

## THE DYNAMICS OF THE INTERNATIONAL TOURISM MARKET. RECENT DEVELOPMENTS AND CHALLENGES

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**Abstract:** The tourism market and the tourism industry are recently driven by numerous factors influencing the demand, e.g. the visitors' number, the flows' direction and distribution, and the receipts from domestic and international tourism. The paper analyses the main developments related to the international tourism markets and the factors usually taken into consideration in the last 10-20 years, such as globalisation, demographic challenges, environmental and security issues. But besides these drivers, the tourism sector faced in the last year the consequences of the global economic crisis. The dimensions of the reduction in the tourism activity and the prospects on short and long run – including some prospects for Romania, are also presented in the paper.

**Key words:** international tourism, global drivers, economic crisis and recovery

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### 1. Introduction

*The tourism market* is described as comprising all the transactions whose object is based on tourist's products (Minciu, 2005: 133). At the same time, the tourism market can be represented by those groups of consumers engaged in tourist's travels. *The tourism industry* can be defined as a summation of commercial activities producing tourist's goods and services.

Due to the fact that the tourism supply is made of goods and services, in other words of tangible and intangible elements, the tourism market is characterized by complexity (Minciu, 2005: 134). The fact that the tourism, the services and the goods market interfere with each other is determined by the complex character of the tourist's product, which, in fact, represents a combination between services and goods (Nedelea 2003: 9). This market has a specific characteristic, as well: it is not transparent, which, on its turn, generates peculiarities as far as the competition on the tourism market is concerned.

Travel & Tourism market is one of the most important and dynamic: GDP associated with T&T Demand (Direct and Indirect) was in 2007 of US\$ 5.4 Trillion, e.g. 10.4% of Total Gross Domestic Product (World Travel and Tourism Council).

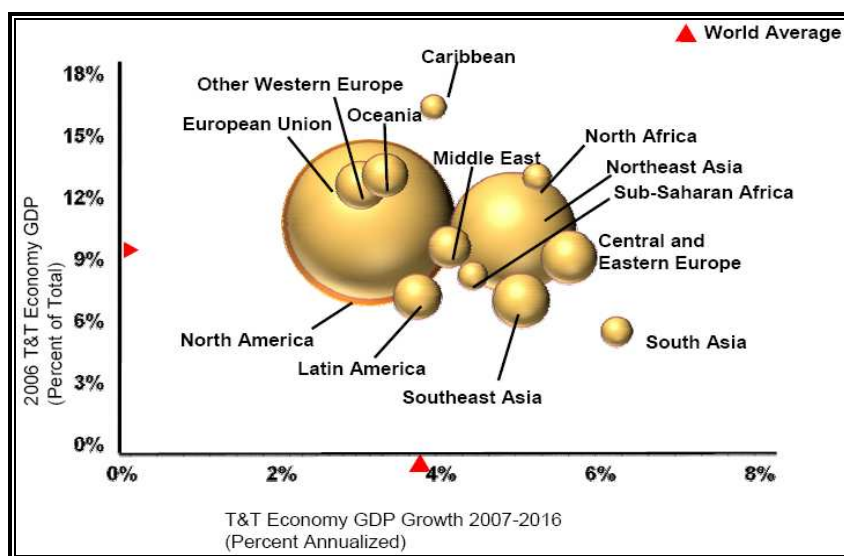


Fig. 1. Travel & Tourism Economy by Region

Source: Jean-Claude Baumgarten - President World Travel and Tourism Council, AIG Travel Guard 25/02/2008, WTTC

The dynamism and elasticity, together with mobility are other characteristics specific to the market of tourism. Due to the variety of the tourist's products, on one hand, and to the diversity of the consumer's needs, on the other hand, the market borrows a fragmented character, as well, which will influence its assessment. The tourism can be viewed as a social phenomenon, not a production activity (Theobald 2005: 29).

## 2. Impact of globalisation

Globalization is an extremely important factor influencing the tourism from several points of view. *Homogenization* of the consumers' needs and way of life, the nature of the modern international tourism, as well as, the development of the computer and telecommunication network, all of these have led to an international tourism market, a continuously extending market. For example: in 2008, international tourist arrivals grew by 2% to reach 924 million, up to 16 million over 2007. International tourism generated US\$ 856 billion (€ 625 billion) in 2007, or 30% of the world's exports of services.

The appearance of a global consumer was identified in relationship with its drivers, such as: global efficiency (global organisations trying to benefit from the mutual features of consumers in order to enhance production, marketing and distribution efficiency) and clients' convergence (world wide consumers more and more likely about consumer habits and patterns) (Swarbrooke and Horner, 2001).

