

Theoretical and Applied Aspects of the Competitiveness of the Tourism Enterprise

Prof. Dr. Stoyan Marinov
University of Economics - Varna, Varna, Bulgaria
s.marinov@ue-varna.bg

Abstract

The report systematizes the theoretical statements about the competitiveness of the enterprise and specifies the guidelines for their practical application according to the specifics of the tourism enterprise (TE). The competitiveness of the tourism enterprise is defined. The process and methods of assessing the competitiveness of the tourism enterprise and the development of a profile of the main competitors are presented. The factors for increasing the competitiveness of the tourism enterprise are distinguished and interpreted. Possible strategies for increasing the competitiveness of the tourism enterprise are discussed.

Keywords: Business Economists, Competitiveness, Diversification, Tourism Enterprise, Tourist Market

JEL Code: M210

Introduction

Competitiveness is a necessary and sufficient condition for the successful existence of any enterprise. The purpose of this report is to systematize the theoretical assumptions about the competitiveness of the enterprise and to discuss their application in the tourism enterprise (TE). To achieve this goal, the essence of the competitiveness of the tourism enterprise is revealed. The process and the methods for assessing the competitiveness of the tourism enterprise are presented. The preparation of a profile of the main competitors is considered. Special attention is paid to the differentiation and interpretation of the factors for increasing the competitiveness of the tourism enterprise. The possible strategies for increasing the competitiveness of the tourism enterprise are presented.

1. Essence and assessment of the competitiveness of the tourism enterprise

Competitiveness is a characteristic of the subjects that compete, and expresses their ability to win. In economic terms, the nature, content and properties of competitiveness can be considered at four different levels - competitiveness of the national economy, competitiveness of the economic sector, competitiveness of the enterprise and competitiveness of the product. (Minkov, 2010).

The competitiveness of the national economy can be defined as "a sustainable increase in productivity leading to an increase in the standard of living of the average citizen" (Porter, 2004). The definition is given by Michael Porter in his book published in 1990 „The Competitive Advantage of Nations”, in which the author based on empirical research came to the conclusion that "the only meaningful explanation for competitiveness at the national level is national productivity".

Drivers of productivity growth in a country are its real companies competing in real economic sectors. Higher productivity means not just doing things better, but doing better things. It means not just working hard and intelligently, but also choosing the right field of work.

Porter's conclusion is that there are no competitive nations, but nations with competitive advantages in certain sectors (industries). In search of a solution to the problem of the competitive advantages of nations, ie. of the conditions for the emergence of high-performance sectors of the national economy, M. Porter presents his paradigm of competitiveness. It is illustrated by the so-called "diamond" or "rhombus" outlined by the "determinants of national advantage". The model is based on the idea that the source of national advantage is "the interaction of four mutually supportive elements connected in a system". The determinants of national advantage determine the environment that each country creates and maintains for its economic sectors. The determinants are: (Porter, 2004).

- factor conditions - the state of the country's factors of production such as: climate; physical infrastructure (transport), natural resources, education system, skilled workforce, technological infrastructure (communications), capital, etc., necessary for competing in a given sector;

- conditions of demand - the nature of the demand for products or services of the industry in the internal market;

- related and supporting industries - the presence or absence in the country of internationally competitive sectors for raw materials and other related industries;

- company strategy, structure and rivalry - the conditions in the country, determining the establishment and management of companies, as well as the nature of internal competition;

The government plays the role of catalyst or brake regarding the determinants of competitiveness.

The competitiveness of an individual sector means the ability of national enterprises from the sector to achieve sustainable success over foreign competitors in the international market. For example, one can study the competitiveness of the tourism sector in Bulgaria by studying the competitiveness of the hotel sub-sector, or the tour operator sub-sector, etc.

