

The Tourism Industry Competitiveness and Innovativeness Indices – A Comparative Study

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The aim of this paper is to compare five tourism destinations: Slovenia and its four neighbouring countries (Italy, Austria, Hungary and Croatia). The travel and tourism industry is growing throughout the world and is a vital component of many countries' economies. However, each country's government tourism strategies and organisations of its tourism industry are distinct. This paper presents some statistics for these destinations and analyses the role of tourism in the countries' economy. It also presents the preliminary results of broader research in the area of innovativeness in tourism. Contrasts and similarities at the national level are highlighted.

Keywords: tourism, competitiveness, innovativeness, comparative study

Introduction

Tourism is often considered to be a sector that is a main generator of jobs and of development (Tang and Tan, 2013). It has a potential to contribute to the economic growth (Osman and Sentosa, 2013) and thus to be a key factor in reducing poverty in emerging economies. The tourism sector may be stimulated by various economic measures, but also handicapped by many barriers that can affect its competitiveness. It is a highly dynamic sector and is greatly influenced by global competition on the tourism market, which is characterised by constant transformation (Sundbo et al., 2007; Orfila-Sintes et al., 2005). Competitiveness can be achieved by improving education levels (Čepar and Bojnec, 2010), and innovation (Mei et al., 2012); innovation is essential for economic growth, job creation and social wealth (Scherer, 1999). Tourism firms must be innovative if they want to survive (Tidd et al., 2005). By

innovating and implementing innovations, tourism firms can offer products and services of higher quality and, consequently, be more competitive. Innovativeness also influences the productive income of countries (Fagerberg, 2005). The performance of the tourism sector is measured by using different indicators according to which national economies can be ranked (Berbeniciuc-Mititiuc, 2013).

In this paper, we aimed to present Slovenia and its four neighbouring countries, using some statistical data. Our analysis is based on three sources, i.e. (1) the World Bank report (World Bank, 2013); (2) the World Economic Forum (WEF) global competitiveness report (WEF (2014), and (3) Travel & Tourism Competitiveness Report 2013 – World Economic Forum (WEF (2013)) taking into consideration only five European countries. The data taken into consideration are presented in Table 1.

Table 1 The sources of the data

Data	Period	Source
International tourism, number of arrivals	1995 to 2012	World Bank report
International tourism, receipts (current US\$)	1995 to 2012	
Capacity for innovation	GCI 2013–2014	WEF global competitiveness report 2014
Quality of scientific research institutions	GCI 2013–2014	
Company spending on R&D	GCI 2013–2014	
Gov't procurement of advanced tech products	GCI 2013–2014	
University-industry collaboration in R&D	GCI 2013–2014	
Availability of scientists and engineers	GCI 2013–2014	
Travel & Tourism Competitiveness Index	2009–2013	Travel & Tourism Competitiveness Report 2013

Presentation of the Five Countries Included in the Study

Austria covers a total area of 83,870 km²; its population is estimated at ca. 8,500,000. It has a diverse terrain, comprising mountains (the Alps cover about 62% of the total land), the Pannonian Plain to its east, and the River Danube valley. It also has a rich cultural heritage. Tourism, in both summer and winter, is an important source of national income and contributes significantly to the national economic performance. International and domestic tourism in Austria is set to grow in the future (according to the number of overnights receipts). In the tourism strategy for 2015, the goal is to improve the competitiveness of Austrian tourism; many measures have been set up, including the improvement of productivity, the creation of non-seasonal offers and the creation of innovative products, strengthening internationalisation, optimising sales channels, implementing a destination management, and increasing the service quality. Tourism policies should be coordinated at all levels, and more funds should be invested in tourism promotion. Moreover, research and training should be improved and offered to the tourism industry (Smeral, 2007).