Luiz Moutinho, member of the Management Studies Department from the Glasgow University, Great Britain, has noticed that when the markets globalize, the regional differences become important. So, we have to realize that, when the approaching manners neglect the cultural and regional differences, traps will always be present. At the same time, problems may appear when we consider that there is too much similitude. More precisely, the more the consumers' way of life becomes more uniform and homogenous, the more the consumers will stick to the traditional values (Moutinho, 2000: 315).

The *ancient traditions and habits*, sometimes considered as being out of date, and, which, due to the modern conceptions would have disappeared, could be saved and, even, valued, by means of a greater and greater demand of the tourism market.

The consumer seems to be interested by *new happenings experienced* in history – spreading places, by other people's habits and traditions and by their way of living. The tourist wishes not only a place for leisure, whatever this place could be, he wishes to satisfy his curiosity, to discover, see and understand what other civilizations have created during centuries.

Moreover, the consumers' needs and preferences, all over the world, will become *universal and more specialized*. Even if the country-to-country differences remain, the international companies will launch standardized products and services, which will cover these new needs. As far as the consumers' preferences are concerned, the paradox of homogeneity and of variety will allow greater differences and a certain greater uniqueness to exist together (Moutinho, 2000: 316).

### **3. Demographic issues**

Due to several causes and factors, the business environment, in tourism, is in a continuous changing. This way, the *ageing of the population* from the developed countries, as well as, the decreasing of the family members' number, all of these affect, more or less, the entire economy. The universally accepted influence of family, religion and of cultural institutions was partially replaced by a new way of thinking, oriented towards ecology and a healthier way of life, which will, clearly, affect the nature of tourism.

Due to the extension of longevity (*life duration expectancy*), the international tourist's companies will be more and more interested by older tourists, having a stable income and less family responsibilities. Although the growth of population, in Europe, is almost zero, although, ever since now, the interest for out-of-borders tourism is great, it is estimated that the demand for tourist's travels will increase, as a function of the population's getting old. For example, in Europe, in 1980, approximate 25% was 65 years. It is estimated that, in 2025, this figure will increase with 29.2%. Taking into consideration the persons with ages between 55 and 65 years, the number of Europeans being part of the "grown-ups' market" is of about 100 million (Theobald 2005: 6).

In 1980, the European average life duration expectancy was of 72.2 years, as compared with 57.3 years in the rest of the world. At present, the average of the life duration expectancy has increased to approximate 75.4 years, on the European continent, and to 65.3 years, in the rest of the world. The grown old population, from Europe and North America, represents a huge potential regarding the activities for spare time spending, the tourism, inclusively. The attention of the strongly industrialized countries is, now, directed towards the second and the third age people, towards their spare time and social assistance organization. This changing will be various and extended, starting with what old persons generally wish, up to the tiniest details of their preferences. Shortly: a market with a huge potential, which deserves to be investigated, as soon as possible.

The *number of the family members* can be another factor influencing the tourist's industry. Small families with a smaller number of children will have different ways of spending money, a great mobility, and consequently, a special interest for spare time spending and for travels of pleasure.

### **4. Environmental issues**

Another factor, not at all less important, is represented by a concern regarding the *environment safety and protection*. A continuously extending town-planning will oblige the consumers to search for as clean as possible, nature and environment. On the other hand, within the world's states, there already exists a strong pressure regarding the ecologist and environment protecting policies.

At the end of '70, the Organization for Economic Cooperation and Development (OECD – 1980) has formulated the *sequence of impact upon the environment*, which contains 4 stages, showing the effects of tourism upon the environment:

1. the stressor activities – which initiate the sequence of impact upon environment (re-structuring and deterioration of environment, generation of toxic residues, tourist's activities, etc.);
2. the environmental stress – which alters the environment by means of stressor activities;
3. the environmental responses – which represent the changes appearing as a result of stress, which changes can be direct, indirect, immediate or on long term;
4. the human responses – which can, also, be direct, indirect, immediate or on long term;

In 1991, the World Travel and Tourism Council (WTTC) have created the World Travel and Tourism Environment Research Centre – WTTERC, which was meant to attentively follow the tourism industry and its effects upon environment (Weaver 2002: 70).

The environment has become a “mega-power”, which will undoubtedly influence all the types of products and services available, on the market, in the near future. The growing number of the tourists interested in environment will oblige one way or another, the international tourist's companies to revise the environmental policies and to time them to the new demands.