In the late 1970s, M. Porter founded a school to study business competitiveness. The author distinguishes five forces by which he explains the intensity of industry competition, the attractiveness or unattractiveness of individual economic sectors from the point of view of a particular enterprise. These forces are: (Porter, 1980)

- the intensity of competition between companies in the sector;
- the threat of entry of new competitors;
- the threat of the emergence of substitute products;
- the bargaining power of suppliers and the bargaining power of buyers.

The competitiveness of the enterprise is a concentrated expression of the organizational-managerial, economic, production, marketing, innovation, resource and partnership capabilities of the enterprise, which are realized in successful products compared to the competitors on the market.

The competitive advantage of the tourism enterprise is defined as a significant advantage of the enterprise, which helps it to cope with competitive forces and provides it with the opportunity to maintain for a long period a level of profit higher than the average for the tourism sector or its subsectors - hospitality, tour operators and travel agency activity, etc.

The competitive advantage of the enterprise is relative, it is determined by comparison with the leading competitor and is also called positional advantage. (Tanushev, Hr., 2007) To determine the competitive advantage of the enterprise on the basis of comparison with the direct competitor, the instrument "competitive triangle" is used - customer, enterprise, competitor. Based on the competitive triangle, the perception of value by the customer, which he receives from the company and its main competitor, is determined.

The competitive advantages of the tourism enterprise are related to the creation of added value for the customers. Sources of added value separately and together can be the main and supporting activities that form the value chain of the enterprise. The value chain reflects a systematic approach in forming the competitive advantage of the enterprise. It divides activities in the enterprise into two types: main (primary) and supporting (auxiliary).

The main activities include:

- **management of incoming resources** - the company's relations with its suppliers, storage of stocks, movement of goods, services and information between the various departments in the enterprise;
- **tourism service** - the actual operations for creating and providing the tourism product to tourists (reception service, restaurant service, spa service, etc.);
- **outflow management (reservations)** - movement of the tourism product along the chain from distribution channels to the final consumer - direct sales, tour operators, travel agents,

ОТА, etc.;

- **marketing** - marketing research (identifying and transmitting to other departments the needs of the target customers), selection of distribution channels, pricing policy, communication and promotion techniques;

- **service after the consumption of the tourism product** - processing of complaints, recall of experiences;

Supporting activities include:

- **supply** - providing the necessary resources for normal work: purchasing raw materials, negotiating bed and transport contingents, in order to minimize costs. This also includes "outsourcing" - providing part of the activities for outsourcing;

- **technological development** - refers both to the tourism service and to the other activities implemented in the company: internet marketing, customer contact management, information provision;

- **human resources management** - includes the activities of selecting, hiring, training, motivating and stimulating staff;

- **company infrastructure** - covers the functions: reporting and control - accounting, finance, legal services, strategic planning and upper management;

The modern tourist market is prominently a buyer's market with strongly intensified competition between tourism destinations and enterprises. The concept of *hypercompetition* based on *dynamic competitive advantage* is valid for tourism enterprises. The hypercompetition model includes the following characteristics:

- any competitive advantage of an enterprise can be quickly copied by other competitors;

- the possible for copying competitive advantage at some point becomes a disadvantage for the enterprise, and its blind and persistent maintenance can lead to fatal losses for the organization.

The pursuit of improving the existing advantage diverts attention from forming a new competitive advantage. Overtaking the immediate competitors is not a state that can be established once and for all. Hypercompetition is characterized by intense competitive action and rapid innovation, to which other competitors must respond quickly in order to create their own competitive advantages and eliminate the advantages of their rivals.

An example of inappropriate behavior regarding unsustainable competitive advantage in the conditions of hypercompetition on the tourism market is the bankruptcy in 2019 of the tourism consortium "Thomas Cook". Achieving a competitive advantage by creating a wide network of physical offices for the sale of tourist trips and strategically relying on this advantage, "Thomas Cook" missed the formation of a new competitive advantage by its main competitor "TUI Group" AD - implementation of new information technologies for electronic distribution of tourist trips.

