PROSPECTS TO IMPROVE THE TOURIST MARKET OPERATION IN GEORGIA

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Abstract. *The tourism economic policy is to be developed based on the systemic approach and on the concept of sustainable development, meaning the improvement of the efficiency of the use of the existing potential, i.e. intense branch development. As for the development of the tourism market of Georgia, it should be noted that the empirical materials needed by the scientists and economic policy-makers are quite scarce and unsatisfactory. Despite the bodies charged with collecting and treating these materials, the statistics of tourism as that of an economically important branch, is beneath criticism. It is impossible to obtain the materials about the kinds, quantities, quality, jobs, growth trends, investment efficiency or prices of the tourist products offered by tour companies, value of such products or other features to be used to develop both, micro-economic and macro-economic policy. The goal of our study is to describe the Georgian tourism market, its developmental level and trends of its sustainable development by using the existing possibilities (we mean the lack of information and reliability about the study object). The methods of the study are the following: systemic approach to the evaluation of the results of the branch expansion and induction, deduction and statistical methods. For this study, we used the materials provided by the National Statistics Office of Georgia and individual tour companies. The paper gives evidence for the following trends in the Georgian tourism market: the number of the tour and travel agencies operating in 2013 decreased by 9% as compared to 2011, the most successful year for tourism in Georgia (the number of large companies did not change, the number of medium businesses decreased by 9 and that of small businesses decreased by 27); the high rate of increase in the turnover of the companies operating on the Georgian tourism market is typical to medium and small businesses (the turnover with large companies in 2013 as compared to 2006, increased by 130%, while the same indicator amounted to 248% for medium businesses and 1575% for small businesses); rapid and advantageous development of small businesses was the case after the military actions in Georgia in 2008 and is mostly caused by the changes in the Georgian tourism market and low risks as compared to large and medium businesses.*

Keywords*: tourism; competitiveness; economics; policy; product.*

Introduction

The tourism economic policy is to be developed based on the systemic approach and on the concept of sustainable development, meaning the improvement of the efficiency of the use of the existing potential, i.e. intense branch development. These processes may inflict serious damage to the environment resulting in the conflicts between the goals of the tourism development policy and goals of protecting the nature. Such a conflict between these goals will ultimately hamper the development of both policies. To avoid such processes, the micro- and macro-aspects of the tourism market must be thoroughly studied and the economic-political decisions must be made.

As for the development of the tourism market of Georgia, it should be noted that the empirical materials needed by the scientists and economic policy-makers are quite scarce and unsatisfactory. Despite the bodies charged with collecting and treating these materials, the statistics of tourism as that of an economically important branch, is beneath criticism. It is impossible to obtain the materials about the kinds, quantities, quality, jobs, growth trends, investment efficiency or prices of the tourist products offered by tour companies, value of such products or other features to be used to develop both, micro-economic and macro-economic policy.

The tourist market operation in Georgia

The Hague Declaration on Tourism recognizes the new special role of tourism in improving the standard of life and material well-being of the people of the world. At the same time, it should be noted that in respect of establishing the international peace and in globalization of cultures, tourism is an effective force, which with its developmental outcomes, is unique and irreplaceable by any branch of the world economy (Metreveli, 2011, pp.371-377).

It should also be noted that tourism as a branch of economy and important element of the field of service is not closely associated with the safety status or the level of economic development in the country. In order to make this opinion clearer, we would like to inform you that the situation in the country (level of economic development, safety status, political stability, etc.) mostly affects the development of mass tourism. As for the development of other kinds of tourism, the supporting factors and risk factors for the tourism development must be considered depending on their sustainability.

Supporting are the following factors: tourism infrastructure, which is quite diversified, industrial factors existing in the country in general and (particularly) specific factors. Among the specific factors, the ones, which may seem limited at the first sight, such as a system of values of the country social medium immediately associated with the cultural and socio-ecological issues, are emphasized. Generally, together with the traditional approaches, there has been a quite important new approach used recently in the exploration of the questions of tourism implying all-inclusiveness. In this instance, we mean the increased role of the questions not traditionally associated with tourism.

Since the 1990s, a new approach has been introduced to the management theory, the so-called marketing management, which considers meeting the demands of the tour product consumers as the major goal of the microeconomic policy in the business engineering of the tour product companies.

