

THE IMPORTANCE OF ANALYZING THE STRUCTURE OF THE TOURISM OFFER AND ITS SITUATION IN THE ALBANIAN MARKET

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Abstract

This paper aims to analyze the components of tourism product; also through literature review is made an analysis of the industries that contribute to the final tourism product and in its offer. The main purpose of this paper is to provide a wider and more advanced application of the economic principles of tourism offer, and how it specifically results in the Albanian market. According to the latter in the paper, would be presented a number of components such as, analyzing the accommodation structure and its characteristics, analyzing tourism intermediaries as tour operators and travel agents, including the complexity of the planning of the products that they offer in the Albanian market. This is valuable because of the implications of different market structures for the extraction of benefits on the equal level and subsequently for consumer welfare. Also, is analyzed the importance of other intermediaries in the structure of tourism market. For the realization of this paper are used literature with a focus in economics, and its relationship with tourism market. Statistical analyzes reflections of tourism market indicators have also been part of the methodology, and have helped to create a more complete and clearer picture in the realization of objectives of this paper. In conclusion, the paper clearly states, that the nature of the structure of accommodation, intermediary sectors and transport in Albania, and discussion on their main features show that the main structures can be quite heterogenic within each sector. Also, seems clear that in the three main sectors considered in the paper, there are contested elements along the dominant market forms of monopolistic competition and oligopoly.

Keywords: *tourism sector, tourism offer, tourism intermediaries, accommodation structure.*

Introduction

Due to the nature of touristic product and its sending process, the tourist offer is a complex and typical phenomenon of industrial civilizations. In this paper, the authors have made an analysis of the components of this type of product, which is composed of: transport, accommodation, food supply, natural resources, entertainments, services, and other facilities, such as shops and banks, travel agents, and touristic guides. The components of this product, provided by a variety of businesses that operate in several markets, create problems in analyzing the tourist offer, therefore, it is appropriate to consider it as an array of industries and markets, and to examine it should be used not only neoclassical example but also other schools of thought.

This paper aims to analyze the components of tourism product; also through literature review is made an analysis of the industries that contribute to the final tourism product and on its offer. This approach allows analysis not only to face the complexity of tourism products, but also to take into account developments in methods, theories, and economic concepts. The main purpose of this paper is to provide a wider and more advanced application of the economic principles of tourism offer, and how it specifically results in the Albanian market. Initially, the basic principles of the theory of the firm's related with production, costs, pricing, revenues, profits and losses are explained in the traditional analytical framework of the economic models. Economic models of the various types of market structure provide explanations for the firm's operations under specified conditions, where each type of market structure is definitely identifiable. However, in fact, such conditions may be achieved rather than approximate, but despite this, the models are important to go beyond simple descriptions, and providing explanations for the firms' behavior. This simplifies the identification of factors that are likely to be important in the tourist offer, especially in relation to the nature of the firm and competition within the domestic sector, and the implications with consequence on consumer welfare. A number of key features of tourism offer have been identified, reflecting issues that have been investigated in the industrial economy, and almost all act as indicators of market structure. Each feature will be examined based on market and tourism sectors conditions.

Material and Method

To realize this paper is used an abundant literature with focus in economics and on its relationship with tourism market. Also, for the realization of this material and issues treated on it, have helped similar studies conducted by institutions like: Ministry of Tourism, Culture, Youth and Sports (MTCYS), and researchers of the field. Reflections of a statistical analysis of tourism market indicators have also been part of the methodology and helped to create a more complete picture for achieving the objectives of this paper.

Discussion and Results

Theoretical Considerations of Market Structure in Tourism Offer

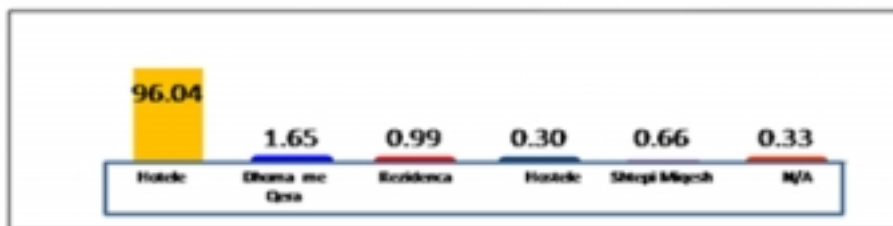
Many references for the tourist market structure are made and analyzed in various studies, including here numerous sectors in the tourist offer. The approach adopted in this section is to compile the sectors that are known in tourism literature. Those that appear as representatives of the tourist market structures are described exactly, also are identified key factors that indicate their competitive status, for example; the degree of concentration, conditions of entry and leaving the market, price

setting strategies, profit levels, product differentiation etc. The problem for each classification for the elements of tourist offer is how expanded or narrow should they be.