The competitiveness of the product characterizes its attractiveness to the buyer compared to similar products offered by competing companies. For example, the competitiveness of the MICE tourism product, or the holiday tourism product, etc. of a certain enterprise.

A competitive advantage of a product is a characteristic or property that gives it a certain *advantage* over the products offered by competing companies. There are two types of competitive advantages of the product:

- economic competitive advantage - determined in terms of *cost (price)* of the product;
- axiological competitive advantage - determined in terms of *consumer value (quality)*, ie. the suitability of the product to satisfy certain needs, interests and aspirations of the customer.

As a rule, the competitiveness of the tourism product is the basis of the competitiveness of the enterprise that produces it. Exceptions are possible when the competitiveness of a particular product is detrimental to the competitiveness of the enterprise as a whole - for example, subsidizing one product at the expense of other efficient products.

2. Factors for increasing the competitiveness of the tourism enterprise

The competitiveness of the tourism enterprise depends on external and internal factors determining the results of its activity. (Minkov, 2010)

External factors or factors at the macro and micro level represent the conditions for the implementation and development of tourism business in the "tourism" sector and the economy as a whole. They form the opportunities and threats for the competitive operation of the tourism enterprise. External factors include:

- the geographical location of the country and the related natural and climatic conditions (relief, waters, air temperature, sunny days, flora, fauna, etc.);
- the political conditions in the country and the political relations of the country with the other countries with which tourism is developed;
- the legal framework regulating the tourism activity and the business as a whole;
- macroeconomic conditions - tax rates (VAT, tourism tax, etc.), duties and taxes, exchange rates, level and growth of income;
- socio-cultural conditions in the country - cultural and historical heritage, social structure of the population, social values and norms of behavior, etc.;
- ecological conditions - conservation and protection of nature - level of air, water and soil pollution;
- technical and technological conditions – condition, development and technological (communication) infrastructure (accessibility and speed of the Internet, mobile applications for tourist services, etc.);
- the tourism policy of the state and the municipalities for creating a favorable environment for tourism business;
- the intensity and protection of the competition in the tourism sector, the possibility of new competitors, the degree of development of the tourism-related and tourism-supporting sectors (construction, transport, education, etc.);

External factors predetermine the actions and success of the tourism enterprise as different enterprises benefit from them in different ways.

The internal factors for increasing the competitiveness of the tourism enterprise stem from its internal environment. They form the strengths and weaknesses of the company and its potential to take advantage of the external environment and deal with its threats. Internal factors include:

- the quality and efficiency of the strategic and operational management of the tourism enterprise - quality of the strategies and plans for the development of the organization, quality of the management of the tourism service; time adequacy, speed and accuracy of management decisions;
- the geographical location of the enterprise and its tourism sites and tourism activities;
- the technique and technology of the tourism enterprise;
- availability and access to production resources - material and financial resources; information resources; qualified, experienced and motivated staff;
- the market positioning of the tourism enterprise in appropriate and efficient market segments;
- the image of the tourism enterprise and the brand;
- degree of consumer loyalty to the products (services) of the enterprise;
- the innovative activity of the tourism enterprise - introduction of information and communication technologies;
- the partnerships of the tourism enterprise - lasting relations and agreements with suppliers, intermediaries, etc. stakeholders;

Internal factors of competitiveness are sources of *competitive advantages for the company*.

According to their importance for the tourism enterprise, there are two types of competitive advantages - *high and low rank*.

Low-rank competitive advantages are caused by unstable factors and do not ensure long-

term competitiveness of the enterprise. For example, a low-rank advantage is the availability and use of cheap labor in the tourism enterprise to achieve a low cost of the product.

High-rank competitive advantages are caused by sustainable factors that are difficult to reproduce by competitors and ensure the long-term competitiveness of the enterprise. High rank advantages include: the uniqueness of the tourism product, the technology of tourist service, the positive image and reputation of the company and others.

According to their sources of origin and manifestation, the competitive advantages of the enterprise can be classified into *internal and external*.