### **5. Competition and business environment**

Due to the economic activities internationalization and globalization, the *competition* from tourism has moved from the local level to the world-wide one. This change brings about a series of strategic decisions, which, from now on, have to be taken into consideration both by the independent operators and by the tourist's international organisms. The tourist's independent operators wish to become, as well, part of the international tourist's network, while, in order to remain competitive, the world-wide tourist's organizations, having large networks allover the world, intend to focus much more on improving communications and on supervising, more strictly, the costs.

In order to obtain an advantage, in the sharper and sharper competition, the managers from tourism have to build an adequate strategy, then to implement it through an efficient structural process. Implementation tends to become a much more complex process than the strategy creation itself, because the managers have to have leading qualities and the employees to be prepared, together with the whole company, to cope with this challenge.

The independent operators having activities of small size are less interested by the global standards existent on the international tourist's market. Generally speaking, the operators direct their attention only towards the local tourist's activities, and, because of the close competition and of the limited resources they consider *internationalization* as being a slow and expensive process. Up to now, the knowledge about the local market was sufficient, for the operators, but, on these crucial moments, they are no more sufficient. In order to be able to support, as easy as possible, a competitive advantage, of any kind, the international business environment needs new ways of thinking and acting. The well-prepared manager will have to have, at the same time, open minds as far as novelties are concerned, will have to, immediately, see if any business opportunity shows on the horizon. That is why, the tourist's companies have to develop three different strategies, which, sometimes could even be in conflict with each other:

- a) Flexibility at a global level;
- b) Competitiveness at the global level;
- c) Capability to learn from international experience;

The managers from the international tourism should think *globally*, should train his staff in accordance with these new demands. But, very often and unfortunately, the traditional administrative heritage prevents this things to happen, which will, undoubtedly, make the entrance on the international tourist's market be impossible, or, at least, delayed. Unfortunately, the managers can be the prisoners of their own old conceptions, situations in which, more often than not, they regard these changes with doubt.

The *effects of technology* upon the tourist's industry are more than obvious. The fast travels, made by plane or by the famous great-speed trains, bring a breath of novelty, which can be added to the other active element stimulating the development of international tourism. When people cross long distances in few hours, the migration towards the favorite tourist's regions can be approached from a new point of view.

The telecommunication systems of last generation, with their electronic connections from one continent to the other, from one hemisphere of the Earth to the other, bring their contribution to the development of the global tourism.

The greater and greater importance given, in the international tourism, to information and technology, will stimulate the managers to extend their horizon, the classical channels of distribution being no more sufficient. The very fast technological changes cause an almost brutal competition among companies and oblige them to accommodate their market strategies to the specific events from this domain.

The result can be, also, seen very quickly by means of following the international tourism networks, which are dynamic networks, defined by Hickman and Silva as follows: "organizational architectures which constantly accommodate themselves to the changes occurred in the business environment, and, which, at the same time, stimulate the components of this environment, building long-lasting relationships among them". Each member of the network contributes with his own elements and activities, the network being meant to substantiate the competitive advantage offered by the new millennium start, namely: *a superior quality in volatile environment*.

The managers who will embrace the new technologies and will, actively, participate to the planning process, will be able to, immediately, identify all the opportunities offered by these technologies and to use them as an advantage in front of their competitors. Only if understanding the new trends of the market, the managers will be able to recognize the needs and way of using the last-generation technologies.

## **6. Security issues**

An older problem, having, at present, new connotations and very serious implications, is the international tourism *security*. Even before the September 11 2001, when the bloody terrorist attacks took place in USA, the security was an important issue on each tourism company agenda, but now, this element is on the top of the list. When spending his spare time or holidays or when visiting places he wants to, the tourist is interested in being safety, his security being on the first place.

Pearce mentions that the tourists having a certain experience tend to be interested, firstly, in the needs of a higher level, as training and instruction in tourism, unlike the non-experimented tourists, whose major interest stands in food and security. Irrespective of these situations, the international tourism companies should take into consideration these new problems regarding the tourist's security, being not permitted anymore to ignore or overlook what is happening, at present, in many countries of the world.

The communities, which are directly involved in tourism, and, which, this way, can be extremely vulnerable, should be, immediately, protected; in short, the idea is that the best attack is the defense. Prevention of a terrorist attack, and, of course, preparation for a possible occurrence of such events, are key-elements necessary to be understood by the decision-makers. They must understand that present investments in tourism, and not

only in tourism, can help these values to be maintained in such a way as to be accessible to the next generations.

Another factor with significant impact in a global world is influenza A (H1N1) pandemic, which has created an increasing confusion about the issue of the safety of travelling.