Croatia covers 56,594 km², and its population is estimated to be ca. 4,400,000. It is mainly lowland, and its beaches, in particular, attract many visitors. Croatia also has 1,246 islands and islets; only 48 of them are permanently inhabited (*EUROPA – EU member countries*). Croatia is an important player in the Mediterranean tourism market. In the past, Cro-

atia had been a serious competitor for Spain, Italy, France and Greece. Unfortunately, in the 1990s, Croatia encountered political instability and war, causing a significant decline in tourism demand. Croatia is still rebuilding its tourism industry, and it has yet to realise its tourism potential. Nevertheless, Croatia has its comparative advantages in its beautiful natural geographic attractions (unspoilt and attractive coastline, national parks, mountain region, and Pannonian mainland), numerous cultural and natural sites, and excellent value. The World Travel & Tourism Council (WTTC) recommended that the Croatian government make the tourism industry a strategic priority and protect this industry by taking care of employment, trade, investment, education and the environment (WTTC, 2014).

Hungary covers a total area of 93,000 km²; its population is estimated to be 10,000,000. Much of the country is flat, with low mountains in the north. Lake Balaton, a popular tourist centre, is the largest lake in central Europe (*EUROPA – EU member countries*). While statistics about the results in Hungary's tourism industry are encouraging, its long-term success will be strongly affected by seasonality, low revenues (as compared to arrivals) and weak internal demand. Thus, more should be spent on promotion activities, for the development of a more favourable business environment for tourism and for improving the quality of facilities and services. Furthermore, tourism infrastructure has to be improved, especially domestic transport and the rail networks (Europe-

an Commission, 2014). Lupson (2006) identified four types of tourism with potential for growth. First, business tourists, as professionals attending conferences and meetings also often bring new knowledge and ideas to the host country. Second, with its abundance of cultural attractions (architecture, museums, operas, and cultural events) Hungary should become a cultural tourism destination. Third, the interest in health and the quality of life has resulted in the growing interest for the development of health and wellness tourism. Hungary should take advantages of its thermal and medicinal waters, therapeutic caves and mineral water. This type of tourism is also welcomed because it shows little seasonality. Fourth, Hungary can perform well in wine tourism because Hungarian wines are prominent throughout Europe. Wine tourists usually spend more time and money in the host country; moreover these tourists bring life to rural areas as they like to visit the countryside. One of the key priorities of the current Hungarian Tourism Development Strategy is the improvement of education and training with regard to labour market needs, i.e. the development of human resources in the tourism sector (European Commission, 2014).

Italy has a total area of 301,263 km²; its population is estimated at ca. 60,000,000. Much of the country is mountainous, except for the Po plain in the north, and runs from the Alps to the central Mediterranean Sea. Italy includes the islands of Sicily, Sardinia, Elba and about 70 other smaller ones. In 2013, the tourism sector moved from the Prime Minister's Office to the Ministry of Culture and Tourism. The main goals are safeguarding Italian cultural heritage and developing the tourism industry. The central government is responsible for the elaboration and implementation of national tourism policies and coordination with the regions and autonomous provinces, for structural funds, for supervising different tourism agencies, for the promotion of investments, and for delivering certifications and for the relations with the international organisations (Organisation for Economic Co-operation and Development (OECD), 2014). Tourism plays an important role in the Italian economy; however, it is losing competitiveness and falling behind France and Spain. As a tourist destination, Italy has many critical points. The problematic areas are governance issues, fragmented promo-

tion resulting in only a few operating tourism firms being able to offer innovative and competitive tourism products, poor and insufficient infrastructure, weak training and education of human resources, a major difference in the level of development between the north and the south of the country, and political leaders who do not consider tourism to have potential for the development of the country (Angeloni, 2013).

Slovenia has a total area of 20,273 km², and its population is estimated to be ca. 2,000,000. Four major European geographic regions can be identified in Slovenia: the Alps, the Dinaric area, the Pannonian plain and the Mediterranean. The country is mainly mountainous. The Slovenian Tourist Board (STB) is the national umbrella tourist board, responsible for planning and performing the promotion of the country as a tourist destination, especially in foreign markets.