The internal competitive advantage is based on the low costs and high productivity of the enterprise, which allow it to achieve leadership in low cost of products compared to those of competitors. This provides the company with greater profitability and resilience to price reductions or price competition.

The external competitive advantage is based on the distinctive properties of the tourism product, creating greater value for the consumer compared to similar products on the market. This advantage increases the market power of the company, which allows it to establish higher sales prices than competitors.

3. Strategies for increasing the competitiveness of the tourism enterprise

The development of strategies for increasing the competitiveness of the tourism enterprise is based on the analysis of the internal factors of the organization for the formation of competitive advantages. Different internal factors have different potential and significance for increasing the competitiveness of the available company resources and the specific conditions of the external environment. The correct ranking of the factors according to their importance predetermines the choice of a successful market strategy.

The analysis of the competitiveness of the tourism enterprise as a prerequisite for the development of strategies for achieving a competitive advantage is done on a comparative basis. It goes through the following three steps: (Kimberly, 2021)

First, *determining the target market of the tourism enterprise*. Specific answers should be given to the following questions: Who are the company's customers? What are their needs? Who buys the company's products? How can the company improve the life of this customer - user?

Second, identify the company's competitors. *The questions that have to be answered here are: Who are the direct competitors of the company? Who are the potential competitors of the company? For example, in the hotel industry, the term 'competitive group' (CompSet - Competitive Set) is used to define the direct competitors of a hotel business. The competitive group includes 4-5 hotels, which are direct competitors of the hotel and with which it is compared in order to determine its competitive advantages.*

Third, determining the advantages of the tourism enterprise. Through comparing the company with its differentiated main competitors, the analysis should answer the questions: What are the characteristics of the company's product? What is the real benefit that the product provides to the company? Does the provided benefit meet and to what extent the needs of the company's customers in comparison with the competitors? What are the new trends that affect the product of the company and that of competitors (use of new technologies, etc.)?

The objective assessment of the competitive strengths and weaknesses of the enterprise in relation to the main competitors requires the use of reliable methods and appropriate indicators.

Two types of methods are used to assess the competitiveness of the enterprise - *traditional and non-traditional*.

Traditional methods are based on indicators related to official accounting and statistical reporting.

Non-traditional methods are based on specially developed methodologies for assessing competitiveness.

Depending on the way of measuring the individual indicators, quantitative, qualitative and

mixed evaluation methods are distinguished.

Depending on the number of indicators included, a distinction is made between methods based on one indicator and methods based on many indicators.

In the general case, it is proposed to use a unified system of indicators for assessing the company's competitiveness, allowing the comparison of enterprises from different economic sectors. For example, Ml. Velev systematizes a list of seven groups of indicators for assessing the company's competitiveness: competitiveness of the offered products (quality-price ratio); productivity of the used production factors (material, labor, financial); financial results of the enterprise; growth of the enterprise compared to the previous or other base period; innovation; production and marketing flexibility; adaptability to the market. (Velev, 2004)

Among the more well-known and widespread modern methods for assessing the competitiveness of the enterprise are:

- The Kaplan and Norton model “The Balanced Scorecard (BSc)”. The model serves to evaluate the activity of the enterprise through the use of a balanced set of indicators (financial and non-financial). The indicators measure and describe various aspects of the activity of the organizations in order to control the factors determining the success of the implementation of the strategic goals (Kaplan, et al., 2005);

- Michael Porter's model for analyzing the structure and intensity of the competitive environment in a given sector or subsector of the economy;

- The value-chain model;

- The model of key factors for business success, etc.;

In methodological terms, the assessment of the competitiveness of the enterprise generally goes through the following stages:

First stage, determining the key indicators that will be used as a basis for assessing the competitiveness of the enterprise;

Second stage, placing an expert assessment on each indicator of the assessed enterprise. Different rating scales can be used for this purpose (for example, a five-point scale in which 1 is a very low level of competitiveness and 5 is a very high level of competitiveness);