### **7. The tourism and the economic crisis**

As World Tourism and Travel Council stated, after four years of growth averaging at 3.6%pa, T&T Economy GDP growth slowed to just 1.0% in 2008, its weakest performance since the recessionary period. In 2009, international tourism demand has deteriorated further due to the impact of the global economic recession. International tourist arrivals declined at a rate of 8% between January and February this year, leaving the overall volume at the same level as recorded in 2007, so that UNWTO expects international tourism to decline between 2% and 3% in 2009. ([http://www.unwto.org/media/news/en/press\\_det.php?id=4181&idioma=E](http://www.unwto.org/media/news/en/press_det.php?id=4181&idioma=E)).

Among the macro drivers contributing to this state of the art, we can mention:

- credit constraints and money markets status;
- the problems in the housing markets;
- the decrease in demand, following the decreasing disposable income and increased unemployment;
- the sharp reduction in business activity;
- exchange rate fluctuations.

According to the June edition of the *UNWTO World Tourism Barometer*, international tourism declined by 8% between January and April compared to the same period last year. Destinations worldwide recorded a total of 247 million international tourist arrivals in those four months, down from 269 million in 2008. Thus, international tourism is now forecast to decrease by between -6% and -4% in 2009, as the pace of decline is expected to ease during the remainder of 2009. With the exception of Africa, all regions recorded a decrease in arrivals for the first four months of 2009, with a higher impact on Middle East (-18%) and Europe (-10%), and less on the Americas (-5%, but considerably worse in North America) and Asia and the Pacific (-6%).

As in previous crises, tourism earnings are expected to suffer somewhat more than arrivals as consumers tend to trade down, stay closer to home and travel for shorter periods of time.

International tourism receipts rose by 1.8% in 2008 (in real terms), virtually equalling growth in international tourist arrivals (+1.9% to 922 million). UNWTO estimates that worldwide receipts from international tourism reached US\$ 944 billion last year, up from US\$ 857 billion in 2007. Last year's substantial increase in absolute terms is to some degree a reflection of the weakening of the US dollar, which boosted receipts expressed in the currency. In euro terms, receipts increased to 642 billion, from 625 billion in 2007. In 2008, there were only slight changes in the rankings of both international tourist arrivals and receipts. In arrivals, France remains the world's major tourism destination (79 million tourists) and in receipts third. The USA is first in receipts and now second in arrivals, Spain ranks third in arrivals and China, fourth in arrivals, is still fifth in terms of receipts, while the reverse is true for Italy. ([http://www.unwto.org/media/news/en/press\\_det.php?id=4421&idioma=E](http://www.unwto.org/media/news/en/press_det.php?id=4421&idioma=E)).

### **8. Conclusion. Prospects for recovery? Any good news for Romania?**

Historically, tourism has demonstrated remarkable resilience and has emerged from past crises stronger and healthier, and the current economic crisis, even global, will be undergone.

Travel and tourism can support short-term stimulus actions (creating and sustaining jobs), as well as the long-term transformation to a green economy. Tourism is one of the largest employment sectors in most countries and has a strong multiplier effect on related services, manufacturing or agriculture ([http://www.unwto.org/media/news/en/press\\_det.php?id=4421&idioma=E](http://www.unwto.org/media/news/en/press_det.php?id=4421&idioma=E)). In the same time, the emerging markets such as China, India, Russia etc. will create new and dynamic sources of tourists and visitors.