In its current development strategy goals, measures and activities are defined, emphasising the sustainable concept of tourism development. In general, the main goals are to increase competitiveness, to create a favourable business environment and to implement effective and innovative marketing. With the aim of achieving these goals, investments in quality and innovation should increase, strategic partnerships within the sector and with external stakeholders should be encouraged, and obstacles to the development of effective tourism should be eliminated (European Commission, 2014b). The vision of the tourism development, appointed by The Slovenian Tourism Development Strategy 2012–2016 (Ministry of Economic Development and Technology, 2011) is:

In 2016, tourism in Slovenia will be entirely based on sustainable development and Slovenia will be a developed tourist destination with a modern, diverse and top-quality tourist offer, based on innovative and quality integral tourist products and high value-added services aimed to satisfy tourists.

Following the short presentation of the five countries included in our study, we continue with the presentation of recent statistical data. The recent figures regarding international tourism, i.e. Number of arrivals and receipts (in current million US\$) are presented in Figure 1 and Figure 2.

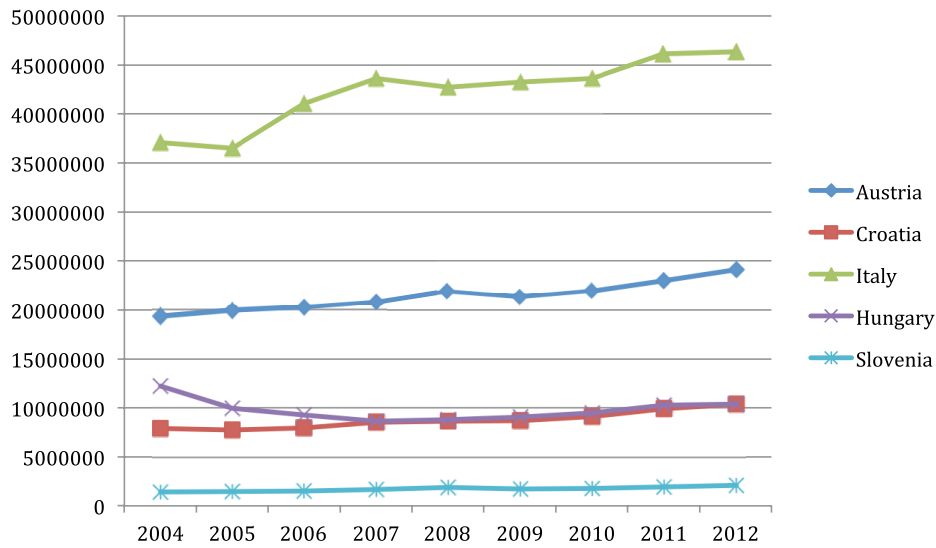


Figure 1 International tourism – number of arrivals (2004 to 2012)
Source: World Bank, 2013