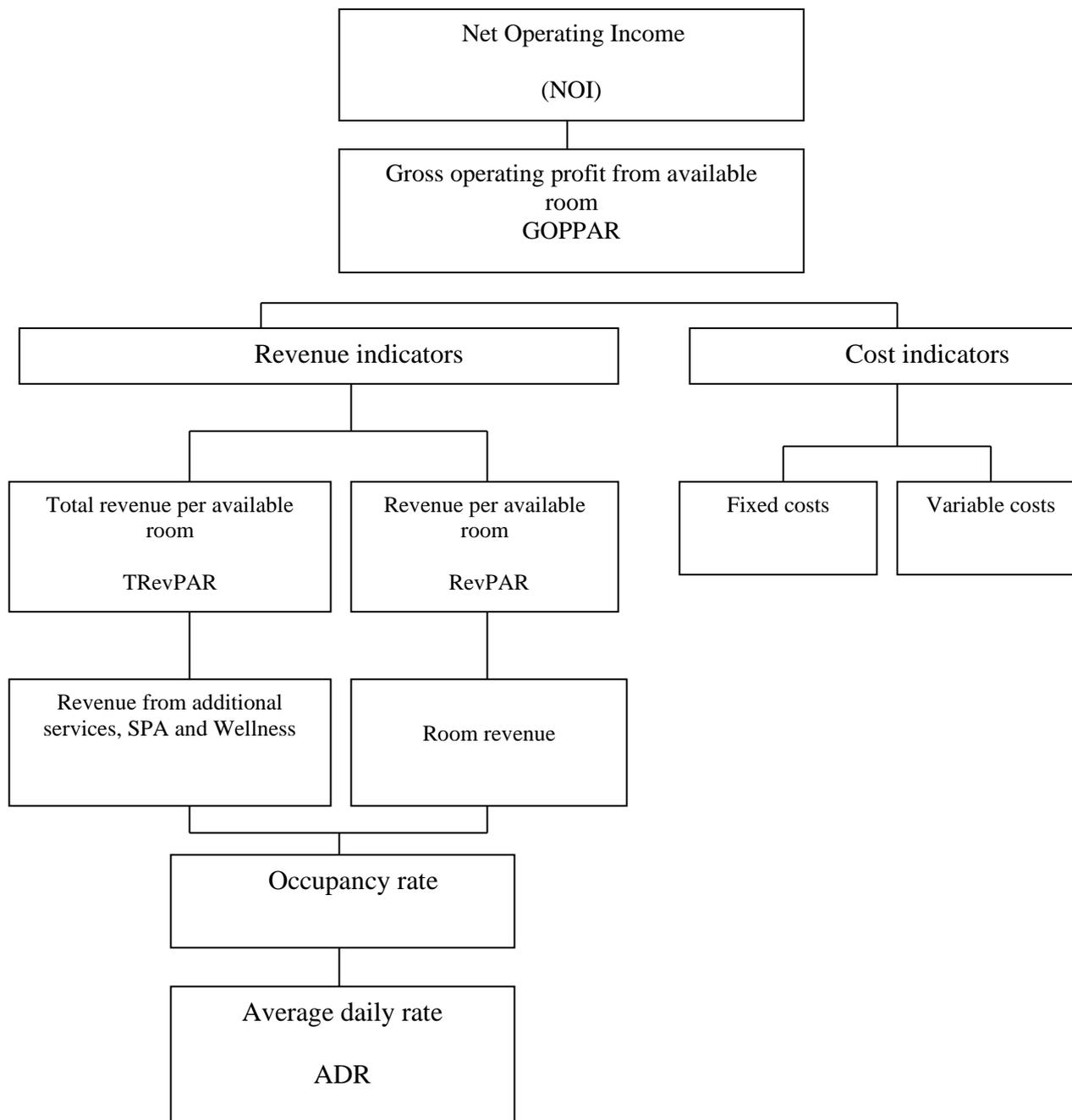
Third stage, calculating the overall score (rating) for the competitiveness of each enterprise. It is obtained as an arithmetic mean (weighted or unweighted) from the evaluations of the individual indicators. Exemplary indicators for determining the competitiveness of hotel enterprises are given in table 1 and figure 1.