Based on the concept of marketing management, we can present the marketing management plan of the causal effects of the process of manufacturing and realization of the tourist product by a tour company operating on the market (Figure 1).

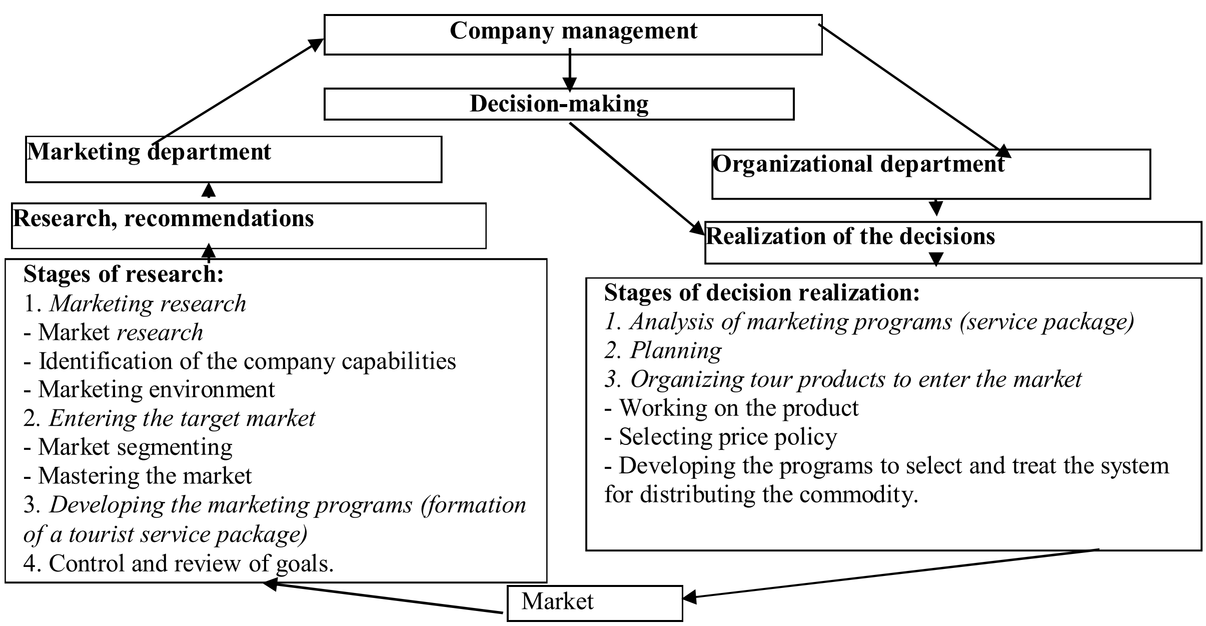

Figure 1. Marketing management plan of a tour company (Metreveli, 2002)

The plan shows the prospect of continuous turnover of a touristic product by the companies as the tourist business develops. The plan shows the directions of a tour product or its components at each stage of the turnover with arrows (causal effects) (Metreveli, 2002).

The first stage in the left part of the plan depicts the marketing research, which is an important part in developing the system to enter the market. The major objective of the marketing research is the identification of the real capabilities of the company on the tourist service market. These real capabilities are determined by the situation established on the market (conjuncture) on the one hand and by technological, financial, staff and organizational potential of the company on the other hand. The goal of the market research is to study of the typical requirements for the tourist product interesting to the company. In addition, it is important to identify not only the level and demand effective by the moment of the research, but also to forecast these indicators with the future perspective. An important problem occurring at the beginning of the conjuncture activity is the information support, data about the tourism market, price levels, etc.

The information important for improving the competitiveness of the branch of tourism in Georgia is gained by calculating the travel and tourism competitiveness index. The indicators and characteristics to fix this index are provided by the international organizations operating in Georgia. Surely, such state of affairs is not a bit satisfactory, as the participation of the Georgian specialists and experts in this process is much limited.