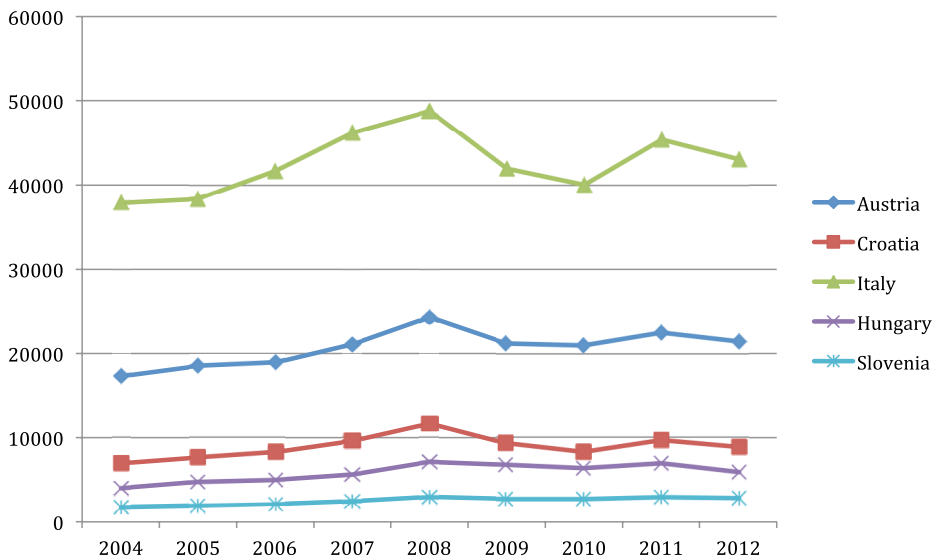


Figure 2 International tourism, receipts (current ten million US\$)
Source: World Bank, 2013

In 2013, Germany was the most important origin country for Austrian tourism (53.7% of all overnight stays by foreign tourists were guests from Germany). Other important origin markets were the Netherlands (9.1%), Switzerland (4.6%) and United Kingdom (3.3%) (Arrivals, Overnight Stays). For Croatia, the most important origin market in 2013 was Germany (24.2% of all overnight stays by foreign tourists

were guests from Germany), followed by Slovenia (10.3%), Austria (8.7%), the Czech Republic (7.6%), and Italy (7.4%). (Croatian National Tourist Board, 2014). Germany, Austria and Slovakia comprise the largest numbers of visitors to Hungary. In 2013, large increases in terms of country of origin were seen among travellers from the UK and the US. (Hungarian Tourism Ltd., 2014). Tourists to Italy mainly come

from nearby countries, because of the advantage of less distance to travel and a common currency. The most important origin market is Germany, followed by Switzerland, France, and Austria (Italy: Inbound tourism – International arrivals and receipts, n.d.). Regarding revenues, Germany is the first market, followed by the United States, France, the Netherlands and the United Kingdom (ITALY MONITour, 2014). In 2013, the share of foreign tourists was 62% in Slovenia. The key destinations from which the most overnight stays of foreign tourists were recorded were Italy (16%), Austria and Germany (12% each), the Russian Federation (6%) and the Netherlands and Croatia (5% each).

Innovativeness and Competitiveness

The literature regarding tourism struggles with the vagueness of the competitiveness concept. From a macro-perspective, competitiveness is primarily in the domain of governments with the ultimate goal of increasing the welfare of citizens. It is a huge task, which includes economic, social and cultural variables that influence the performance of the country in the international market. From a micro-perspective, it is about the phenomenon at the level of firms. In an effort to be competitive, each company aims to provide products or services for which consumers are willing to provide satisfactory payment. The long-term competitiveness of enterprises is the ability of the company to remain on the market to protect investors' capital and provide them with profit and to ensure the existence of jobs in the future (Dwyer et al., 2003).

The resource-based view of the firm (RBV) is the initial framework for developing the construct of firm competitiveness and for understanding how firms can achieve and sustain competitive advantages (Eisenhardt & Martin, 2000). One of the firms' sources in adapting their strategy to market changes and creating firms' value is the capability of innovativeness (Stieglitz & Heine, 2007). This can also be understood as an organisational willingness to accept changes and new routines, the assumption of risk and, in particular, the capacity to identify opportunities (Hurley & Hult, 1998; Tajeddini, 2010). Innovation is, therefore, a key factor in firm competitiveness because through innovation firms grow and

improve their competitive market position (Tucker, 2002).

The innovativeness and competitiveness indexes for the five studied countries will be presented. For each country, six innovativeness indexes are taken into consideration (Capacity for innovation, Quality of scientific research institutions, Company spending on Research & Development (R&D), University-industry collaboration in R&D, Government procurement of advanced technological products, and Availability of scientists and engineers; all six indexes are scored from 1 to 7) and Travel & Tourism Competitiveness Index (rank out of 140)).

