overnight stays from the Macedonian tourists in Albania in 2001 was 82 504, in 2003 was 94814, in 2005 was 169 392 overnight stays and in 2008 410 161 overnight stays.

It is believed that our southern neighbor is the most attractive tourist destination for Macedonian tourists. In 2001 the border crossing of this neighboring country from the total of 14,057,331 registered arrivals of 2% (281,866) are from the Republic of Macedonia. In 2003 the number of Macedonian citizens who visited Greece reached 443,319 (3.2%) in 2004. 411,103 in 2006 350,043. (WTO: Yearbook of Tourism Statistics 2010). Assuming that 50% of the total registered visits of Macedonian citizens are day-trippers (excursions, business visits, etc.), then the number of Macedonian tourists in Greece in 2001 should be at 140,933 in 2003 221,660, in 2004 205,551 and in 2006 175,021 tourists. Assuming that the average stay of Macedonian tourists in Greece are 2.4 nights then, the Macedonian tourists in Greece in 2001 generated 338,239 overnight stays, in 2003 531,983 in 2004 493,324 overnight stays and in 2006 420,050 overnight stays.

By comparing the data of generated overnight stays of Macedonian tourist's abroad and foreign tourists in the Republic of Macedonia it can be concluded that the citizens of our country travel frequently. In the distant 1984 the number of tourists from the Republic of Macedonia abroad is estimated at 328,000 (calculated by 2.5 days), i.e. 820,000 overnight stays (Karanfiloski 1986). In 2001 623,549 overnight stays, in 2003 909,183 overnight stays and in 2005 985,767 overnight stays, in 2008 1,454,238 overnight stays. If you compare the number of nights spent by foreign tourists in the Republic of Macedonia with the number of nights of our citizens abroad, we noticed that in 1984 the tourists from the Republic of Macedonia abroad generated around 500,000 overnight stays in terms of the generated overnight stays by foreign tourists in Macedonia, in 2001 558,405 overnight stays, in 2003 611,072 overnight stays in 2005 697,666 overnight stays and in 2008 866,791 overnight stays (Appendix Table 5). This means that the revenue of international tourism is significantly smaller than the expenses, which further burdens the negative balance of payments, i.e. the large deficit of our country.

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<sup>8</sup> The average number of overnight stays of the Macedonian tourists in Serbia and Montenegro is 3,2; in Slovenia 2,1 and Croatia 4,2 overnight stays.

**Table 5.** The volume of overnight stays of tourists from the Republic of Macedonia abroad and foreign tourists in the Republic of Macedonia

Year	2001	2003	2005	2008
Overnight stays of tourists form the Republic of Macedonia abroad	771 156	964 272	1 140 645	1 454 238
Overnight stays of foreign tourists in the Republic of Macedonia	212 751	346 200	442 988	587 447
Difference	- 558 405	- 618 072	- 697 666	- 866 791

**Table 6.** Overnight stays of foreign tourists in the Republic of Macedonia according to country of origin and tourists from the Republic of Macedonia in the same country in 2008

Country	Overnight stays in the Republic of Macedonia	Overnight stays from tourists in the Republic of Macedonia	Difference
Albania	48 086	410 161	- 62 075
Bulgaria	42 246	87 524	- 45 278
Greece	3 918	410 050	- 381 132
Serbia	99 985	52 908	47 077
Montenegro	5 720	230 340	- 224 620
Croatia	12 302	148 521	- 36 219
Turkey	31 706	75 436	- 43 730
Total	278 963	1 424 940	- 1 145 777

## OPTIMAL STRUCTURE OF THE TOURISM OFFER

The question arises: Based on the previously stated trends in tourism development in the Republic Macedonia.

- *How can you overcome these unfavorable tendencies?*

In order to achieve greater tourism revenue and overcome adverse movements in the tourism development in the Republic of Macedonia it is necessary to take numerous and coordinated actions from all the participants in the tourism offer, starting from those that are the responsible of state institutions such as the politics of tourism development, promoting the country's tourism market etc., directly to its stakeholders, whose authority is constantly adjusting the structure and volume of the tourism offer of demand (supplementing new elements, improve the service quality, price differentiation and organizational measures in the area of the tourist destination).