Table 1. Competitive position of hotel enterprises on the tourist market “X”

| Factors / indicators | Weight | Hotel 1 | Hotel 2 | Hotel 3 |
|--|--------|---------|---------|---------|
| Location | | | | |
| Quality of service | | | | |
| Average daily rate from occupied room | | | | |
| Occupancy rate | | | | |
| Revenue per available room | | | | |
| Revenue from additional services, SPA and etc. | | | | |
| Fixed costs | | | | |
| Variable costs | | | | |
| Gross operating profit from available room | | | | |
| Net operating income | | | | |
| Room-based performance | | | | |
| Staff-based performance | | | | |
| Innovation - digitalization | | | | |

| | | | | |
|--|--|--|--|--|
| Marketing flexibility | | | | |
| Adaptability to the market | | | | |
| Total assessment (rating) for competitiveness (Σ) | | | | |

Source: adapted from Minkov I., 2010



Source: oakly.com

Figure 1. Key indicators for competitiveness of a hotel enterprise

Table 2 presents the *comparative analysis method* (benchmarking) for the preparation of a competitive profile of the enterprise. Benchmarking is also used to compile a profile of the company's competence from the point of view of customers. In this case, the current performance of the company in relation to the main competitors regarding the requirements of the clients is

monitored, rather than defining the results after the occurrence of adverse events or at the end of a certain period. The method is based on the results of a marketing research, which reflects the attitudes and opinions of customers. Surveys are used that reflect the key characteristics of the product and to what extent they are achieved by the company and its main competitor, according to customers. (Table 2)

Table 2. Profile of the competence for determining the competitive advantage of a tourism enterprise

| | Exemplary functions of the tourism enterprise along the value chain and performance indicators | Customer | | | | Compared enterprise | | | | Main competitor | | | |
|---|--|---|--|--|--|---------------------------------------|--|--|--|--|--|--|--|
| | | Significance for the customer (key factors for success) | | | | Consumer assessment of the enterprise | | | | Customer assessment of the main competitor | | | |
| | <i>Degree of significance</i> | | | | | | | | | | | | |
| | Easy and fast service booking | | | | | | | | | | | | |
| | Quality of tourist service | | | | | | | | | | | | |
| | Adaptability to the market - a combination of appropriate tourist target segments | | | | | | | | | | | | |
| | Product quality / price ratio | | | | | | | | | | | | |
| | Information and communication with customers | | | | | | | | | | | | |
| | Receiving and dealing with complaints | | | | | | | | | | | | |
| | Competence of the service staff | | | | | | | | | | | | |
| | Courtesy of the service staff | | | | | | | | | | | | |
| | Use of digital technologies (virtual and augmented reality; Internet of Things / IoT /; artificial intelligence / AI /) in the process of sales and tourist services | | | | | | | | | | | | |
| 0 | Competence of the management team | | | | | | | | | | | | |
| 1 | Compliance with environmental standards | | | | | | | | | | | | |
| 2 | Corporate social responsibility | | | | | | | | | | | | |
| | Total assessment (rating) for competitiveness (Σ) | | | | | | | | | | | | |

Source: adapted from Tanushev, Hr.,

In theory and in practice, the most mentioned strategies for achieving corporate competitiveness are those distinguished by M. Porter. Based on his understanding of competition at industry level, the author identifies three main business strategies for achieving and maintaining the competitiveness of the enterprise - "cost leadership", "differentiation" and "focus" (Porter, 1985).