In the 2014 WEF Global Competitiveness Report (WEF, 2014) competitiveness is defined as a »set of institutions, policies, and factors that determine the level of productivity of a country«. It is measured by many variables, which are grouped into 12 pillars: 1) Institutions (legal and administrative framework), 2) Infrastructure (transport and communications infrastructure), 3) Macroeconomic environment, 4) Health and primary education, 5) Higher education and training, 6) Goods market efficiency, 7) Labour market efficiency, 8) Financial market development, 9) Technological readiness, 10) Market size, 11) Business sophistication and 12) Innovation.

Since this article focuses on innovation in firms, we only show data from the Innovation Pillar, which is measured by six variables. Only by investing sufficiently in research and development, by acquiring knowledge from high-quality scientific research institutions, by collaborating with universities and industry; and by protecting intellectual property can firms actively innovate. Moreover, the venture capital should be at firm's disposal. Ranging from 1 to 7, Austria was rated the highest in all indexes (Capacity for innovation 5.0, Quality of scientific research institutions 5.0, Company spending on R&D 4.7, University-industry collaboration in R&D 4.8, Government procurement of advanced tech products 3.7) except in Availability of scientists and engineers (4.4.). For this item, Italy has the best rating (4.7). In addition, Italy was also highly evaluated for other indexes (Capacity for innovation 3.7, Quality of scientific research institutions 4.9, Company spending on R&D 3.2, University-industry collaboration in R&D 3.7, Government procurement of advanced tech products 2.7). On average, the worst ratings were applied