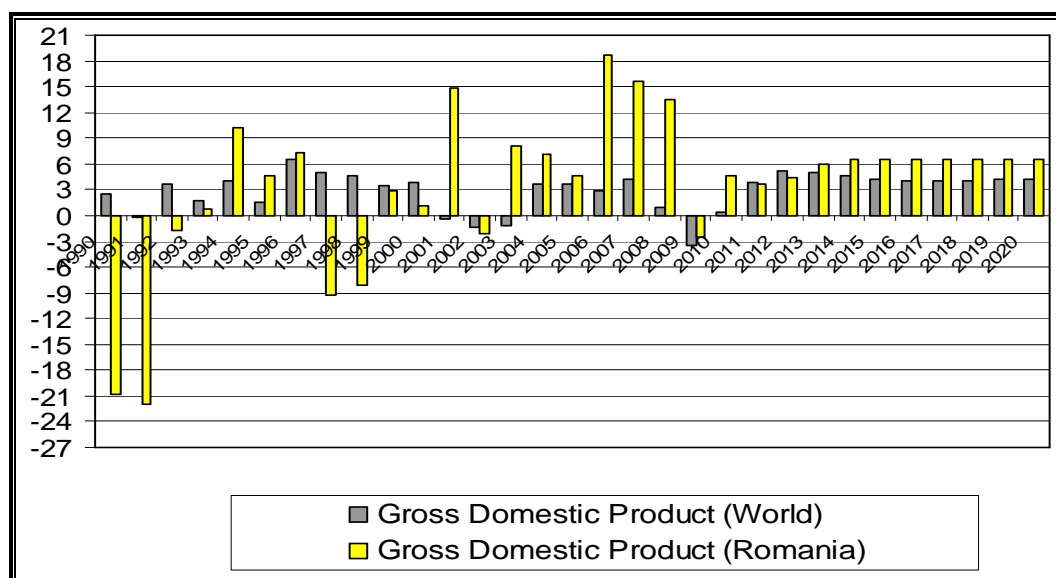
Indeed, a lot of countries are implementing various actions to help the recovery process by enhancing promotion, increasing employment in the tourism industry, reducing taxes and improving travel facilitation, removing all obstacles to tourism, developing financial systems to support tourism enterprises, developing infrastructures.

The recovery is expected – as for other sectors of the world economy – in 2010, both according to macroeconomic and financial data and the UNWTO Panel of Experts Confidence Index. ([http://www.unwto.org/media/news/en/press\\_det.php?id=4862&idioma=E](http://www.unwto.org/media/news/en/press_det.php?id=4862&idioma=E)).

In the long run, looking beyond the current crisis, Travel & Tourism is expected to resume its leading role in global growth. In a 10 years perspective, the contribution of Travel & Tourism is expected to undergo as follows:

- the contribution of the Travel & Tourism to Gross Domestic Product (GDP) is expected to rise from 9.4% (US\$5,474 bn) in 2009 to 9.5% (US\$10,478 bn) by 2019;
- the contribution of the Travel & Tourism economy to total employment is expected to rise from 219,810,000 jobs in 2009, 7.6% of total employment, or 1 in every 13.1 jobs to 275,688,000 jobs, 8.4% of total employment or in 1 in every 11.8 jobs by 2019;
- real GDP growth for the Travel & Tourism economy is expected to be -3.5% in 2009, down from 1.0% in 2008, but to average 4.0% per annum over the coming 10 years;
- export earnings from international visitors and tourism goods are expected to generate 10.9% of total exports (US\$1,980 bn) in 2009, growing (in nominal terms) to US\$4,132 bn (9.8% of the total) in 2019. ([http://www.wttc.org/eng/Tourism\\_Research/Tourism\\_Economic\\_Research/](http://www.wttc.org/eng/Tourism_Research/Tourism_Economic_Research/)).

Next chart shows the prospects in Real Travel & Tourism activity growth (% per annum) – 1990-2020, in the World and in Romania.



**Source:** generated by authors, from:

[http://www.wttc.org/eng/Tourism\\_Research/Tourism\\_Impact\\_Data\\_and\\_Forecast\\_Tool/](http://www.wttc.org/eng/Tourism_Research/Tourism_Impact_Data_and_Forecast_Tool/)

After a fluctuating evolution of the growth rate of T&T in Romania (with very bad times in the nineties), after 2014 there is a prospect of a higher growth rate of the sector in Romania than the World average. World Tourism and Travel Council also predicts that Romania will be in the top 10 Industry growers in Demand according to the 2008-2017 Annualized Real Growth Rate, and also among the top 10 countries expected to grow the T&T exports the fastest from 2010-2019:

**WTTC's Top Ten Industry Growers Demand (2008-2017 Annualized Real Growth, Percent)**

1. Montenegro .....	10.1
2. China .....	9.1
3. India .....	7.9
4. Croatia .....	7.8
5. Congo, Dem. Rep. ....	7.8
6. Vietnam .....	7.5
7. Romania .....	7.4
8. Namibia .....	7.1
9. Hong Kong .....	7.0
10. Chad .....	7.0

**Source:** WTTC

**Which countries are expected to grow their Travel & Tourism Other Exports the fastest from 2010-2019?**

Other Exports	10-Yr Real Growth
	Annualised, %
1 Sao Tome and Principe	30.7
2 India	13.8
3 Cape Verde	12.9
4 Croatia	11.5
5 Romania	11.2
6 Zimbabwe	11.1
7 Serbia	10.7
8 Azerbaijan	10.0
9 Vietnam	9.5
10 Paraguay	9.2

**Source:** WTO

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