In this paper we have tried to reflect, based on the information from the competent institutions and from the studies conducted on the types of accommodation facilities in Albania, the main components of the tourism offer. Attention was paid to the services provided from these structures, seasonality of their utilization, transport forms in the service of this type of market, as well as the evolution of tourist offer destinations in Albania. In a more specific and applied levels are taken planning and development studies for the performance of these enterprises, such as: hotels, tourist villages, resorts etc. In a more general level, efforts have been made to model the tourism terrains, for example, by geographers who aim to determine the main factors that influence the increase or decrease.

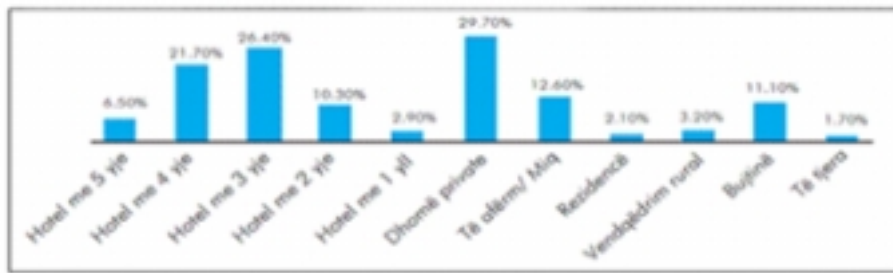
Except the transportation sector, economists' tendency to neglect the service sector in general and particularly in tourism, creates difficulties because there are huge gaps in empirical evaluations of industry parts. While some references are made for other sectors, in order to keep the examination within the limits, the focus will concentrate to accommodation, transport and brokers as illustrative cases. cursory inspection of the accommodation sector may suggest that some large chains dominate the market, giving the impression of an oligopolistic structure. However, the service sector of the hospitality in tourism vacation is divided in many units, where the area and distribution of accommodation space are important factors that determine the degree of competition. Moreover, the wide range and the quality of the accommodation, its productive nature (eg, camping, caravan, holiday centers, and accommodation services) and seasonal variations in demand represent an additional dimension of a market activity. Depending on the circumstances, various forms of perfectly competitive structures, monopolistic competitiveness, oligopoly and even monopoly, as it is indicated below, may reflect the conditions of different elements of the sector, starting with self serve catering segments and continuing up to those unserved. More specifically, in Graph 1 and 2, is presented the classification of accommodation structures types in Albania, and their standardization for 2012. In Graph 3, is presented a clearer picture of the seasonality utilization of accommodation capacity in the touristic market.

Grafiku 1. Klasifikimi i llojeve te strukturave te akomodimit ne Shqiperi



Source: MTCYS, 2012

Grafiku 2. Sezonaliteti i shfrytezimit te kapaciteteve akomoduese ne tregun turistik.



Source: MTCYS, 2012

Grafiku 3. Sezonaliteti i shfrytezimit te kapaciteteve akomoduese ne tregun turistik.



Source: MTCYS, 2012

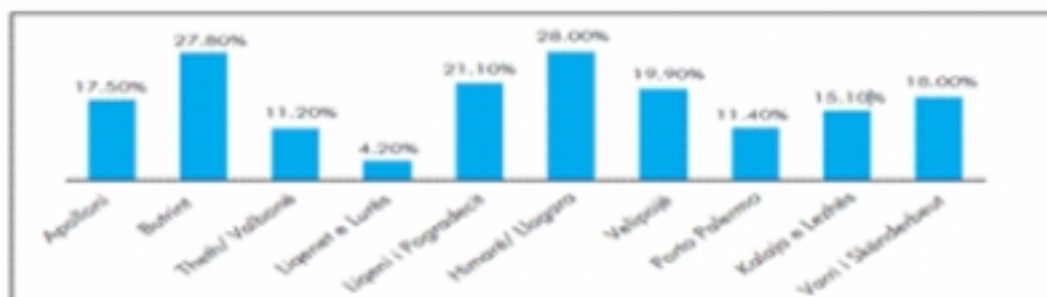
Related to this, especially in larger units that offer a wide range of services, high fixed costs lead operators to benefit higher rates of possession through elements such as, product differentiation and market segmentation. These characteristics tend to include elements of monopoly and natural oligopoly. For example, some hotels are concentrated on the segment of luxury, while others serve to the economic clientele. Many require flexibility by targeting the business market during the working week and entertainment sector during the weekends. In touristic resorts, the needs of different groups can be fulfilled throughout the year, for example, food supply for skiers in winter and excursionists in summer. There is evidence that some form of accommodation can exploit economies of scale, not only in the individual founding but also in managing a large number of hotels. This explains partially the existence of the chain that controls many hotels. At a certain level this also account the concentration in the sector, in the nature of the property and to the environment as other explanatory variables. Some large groups of accommodation also try to enhance their market share and control, not only by associations with other different companies, but also from management contracts, and from special rights and cooperative agreements. Economic integration among firms may result with fixed costs and reduced barriers to entry and could enable the increase of occupancy rates through intervention on new market segments.