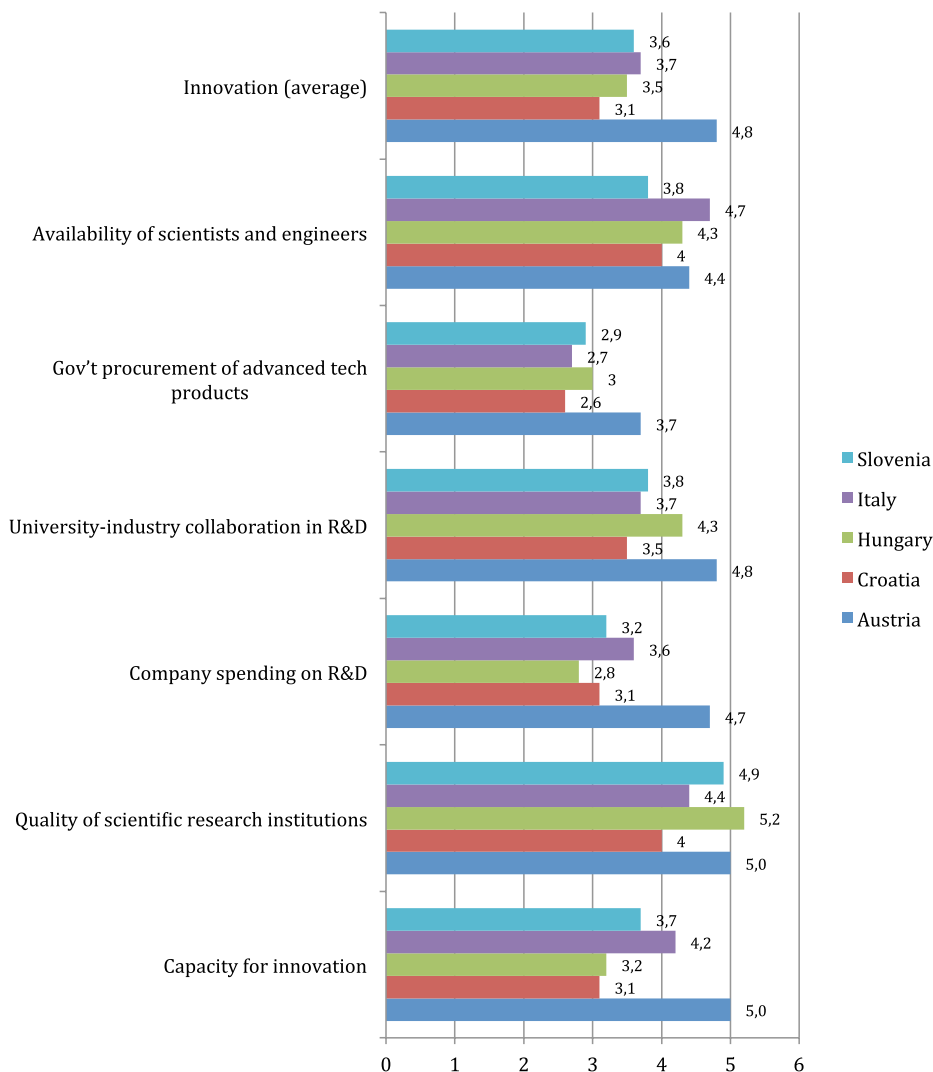


Figure 3 Innovativeness indexes
Source: WEF global competitiveness report 2014

to Croatia (3.1), the estimations of individual indexes were also quite low (Capacity for innovation 3.1, Quality of scientific research institutions 4.0, Company spending on R&D 3.1, University-industry collaboration in R&D 3.5, Government procurement of advanced tech products 2.6, Availability of scientists and engineers 4.0).

Regarding competitiveness, countries were classified almost in the same way (The Travel & Tourism Competitiveness Index; rank out of 140). Austria seems to be the most competitive (3rd place), followed

by Italy (26th place), Croatia (35th place), Slovenia (36th place) and Hungary (39th place).

Next, we were interested in how the tourism firms in these five countries evaluate their innovation activity for the previous three years.

Methodology

The first part of the paper presented the numbers of international tourism arrivals and international tourism receipts in five neighbouring countries as well as an analysis of the secondary data from the area of competitiveness and innovativeness. We con-

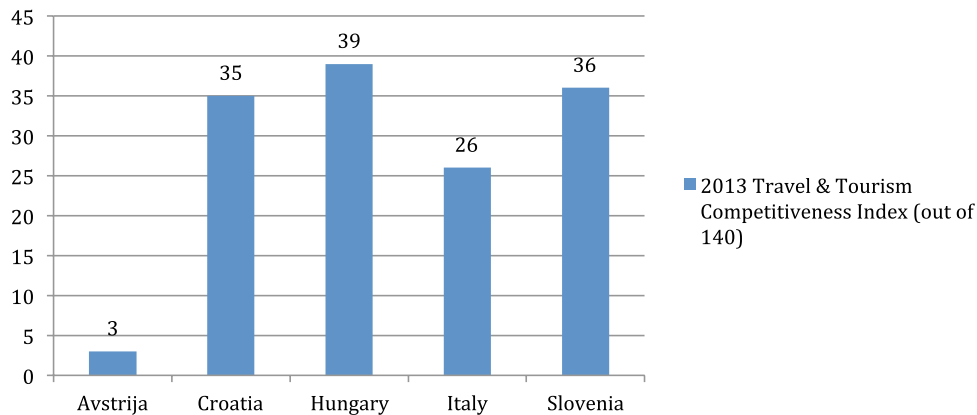


Figure 4 The Travel & Tourism Competitiveness Index for Five countries
Source: Author calculation (from WEF 2013; The Travel & Tourism Competitiveness Report 2013)

tinue with the second part of the study, i.e. an analysis of the primary data acquired through the survey that was performed in all five countries.

Sample and Data Collection

Based on the literature review, a questionnaire for measuring innovativeness was developed and pre-tested. The target population was tourism firms with up to 250 employees. First, five lists of tourism firms, based on the different firm databases in the analysed five countries, were drawn up, and then representative samples were chosen in each county, using the method of probability sampling. The sample was selected by random sampling and included from 800 to 1300 companies (small and medium-sized) in each country. The questionnaires were anonymous and translated into all five languages. Prior to finalising the questionnaire, we carried out testing to ensure that the questionnaire was understandable, and there were no mistakes in the measurement items. All the mistakes found from language interpretations were corrected. The online questionnaires were sent by e-mail. The response rate was low; 36 usable questionnaires were returned from Austria, 61 from Croatia, 31 from Italy, 29 from Hungary and 97 from Slovenia. Due to the small amount of returned questionnaires, our study should be classified as an indicative study.

