COMPETITIVENESS OPPORTUNITIES FOR TOURISM IN LATGALE REGION

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Abstract. In this research study, opportunities for improvement competitiveness in the context of tourism in Latgale region are analysed and disclosed. Building tourism competitiveness by means of efficiency, quality, and innovation is underlined in this research study. Measuring and providing the efficiency of tourism products in the public sector is a weak point in the development of tourism competitiveness in Latgale region. Findings of this research allow expressing proposals for increasing efficiency and tourism competitiveness overall. The competitive advantage development model for tourism products in Latgale is offered in this research study. Recommendations are related to human resources, which are engaged in regional tourism development, and to strengthening the capacity of the municipalities, that will allow developing the competitiveness of tourism in the region and tourism regional policy in general.

Keywords: regional economics, municipalities, competitiveness, tourism, natural resources

Jel code: R11, O1, P28

Introduction

In accordance with the findings of tourism analysis in the European Union (EU) (Tūrisms, 2016) international tourism in the world, in 2014, amounted to 1.113 billion travellers (+4.3%), including 582 million persons that have entered Europe, covering 51% of the market (+3%). The EU has the world’s favourite tourist destination status. In addition, a study on long-term prospects provides some moderation in the growth of tourism in Europe by 2030, which, in accordance with the estimates, will be 744 million tourists (+1.8%), or 41.1% of the market. In the EU, the tourism industry in its immediate sense (traditional travel and tourism service providers) encompasses 1.8 million businesses, primarily small and medium-sized enterprises (SMEs). Tourism contributes 5% to gross domestic product (GDP) and employs 5.2% of the economically active population (that corresponds to approximately 9.7 million people). Taking into account the close links with other sectors of the economy, this contribution is even higher (more than 10% of GDP and almost 12% of total employment, which corresponds to 13 million workers).

In Latvia, tourism impact on the national GDP approaches 4%. In 2015, the export in the tourism industry in Latvia increased by 7.5% in comparison with 2014. Expenses of foreign tourists increased by 16.6%
Tourism becomes more and more important in the employment and policy of the economic growth. Tourism has very strong environmental and sustainability aspect.

Latvia is divided into five planning regions. 14.5% of the population of Latvia live in Latgale region. The territory of Latgale region occupies 22.5% of the territory of Latvia. Two cities and 19 counties are located in Latgale region. Each of them operates in accordance with its development strategy. Tourism as one of the specializations is defined in all of these development strategies.

Latgale region might get a competitive advantage as an international tourism destination, taking into account its geographical location, its rich natural and cultural resources, and opportunities of international support in the development of tourism products. The efficiency of the tourism products, developed within the frame of international projects, is not measured. After implementation of these projects, sustainability of developed tourism products is not properly controlled and managed. It means that the competitive advantage opportunities are not used and developed to the full extent. In this aspect, a vital problem for this region is the competitiveness in tourism.

The aim of this research is to reveal opportunities for the development of tourism competitiveness in Latgale region.

To achieve this aim, several tasks were defined:
- to interpret the measurement of tourism competitiveness;
- to carry out an analysis of the factors influencing the competitive advantage of tourism products;
- to work out proposals on the opportunities for the development of tourism competitiveness in Latgale region.

The research subject: the factors influencing the competitive advantage of tourism in Latgale region.

The hypothesis of the research: it is possible to increase the competitiveness of tourism in Latgale region by improving the capacity of human resources and by increasing the efficiency of tourism products in the public sector.

Novelty: the improvement of competitiveness in the context of tourism development in Latgale are analysed and disclosed; these opportunities are mainly related to the development of human resources, which are the major factor in the competitive capacity development in the municipalities. The competitive advantage development model for tourism products in Latgale is offered in the research study. The recommendations developed for municipalities’ councils in terms of
efficiency of tourism products might be used for increasing competitiveness in tourism.

To accomplish the objectives of the research study, the following methods are used: content analysis of regional/municipality development documents, statistical data analysis; comparative analysis, synthesis, abstract and logical construction methods for studying competitiveness opportunities in the tourism area and human resources development opportunities.