The strategy of "cost leadership" means that the company provides acceptable consumer value at a lower price than competitors. It is based on continuous improvement of the operational efficiency of the enterprise. In tourism, it is often realized at the expense of cheap labor and lower wages of employees, which leads to a deterioration in the quality of service and loss of competitiveness. Example for this are the big sea holiday hotels on the Bulgarian Black Sea coast.

The "differentiation" strategy means that the company provides greater benefits to consumers than any other competitor. The company can achieve differentiation by providing a unique or high quality product. Another method is to deliver the product to the customer faster. This strategy is mainly based on innovation in the enterprise. Example is the holiday complex "Wave

Resort" near Pomorie.

The focus strategy is the selection of a specific target market segment which you are able to serve better than any other competitor. Either cost leadership or differentiation is used for this purpose. Typically, the company focuses on a small market niche that larger companies do not serve. For example, boutique hotels adhere to a competitive focusing strategy.

Conclusion

Managing the competitiveness of the tourism enterprise should be based on the theory of the nature of competition, competitiveness and competitive advantages of the enterprise. The competitiveness of the tourism enterprise depends on external and internal factors determining the results of its activity. Sources of competitive advantages for the company are the internal factors of competitiveness. The development of strategies for increasing the competitiveness of the tourism enterprise is based on the analysis of the internal factors of the organization for the formation of competitive advantages. Different internal factors have different potential and significance for increasing competitiveness considering the available company resources and under the specific conditions of the external environment. The correct ranking of the factors in order of importance predetermines the choice of a successful market strategy.

References

1. Amar Bhidé. (2008). "The Venturesome Economy: How Innovation Sustains Prosperity in a More Connected World," Princeton University Press.
2. Hotelivate. Defining your hotel's competitive set. [Online] Available from: <https://insights.ehotelier.com/insights/2019/01/18/defining-your-hotels-competitive-set/>, [Accessed 01/07/2021].
3. Kaplan, Robert, Norton, David. (2005) Balansirana Sistema ot Pokazateli za Efektivnost. Sofia: Klasika i stil.
4. Kimberly Amadeo. What Is Competitive Advantage? Definition & Examples of Competitive Advantage. The nbalance. [Online] Available from: (<https://www.thebalance.com/what-is-competitive-advantage-3-strategies-that-work-3305828>, [Accessed 10/06/2021].
5. Max Starkov (2021). Ignoring The "invisible" Competition Will Your Property Occupancy And Revenue. // (<https://www.hospitalitynet.org/opinion/4105085.html>, [Accessed 24/06/2021]
6. Minkov, Il. (2020) Konkurentosposbnost na predpriatiето. In: Blagoev et.al. Ikonomika na predpriatiето. Varna. Izdatelstvo "Nauka i ikonomika".
7. Oaky.com. The Most Important KPIs for Hotels in 2021 [Online] Available from: https://www.oaky.com/blog/the-most-important-kpis-for-hotels-in-2021?utm_campaign=Hotel%20KPI%27s%20-%20Saahil%20Karkera&utm_source=eHotelier&utm_medium=blog&utm_term=blog&utm_content=blog, [Accessed 25/12/2021]
8. Porter, M. (1980). Competitive strategy: Techniques for Analyzing Industries and Competitors. N.Y.
9. Porter, M. (1985). Competitive Advantage: Creating and Sustaining Superior Performance. N. Y.
10. Porter, M. (2004). Konkurentnoto predimstvo na naciite. Sofia.
11. Tanushev, Hr. (2007). Analiz na konkurenciata. In: Baleva et al. Marketing, Sofia. UI "Stopanstvo".
12. U.S. Department of State. Young African Leaders Initiative (YALI). "Action Your Business Growth: Competitive Advantage." [Online] Available from: Action Your Business Growth: The Importance of Knowing your Competitive Advantage - Young African Leaders Initiative (state.gov) [Accessed 26/07/2021].
13. Velev, Ml. (2004). Ocenka I analiz na firmenata konkurentosposbnost. Sofia. Softtreid.