The tourism offer of destinations is composed of three groups of elements, including:

- 1) Attractive resources, which determine the identity of the destination and represent the main motive for visiting the destination;
- 2) Improvement of tourism (service in accommodation, food, transportation, trade, entertainment, culture, etc.) that should provide optimal satisfaction for tourists and
- 3) The psychological advantages and characteristics of the destination in which it becomes more attractive and competitive in regard to the other destinations.

The main objective of any tourist destination is achieving the above-average revenue from tourism development with the lowest production expenses, complete valorization of natural resources and cultural heritage and their appropriate protection. This can be achieved in due time to see the gaps and deficiencies of certain elements of the offer as inadequate evaluation of attractive resources, disproportion in the structure of accommodation facilities in unilateral off-season offer, inadequate sports, cultural and entertainment, lack of tourism services and weaknesses in the infrastructure etc. Any lack or inadequate functioning of some element of this group of factors caused more or less dissatisfaction among guests and comes to the question of the growth of the tourism revenue, especially in modern conditions when the desired destinations of tourists besides the traditional inbound countries were found and a large number of new exotic and distant destinations. This means that the traditional tourism offer cannot satisfy the particular desires and demands of the tourists.

- *Who should manage the tourism offer of the tourist destinations?*

The experiences of countries in the level of municipalities and smaller towns existed tourism societies or tourism associations show that they can not perform the tasks of organizing the tourism offer of the tourist destination. They possess limited financial means and fewer competencies (the advancement of general conditions of stays for tourists, promotion of the tourism product of the destination, environmental protection, education of the population), which they cannot participate in the important work of business facilities of the destination, such as forming the price of the tourism product etc.

In private ownership and economic market conditions, it cannot be expected that the local government (local public authority, hospitality and tourism enterprises or social institutions) or other government institutions to continuously intervene in the work of certain stakeholders of the offer and also undertake functions that they do not belong to. So in the interest of all stakeholders of the offer of a particular tourist destination is to be organized in a community, which they have no difficulties to adapt to the common interests and to influence positive decisions of the offer. This means that tourism offer of the destination can be managed by a community (shareholder company, etc.) which will represent the interests of all business facilities of the tourist destination, including the cultural and entertainment facilities, municipal tourism enterprises, etc. That community should carry out promotional activities and all other integrated management functions with the destination offer, with the retention of legal-economic characteristics of the stakeholders of the offer. The community would be able through their institutions to guide the development politics of the tourist destination, and easier to collect the necessary funds of the agreed investments and innovations, to care of the work of all facilities of the offer, to form a market or competitive price of the tourism product and perform other developmental, promotional and coordinated functions.

The justification of such mode of management is based on common interests of all the stakeholders of the tourism offer, and that is achieving better results. The common interest of the stakeholder of the destination offer, builds the personal interest of the stakeholder, and the ability to participate in creating the tourism product and promotion of the destination etc. This means that their facilities can achieve the best results - achieving revenue within the common product of the destination.



- *What tasks need to be performed in the community?*

The basic tasks of the community of any particular tourism community should be:

- Collect and evaluate information on the possibilities and advantages of the destination;
- Develop cooperation and coordination with the stakeholders of the offer in creating the tourism product of the destination;
- Common politics in forming stable prices of the tourism product by reducing expenses;
- Joint promotion of the destination offers;
- Achieve the highest utilization of the facilities and offer;
- Destination development as a functional unit.

Managing the overall activities in the community should be entrusted to experienced and top experts to ensure the achievement of the goals of the community.

This model of tourist destinations management is very convenient for all destinations in the Republic of Macedonia (with two to three municipalities), because all the stakeholders of the offer know each other and easier feel the interdependence and common interest in forming the tourism product. However, this model can be suitable for large spatial destinations due to the high number of stakeholders, the difficult communication between them and the different identities of the destination.

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