Small and independent operators sometimes try to fight the power of large firms by forming joint ventures to cut costs, for example, establishing referral and reserving systems. Large hotels companies that primarily serve to business travelers, try to gather around large urban areas, or airports. Tourist hotels are more independent and more dispersed, although aggregation occurs again, for example, on resorts or places that are major tourist attractions. In this sense, the accommodation sector is similar to monopolistic competition on the retail market, on which are characteristic the central acceptable and complementary principles or urban economy. Urban economic theory shows that the main locations accord benefits which give a commercial advantage and in this way a higher profit, explaining why large firms may exceed the smaller ones on high-cost areas.

Characteristics of Tourist Intermediaries

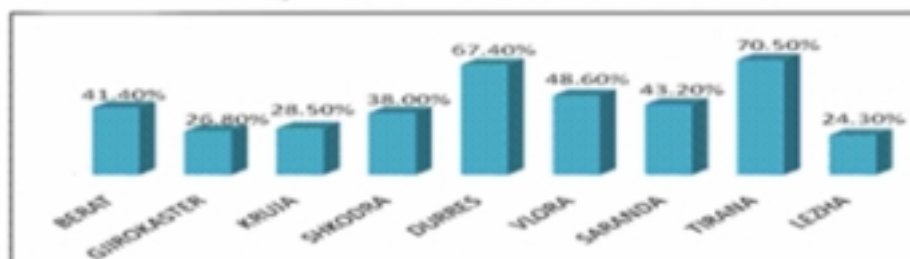
Besides the main relationships with agents, an issue of importance on industrial economy is the structure of an intermediary market, like tour operators (TO) and travel agents. As an additional of this concentrated market, there is also an increased vertical integration related to travel, accommodation, travel agencies and holidays services. Regardless to the degree of concentration, other features of TO-s are: growth rate and the total number of firms. TO's performance is very sensitive to market conditions, especially by changes in demand that is increased by such factors like: changes in exchange rates, economic recession in countries of origin, inflation, political instability in the perception of tourist destinations. Based on the last element, in Graph 4 and 5, are described cities and destinations that tourism operators dictate in their offer.

Grafiku 4. Destinacionet me te orientuara ne oferten turistike.



Source: MTCYS, 2012

Grafiku 5. Qytetet me te orientuara ne oferten turistike.

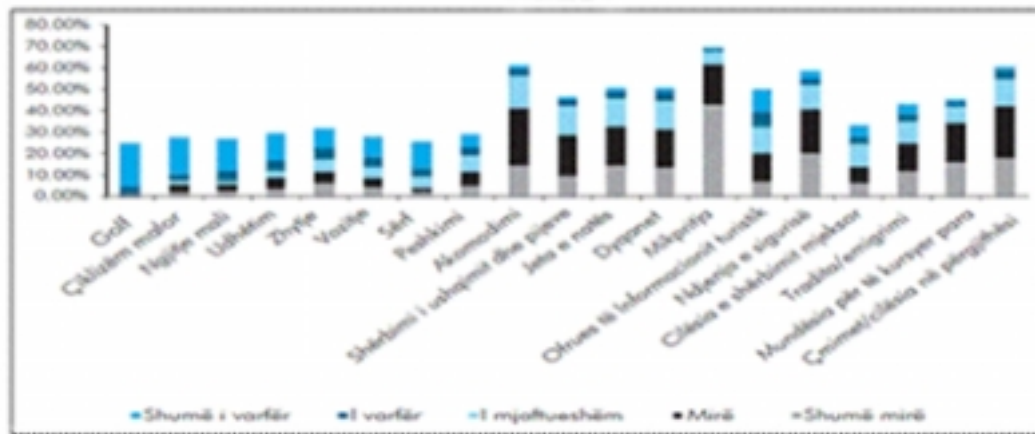


From what we saw above, against touristic development and continued expansion of potential destinations, sometimes capacity has exceeded demand. Moreover, just like in the hospitality market, seasonality is significant. Large firms are based on a high volume sales with low cost, a significant proportion of benefits derived from the advanced bookings bills. A high rate of sales makes possible the achievement of the scale economies and the fundamental goal through operational efficiencies, a wide knowledge and expansion of a market, market power to earn big discounts from transporters and hoteliers, where past performance is the most important. Providing fixed investment is very low in the case of smaller and more specialized TO-s, but the return of the fixed investment can be relatively high. However, many firms suffer losses that occur over the years and when profits occurs in the network those profits are modest, because the return is approximately less than 4%. In the market inclusive package there is an intense competition to provide sales volume in order to generate cash flow.