The analysis of the present state of the Georgian tourism market evidences the sustainable expansion of the Georgian tourism market (if not considering the years of 2009 and 2012). The tables given in the paper, based on the results of the data analysis, show the following trends in the Georgian tourism market:

1. There are 42 large, 22 medium and 313 small tour companies operating in the Georgian tourism market in 2013. In 2013, the number of the tour and travel agencies decreased by 9% as compared to 2011, the most successful year for tourism in Georgia (the number of large companies did not change, the number of medium businesses decreased by 9 and that of small businesses decreased by 27). (The data are calculated based on the data of Table 1).
2. The high rate of increase in the turnover of the companies operating on the Georgian tourism market is typical to medium and small businesses (the turnover with large companies in 2013 as compared to 2006, increased by 130%, while the same indicator amounted to 248% for medium businesses and 1575% for small businesses).

In other words, despite the absolute reduction in the number of businesses, as the declared data suggest, the total turnover increased by 13% yielding the difference of 36,4 million Gel (as compared to 2011) (as calculated by using the data of Table 2).

Table 1. Number of operating tour and travel agencies according to the agency size (2006-2013)

Years	Travel agencies		Large businesses			Medium businesses			Small businesses		
	Total No.	Change as compared to 2006, %	No.	Change as compared to 2006, %	Change since the previous year, %	No.	Change as compared to 2006, %	Change since the previous year, %	No.	Change as compared to 2006, %	Change since the previous year, %
2006	114	100%	25	100%		14	100%		75	100%	
2007	124	9%	26	4%	4%	22	57%	57%	76	1%	1%
2008	137	10%	30	20%	15%	22	57%	0%	85	13%	12%
2009	248	118%	28	12%	-7%	32	129%	45%	188	151%	121%
2010	351	141%	30	20%	7%	35	150%	9%	286	280%	52%
2011	413	262%	42	68%	40%	31	121%	-11%	340	353%	19%
2012	361	216%	35	40%	-17%	32	129%	3%	294	291%	-14%
2013	377	231%	42	68%	20%	22	57%	-31%	313	316%	6%

Source: The table is drafted by the authors by using the materials of GEOSTAT of 2013

Table 2. Volume of turnover of the tour and travel agencies (declared data), mln. Gel

Years	Volume of turnover of tourist businesses			Large businesses			Medium businesses			Small businesses		
	Mln. GEL Total	Change as compared to 2006, %	Change since the previous year, %	Mln. GEL	Change as compared to 2006, %	Change since the previous year, %	Mln. GEL	Change as compared to 2006, %	Change since the previous year, %	Mln. GEL	Change as compared to 2006, %	Change since the previous year, %
2006	116,8	100%		104.7			9.6			2.4		
2007	160,0	37%	37%	139.3	33%	33%	14.3	49%	49%	6.4	167%	167%
2008	165,1	41%	3%	137.8	32%	-1%	22.3	132%	56%	5.0	108%	-22%
2009	147,5	26%	-11%	116.6	11%	-15%	22.0	129%	-1%	8.9	271%	78%
2010	173,9	49%	18%	121.9	16%	4,5%	32.0	233%	45%	20.0	733%	125%
2011	277,6	138%	60%	198.6	90%	63%	48.5	405%	52%	30.4	167%	52%
2012	257,4	120%	- 7%	191.5	82%	-3%	41.4	331%	-2%	24.6	925%	-19%
2013	314	169%	22%	240.3	130%	25%	33.4	248%	-19%	40.2	1575 %	63%

Source: The table is drafted by the authors by using the materials of GEOSTAT of 2013

In 2011, Georgia ranked the 73rd among 139 world countries with its index of competitiveness, and has a better indicator than its neighboring countries of Azerbaijan (ranking the 83rd) and Armenia (ranking the 90th), but falls back Russia (the 59th) and Turkey (the 50th). As per the data of 2013, Georgia, with its index of competitiveness, ranked the 66th among 140 countries, while Azerbaijan was the 78th, Armenia was the 79th, Russia was the 63rd and Turkey was the 46th (as calculated by using the data of Table 3).

Table 3. Travel and tourism index of competitiveness (2011 and 2013)

Countries	2011	2013	
	Rank/among 139 countries	Rank/among 140 countries	Point
Georgia	73	66	4.10
Azerbaijan	83	78	3.97
Armenia	90	79	3.96
Turkey	50	46	4.44
Russia	59	63	4.16

Source: The Table is drafted by using the data of "The Travel & Tourism, Report 2013".

Aiming at improving its competitiveness as compared to its neighboring countries, Georgia has to orient its tourism policy on the tourism market and analyze the existing problems, what, on its turn, will help stimulate the travel industry.