Measurement of Variables

In the current economy, great importance is dedicated to innovation. Nevertheless, to date no agreement

has been achieved regarding the definition of innovation, much less of how to measure innovation. In existing studies, the methodologies are highly varied. In the past, studies were mainly aimed at measuring innovation in the manufacturing sector, but recently researchers have been dealing with the measurement of innovation in service sectors. Measuring innovation is complex, firstly because of the nature of innovation and, secondly, because innovations are always arising in connection with the environment (social, economic, technological and organisational development) (OECD, 2005). In reviewing the literature, we found that different researchers implemented very different criteria for measuring innovation and occasionally also the outputs of innovation. Some authors measured the individual dimensions of innovation, for example product, process, market and organisational innovation (Varis & Littunen, 2010), product, process, and management innovation (Madrid-Guijarro et al., 2009), innovation in general (Kyrgidou & Spyropoulou, 2013; Deshpande et al., 1993; Dibrell et al., 2011), as well as the success of product and process innovation (Ritter and Gemunden, 2004). Studies frequently focus more on the outputs of innovativeness (Bigliardi and Dormio, 2009). Recently, papers in the area of innovation in tourism have become more common. Some researchers have analysed the importance of incremental and radical innovation in the hospitality sector (Chang et al., 2011); others focused on the hotel industry (Orfila-Sintes et al., 2005; Nieves et al., 2014).

In our study, all items were measured on a five-point Likert-type scale where 1 = strongly disagree, and 5 = strongly agree. The scale of innovativeness has been created from the existing literature and chosen as the most appropriate for our study, i.e. specifically for the tourism sector. Innovativeness was measured with 19 variables (5 for Product innovation, 5 for Process innovation, 5 for Marketing innovation and 4 for Organisational innovation), all variables were adapt-

ed from Nieves et al. (2014). The new variables (Product innovation, Process innovation, Marketing innovation and Organisational innovation) were calculated as the average of the belonging items.

Findings

Table 2 The Values of Dimensions of Innovativeness in five countries

In the last 3 years:	Austria (n=36)	Croatia (n=61)	Italy (n=31)	Hungary (n=29)	Slovenia (n=97)
Product/service Innovation	3.10	3.59	3.50	3.27	3.20
Process Innovation	3.64	3.69	3.51	3.23	3.13
Marketing Innovation	3.20	3.47	3.34	2.94	3.16
Organisational Innovation	2.56	3.07	3.16	2.34	2.71