As result, reductions may be widespread in launching seasonal packages to encourage early booking of the season. Expectations of reducing from potential tourists who are late to make a early secure booking in season increase TO-s problems, because they not only have to regulate vacation with a greater cost, but also their cash flow is negatively affected. Reductions strategies are a manifestation of the campaign to keep constant or to increase market share, but also are a long reflection of management time, often up to three years to launch new types of holidays, increasing the likelihood of increased demand and giving as a result an icreased supply. A number of factors such as facilitation of entry and exit, number of TO-s, tough price competition and often significant losses, lead in terms of contested market conditions with high competition in many countries. However, the degree of market share concentration in the segment of the tourist package suggests an oligopolistic structure. As happened to the accommodation sector, the reality of the market is very complex to be involved in any theoretical model of market structure. Therefore, it seems necessary to take into consideration the different segments, as they are characterized from different competitive conditions. This, together to the apparent instability, suggests an immature market, which tries to show the limitations of the neoclassical model.

Travel agents act as brokers in the regulation of all aspects of travel and vacations, but act as agents on what they represent, principles if they are TO-s or latest providers such as; transporters, hoteliers, car rental providers and insurance companies. Travel agency component of the tourism offer is focused on what a limited number of firms with multiple exits, some of them integrated with TO-s or transportation; dominate the market, especially in the USA. Evidence provided by Liston indicate that travel agencies, as well as the actions of TO-s, seem to be polarized in the extremities; although, independent travel agents can cooperate to contest the dominance of the large chains. Low entry costs contribute in explaining the large number of travel agencies independently owned, but another reason is that a travel agency, as a retail activity, normally involves face-to-face contact with the customer so that a personal service can be possible. Trained staff and closely management control can be an asset for a business to bring a loyal clientele. Based on the performance of tourism intermediaries and overall development of components analyzed above, in grahph 6, is presented a detailed display of the evolution of the tourism offer in Albania.

Grafiku 6. Evoluimi i ofertes turistike ne Shqiperi.



Source: MTCYS, 2012

The importance of others intermediaries in the structure of tourism market

Based on the wide range of transport modes, where each mode has its own specific characteristics and competitive structure, is examined better as an element of sub-markets. For example, the main commercial airways, bus passengers, trains and ferries, suffer increased problems of indivisibility, associated with capacity, high fixed costs, seasonality and periodicity. However, there are considerable differences in the structure and conditions of their respective market. Their relative importance varies also regarded to; the number of passengers that they can carry, the income obtained, and possible replacement rate. For international travel, airlines left behind lines of buses, ferries and trains. Travel on airlines has shown an extremely high growth rate, which is favored by technological changes and has the potential for further increase in the future. Lines of buses and trains have experienced a relative decline, compared with growth of private automobile sports.

Conclusions and Results

The nature of the accommodation structure, intermediary sectors, transportation and discussion of their key features in Albania shows that the main structures can be quite heterogeneous within each sector. They possess features such as, a variety of competing forms, tourism market segmentation, touristic product differentiation, high rate of entries and exits, few economies of scale, and significant variations in the degree of regulation. It seems clear that the three main sectors taken into account in this paper, has contested elements (where new firms may be engaged in price competition with existing firms) over dominant market forms of the monopolistic competition and oligopoly.

While it is possible to explain the conditions of the tourist offer sectors, being in this way an indicator of theoretical structures particularly competitive, it is difficult to predict the outcome of the changed conditions. For example, in the transport sector, the possibilities of using economies of scale must provide an increase in the concentration of several firms, presenting in this way an oligopolistic structure, as in the case of air and railway sectors.

Moreover, the theory would indicate in reasonable manner stable prices, giving restrictions that individual firms face on their increase or decrease, due to potential reactions of rivals. However, the disorder has effectively reduced entry barriers, which have an impact that goes against the

economies of scale. Economic analysis of the industry is recognizing the role of institutional structures and their development potential, along with the need to examine the dynamic nature of markets where uncertainty and availability of information and transaction costs are significant. Therefore, attention is directed toward an industrial and economic perspective where a number of features of the touristic offer, perceived as important for the structure and operation, are examined and identified.

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