The data given above are clear evidence of the prospects of tourism in Georgia - to be more competitive than the neighboring countries; however, the processes below occurring on the background of 14 travel industry indices are not a bit soothing, as the expansion and development of the tourism market is possible through the scientific studies of the 14 indices of the travel industry and study data suggested at the World Economic Forum (The Travel & Tourism Competitivness Report, 2013) in Georgia.

Table 4. State of the tourist business in Georgia by 14 characteristics (World Economic Forum, 2013)

pillar	Characteristics	Rank	Point
1st	Policy rules and regulations	4.8	40
1.01	Prevalence of foreign ownership	3.9	118
1.02	Property rights	3.1	128
1.03	Business impact of rules on FDI	4.8	50
1.04	Visa requirements, no. of countries	159	6
1.05	Openness bilateral ASAs (0–38)	6.8	118
1.06	Transparency of government policymaking	4.8	36
1.07	No. of days to start a business	2	2
1.08	Cost to start a business, % GNI/capita	3.8	45
1.09	GATS commitment restrictiveness (0–100)	52.9	7
2nd	Environmental sustainability	4.5	74
2.01	Stringency of environmental regulation	3.4	94
2.02	Enforcement of environmental regulation	3.6	69
2.03	Sustainability of T&T industry development	4.8	47
2.04	Carbon dioxide emission, million tons/capita	1.2	41
2.05	Particulate matter concentration, μg/m³	54.1	106
2.06	Threatened species, %	5.6	80
2.07	Environm. treaty ratification (0–25)	5.6	80
3rd	Safety and security	5.1	51
3.01	Business costs of crime and violence	5.1	54
3.02	Reliability of police services	5.1	37
3.03	Road traffic accidents/100,000 pop.	16.8	74
3.04	Business costs of terrorism .	5.5	79
4th	Health and hygiene	6.0	37
4.01	Physician density/1,000 pop.	4.8	3
4.02	Access to improved sanitation, % pop.	95.0	52
4.03	Access to improved drinking water, % pop.	98.0	52
4.04	Hospital beds/10,000 pop.	31.0	60
5th	Prioritization of Travel & Tourism	5.5	17
5.01	Government prioritization of the T&T industry	6.3	16
5.02	T&T gov't expenditure, % gov't budget	n/a	n/a
5.03	Effectiveness of marketing to attract tourists	4.9	50
5.04	Comprehensiveness of T&T data (0–120)	65.0	70
5.05	Timeliness of T&T data (0–18)	16.5	17
6th	Air transport infrastructure	2.5	101
6.01	Quality of air transport infrastructure	4.3	82
6.02	Airline seat kms/week, dom., millions	0.2	93
6.03	Airline seat kms/week, int'l, millions	33.1	103
6.04	Departures/1,000 pop.	1.4	92
6.05	Airport density/million pop.	0.7	66
6.06	No. of operating airlines	17.5	87
6.07	International air transport network	4.2	94
7th	Ground transport infrastructure	3.9	61
7.01	Quality of roads	4.4	56
7.02	Quality of railroad infrastructure	4.0	34
7.03	Quality of port infrastructure	4.3	65
7.04	Quality of ground transport network	4.3	65
7.05	Road density/million pop.	29.0	75
8th	Tourism infrastructure	3.3	82
8.01	Hotel rooms/100 pop.	0.3	78
8.02	Presence of major car rental co. (1–7)	3	97
8.03	ATMs accepting Visa cards/million pop.	373.6	54