Source: Author's calculation

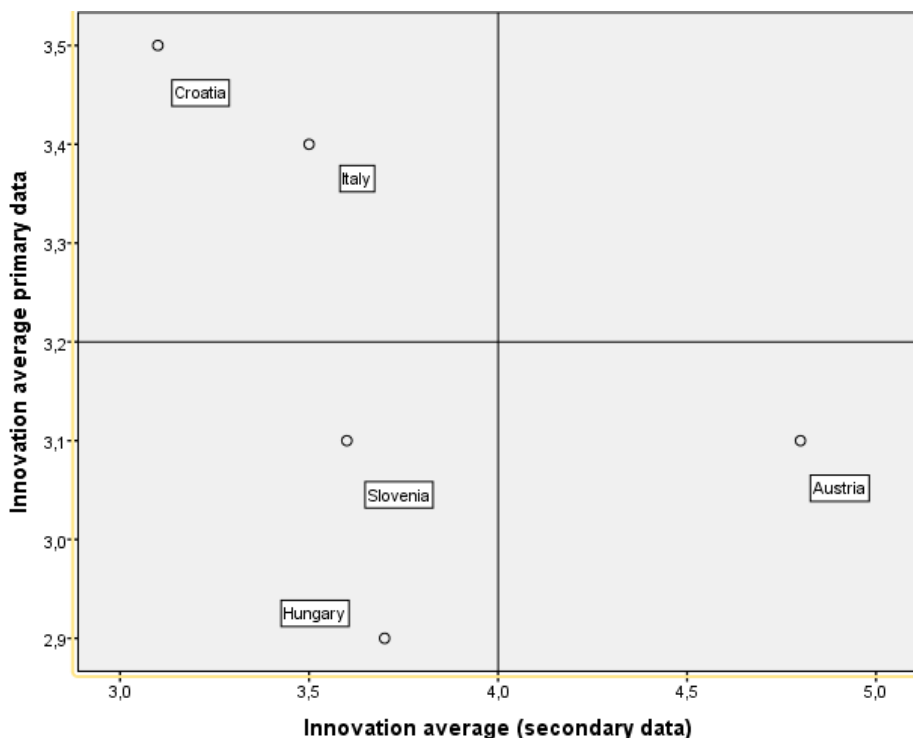


Figure 5 Innovativeness for five countries (primary and secondary data) Source: Author's calculation

Although the secondary data show that Austria is performing much better in the area of innovation in contrast to the other four countries, the firms

in tourism sector do not share this opinion. In the self-evaluation (within the questionnaire) tourism firms from Austria viewed their innovation activity

for the previous years as being not much better than that of tourism firms from other countries. For the comparison of our secondary and primary data, we decided to present the results on a two-dimensional graph.

Hungary and Slovenia's ratings of Innovation (using secondary data) were low (3.6 for Slovenia, and 3.5 for Hungary). Performing the survey, we realised that firms in the tourism sector also rated their innovation activities as low. Hungarian firms' evaluations of innovation varied from 2.34 to 3.27, while Slovenian firms' evaluations varied from 2.71 to 3.20. Croatia and Italy's ratings of innovation (using secondary data) were also quite low (3.1 for Croatia and 3.7 for Italy), almost the same as for Hungary and Slovenia. However, by using the data of the performed survey, we can see that firms in these two countries estimated their innovation activities as being much better. Italian firms' evaluations varied from 3.16 to 3.51, while Croatian firms' evaluation varied from 3.07 to 3.69. However, Austria seems distinct from this group of countries, as its Innovation (using secondary data) was rated high (4.8). Nevertheless, the secondary data show that Austrian firms estimated their innovation activities as low (from 2.56 to 3.64). Of course, it must be taken into account that the secondary data were acquired from the firms of all industry sectors while our survey was performed in the sample of tourism firms.

Conclusion

This study has presented some data on the competitiveness and innovation of five neighbouring countries: Slovenia, Austria, Italy, Hungary and Croatia. In addition, the results of a survey regarding innovation, performed in these five countries on a sample of tourism firms are presented. According to the data acquired from the World Bank report (World Bank, 2013), the five analysed countries have been effective in attracting tourists. The number of international tourist arrivals and the international tourism receipts have grown in the last ten years (see Figure 1 and Figure 2). They have also been assessed as competitive tourism destinations by the WEF's TTCI (World Economic Forum: The Travel & Tourism Competitiveness Index). Austria seems to be the most competitive (3rd place, out of 140 countries), followed by Italy (26th place), Croatia (35th place), Slove-

nia (36th place) and Hungary (39th place). The study found that countries display different levels of competitiveness and innovation. We agree that innovations are critical for the competitiveness of the tourism industry. Moreover, the tourism industry has to move toward sustainable innovation. It is also facing major changes, and creative and innovative solutions are thus required. The European Union has set out an ambitious plans and measures that that will enable the tourism industry to become a competitive, modern, sustainable and responsible industry (European Commission, 2010).

Future research should focus on analysing the relationship between competitiveness, and the innovativeness of a country with the contribution of the tourism industry to economic growth. The research question should inquire whether and how these countries utilised their competitiveness and if they can transform it into economic benefits and welfare for their residents.

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