9th	9th pillar: ICT infrastructure	3.0	75
9.01	ICT use for B-to-B transactions	n/a	n/a
9.02	ICT use for B-to-C transactions	n/a .	n/a
9.03	Individuals using the Internet, %	36.6	76
9.04	Fixed telephone lines/100 pop.	31.1	38
9.05	Broadband Internet subscribers/100 pop.	7.5	66
9.06	Mobile telephone subscriptions/100 pop.	102.3	79
9.07	Mobile broadband subscriptions/100 pop.	21.3	52
10th	Price competitiveness in T&T ind.	4.7	52
10.01	Ticket taxes and airport charges (0–100)	74.9	86
10.02	Purchasing power parity	0.6	53
10.03	Fuel price, US$ cents/liter	3.9	36
10.04	Extent and effect of taxation	113.0	76
10.05	Hotel price index, US$	135.1	66
11th	Human resources	5.1	40
	Education and training	4.6	77
11.01	Primary education enrollment, net %	99.6	7
11.02	Secondary education enrollment, gross %	86.2	79
11.03	Quality of the educational system	3.0	113
11.04	Local availability specialized research & training	3.3	118
11.05	Extent of staff training	3.6	99
	Availability of qualified labor	5.7	9
11.06	Hiring and firing practices	5.0	9
11.07	Ease of hiring foreign labor	5.4	5
11.08	HIV prevalence, % adult pop.	0.1	12
11.09	Business impact of HIV/AIDS	5.2	74
11.10	Life expectancy, years	73.3	75
12th	Affinity for Travel & Tourism	4.8	53
12.01	Tourism openness, % of GDP	8.1	30
12.02	Attitude of population toward foreign visitors	6.5	33
12.03	Extension of business trips recommended	5.6	50
12.04	Degree of customer orientation	3.9	118
13th	Natural resources	2.7	119
13.01	No. of World Heritage natural sites	0	79
13.02	Quality of the natural environment	4.6	59
13.03	Total known species	395	101
13.04	Terrestrial biome protection (0–17%)	3.6	114
13.05	Marine protected areas, %	0.1	82
14th	Cultural resources	2.0	84
14.01	No. of World Heritage cultural sites	4	63
14.02	Sports stadiums, seats/million pop.	49,392.1	56
14.03	No. of int'l fairs and exhibitions	3.3	111
14.04	Creative industries exports, % of world total	0.0	106

The results of the study reported at the World Economic Forum evidence the urgent necessity for the thorough transformations and reforms in the complex development of the branch of tourism in Georgia (Table 4).

The review of the indices and characteristics of tourism competitiveness evidences a much unfavorable situation in Georgia in respect of the level and prospects of the tourism market development. In this connection, we mention that out of 140 states, Georgia has a problem with the indicators immediately associated with and directly affecting the successful development of tourism, with the following indicators worth mentioning: 1.02; 1.05; 2.01; 2.05; 5.02; 6; 6.01; 6.02; 6.03; 6.04; 6.07; 8; 8.02; *(tourism infrastructure);* 9.01; 9.02; 11.03; 11.04 (level and quality of education); the indicator of the client orientation (12.04), making Georgia the 118th in the world is particularly worthwhile. It is regretful to note that as this study suggests, with its indicators of 13; 13.03 and 13.04, Georgia is considered a country with scarce natural resources. Consequently, worth of attention is the development and promotion of cultural tourism in Georgia, what is not the case unfortunately. Despite the fact that Georgia, notwithstanding its small size, with its indicator of the number of world cultural heritage (14.01), ranks the 63rd, this position looks weak anyway, further evidenced by the indicator of the number of fairs and exhibitions (14.03) and percentage of export of the products of creative branches in the world export of 14.04.

We emphasize the indicators of human (labor) resources, in particular, the quality of the enlightening system (11.03) and availability of specialized studies and training (11.04) making Georgia the 113th and 118th among 140 world countries, respectively. Such state of affairs casts a doubt to the prospects for training the qualified labor resources to develop tourism.

As per the studies of the World Economic Forum, the prospect for the tourism development in Georgia is quite vague, and unless there are thorough and crucial measures are planned, Georgia will fail to reach even those quite low indicators fixed in 2013-2023.

The share of the tourism market product value of Georgia in GDP is 15,9% and must be increased by 4,8% in perspective. Such state of affairs will either hamper the GDP growth, or ignore the priority of the branch of tourism (if the branch structure is not changed, See Table 5). The real picture of the share of the value of the touristic product market in 2013 changed much (by 5.2%). If considering that the share of tourism industry in GDP changed from 4.5% in 2012 (Tourism's Direct Contribution to GDP) to 5.4% in 2013 (i.e. slightly changed), the mentioned trend is difficult to explain.

Table 5. Travel and tourism indicators, 2012

Countries	Contribution of travel and tourist industry/whole branch to GDP, mln. USD	Contribution of travel and tourist industry/whole branch to GDP, %	Growth perspective of travel and tourist industry/whole branch in 2013-2022, %-ში	Jobs in travel and tourist industry/whole branch (1,000 positions)	Share of jobs in travel and tourist industry/whole branch in employment, %	Prospect of future growth of jobs in the travel and tourist industry/whole branch in 2013-2022, %
Georgia	700 / 2500	4.5 / 15.9	4.8 / 4.8	67.9 / 243.2	4.0 / 14.2	0.6 / 0.6
Armenia	214.5/838	2.0 / 7.6	0.9 / 1.5	18.9 / 75	1.7 / 6.8	-3.7 / -3.2
Azerbaijan	1101.4 / 4116	1.9 / 6.9	7.5 /7.5	73.3 / 277	1.7 / 6.3	2.7 /2.6
Turkey	33,520.3 / 86,436.0	4.2 / 10.9	2.9 / 3.0	532.2 / 2,004.0	2.2 / 8.2	2.6/ 1.4
Russia	27071 / 110623	1.5 / 5.9	3.9 / 3.8	981,3 / 3,933	1.4 / 5.5	0.4 / 0.1

Source: Drafted by "The Travel & Tourism Report. Reducing Barriers to Economic Growth and Job Creation. Insight Report" and data in p. 9.

The Travel & Tourism Competitiveness Report. Reducing Barriers to Economic Growth and Job Creation. The data of Georgia of 2012 are not included in page 172 of the Insight Report for some uncertain reasons. At the same time, the prospect for future growth is given for 2013-2022, while WTTC Travel & Tourism Economic Impact 2013 considers the period of 2013-2023. Georgia has not provided this international organization with the data of the following indicators: 5.02 (percentage of state costs of the state budget (%)), 9.01 (using information computer technologies in B-B deals), 9.02 (using information computer technologies in B-to-C deals).

In addition, we would like to note that the data allowing holding the studies are particularly important in developing the reasonable policy in travel and tourism. Unfortunately, we have no access to such prospects (evidenced by the indicator of 11.04 of "The Travel & Tourism Competitiveness Report 2013"). The data above were provided to the World Economic Forum by the International Finance Corporation (IFC) using the materials of the International Monetary Fund in Georgia (IMF).

The analysis of the studies gives an impression of the tourism policy developers tending to ignore and failing to analyze the studies of the said issues provided by the international organizations. Besides, the official statistics of Georgia has failed (since the tourism development was declared a priority in Georgia) to gather the important data and characteristics of tourism.

Breaking the old stereotypes in tourist industry is much important, particularly, on the background of the problems caused by climatic changes. As suggested by the Kyoto Protocol of Climate Change Frame Convention (1992, the UNO Climate Change Frame Convention of Rio de Janeiro), not only the countries and branches, but also every industry must be put to the mode of adaptation (Gvelesiani & Gogorishvili, 2010, pp.137-142).

Conclusions

In Georgia, the tourism, in addition to the mode of adaptation having become necessary due to the climatic change, is forced to offer the consumer diversified products, as a tourist of the XXI century now mostly prefers non-organized tourism, i.e. travels without the help of travel agencies (Metreveli, 2011, pp.133-137). In order to rescue the established situation, the travel agencies have to make innovative changes to their tour packages and services to realize cognitive, and entertainment arrangements. At the initial stage, it is sufficient to employ the scientific-educational staff in our country (attracting even the retired or temporarily unemployed lecturers or young specialists, or trainees). Let us recall the immortal work “The Magic Mountain” by Thomas Mann, the great German writer and Nobel Prize Laureate, where the writer tells us about a lecturer’s arriving at the sanatorium in Switzerland delivering the lectures to the students about love. Such a practice existed in foreign countries as early as at the beginning of the XX century.

Planning and organization of the touristic products manufacturing must include the mechanisms affecting the potential buyers’ demands developed based on the non-material components of human development, e.g. the stimuli of joy, participating in the nature protection, helping the helpless, charity and the like and increased importance of a tourist’s personality. Such an approach is widely spread in Australia, where the tourists (the youngsters from other countries and anyone concerned) are allowed to take care of or treat the animals at a certain cost.

The stability of the fundamental universal values results in the variety of the religious, cultural, economic, philosophical and moral creed being the basis and result of the responsible tourism. Sustainable responsible tourism must become the major qualitative characteristic of the tourism market of Georgia resulting in the high efficiency and great success.

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