Research results

There are many definitions referring to tourism competitiveness in the various sources. In this research study the author has used the following definition of competitiveness: ‘Tourism competitiveness for a destination is the ability of the place to optimise its attractiveness for residents and non-residents, to deliver quality, innovative, and attractive (e.g. providing good value for money) tourism services to consumers and to gain market shares on the domestic and global market places, while ensuring that the available resources supporting tourism are used efficiently and in a sustainable way’ (Dupeyras et al., 2013). A. Dupeyras and N. MacCallum have emphasized the absence of a good system of indicators that governments could use for measuring success and competitiveness in tourism: ‘Competitiveness in tourism is not currently measured and monitored adequately by governments. One of the reasons for this is the difficulty in identifying a few core indicators to effectively measure and monitor what remains a very broad concept’. The key initiatives for measuring competitiveness in tourism mostly are found at the tourism industry level. Some of the studies look at cities and regions, others are concerned mainly with the hotel industry. At international level, the major undertaking remains the WEF Travel and Tourism Competitiveness Index. Several countries also use the Nation Brand Index which measures the image and reputation of the world's nations. A. Dupeyras and N. MacCallum (Dupeyras et al., 2013) have suggested to organise the indicators of competitiveness in tourism around the following four categories:

1) indicators measuring the tourism performance and impacts;
2) indicators monitoring the ability of a destination to deliver quality and competitive tourism services;
3) indicators monitoring the attractiveness of a destination;
4) indicators describing support policies and economic opportunities.
The findings of the World Economic Forum (WEF) annual Tourism Competitiveness Index research have disclosed that, among 133 countries, Latvia is the 48-th most attractive tourist destination in the world (Travel & Tourism Competitiveness Report, 2009). In 2015 Latvia ranked the 53-rd (out of 141) in the Travel & Tourism Competitiveness Index. In 2015 natural resources of Latvia ranked the 93-rd (out of 141) and the cultural resources and business travel ranked the 106-th (out of 141) in the Travel & Tourism Competitiveness Index (WEF Global Travel..., 2015).

There are some researchers, who have explored the competitiveness of tourism in Latvia. For instance, the Competitiveness Model for Latvian Tourism was offered by Ganijeva and Magidenko (Ganijeva, et al., 2011) on the basis of investigated factors of the tourism competitiveness. Especially, they have stressed the importance of marketing in tourism development. The attractiveness of different tourism destination places in Latvia has been investigated by Kleperis (Kleperis, 2012). The attractiveness of Latgale region for tourists has been investigated by many researchers: Dembovska I., Silicka I., Ežmale S. etc. The author’s findings of the recent studies (Silineviča, 2009, 2010, 2012, 2013, 2014) have demonstrated that the attractiveness factors of Latgale region for tourists are as follows: cultural and historical heritage (traditions, handicraft, ceramics, Latgalian language, folklore), sacral traditions, natural resources, restful landscapes, hospitality of the local population (see Figure 1).

Figure 1. The attractiveness of Latgale region for tourists
(Source: the author’s research)
The number of tourists in Latgale region increases annually. It means that Latgale region becomes more attractive to tourists. The data (Table 1) are approximate because some municipalities in Latgale region have not provided information for this period (the references attached to the statistics prove this).

Table 1

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<tr>
<td>Total number of tourists</td>
<td>502 058</td>
<td>682 615</td>
<td>807 645</td>
<td>1 044 283</td>
<td>1 154 301</td>
<td>1 412 833</td>
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<td>Changes, compared with the previous year, %</td>
<td>-</td>
<td>+35.96</td>
<td>+18.31</td>
<td>+29.30</td>
<td>+10.54</td>
<td>+22.40</td>
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The competitive advantage development model for tourism products

The attractiveness of tourism products has close links with their competitive advantage. The author offers the competitive advantage development model for tourism products in Latgale region (see Figure 2). The base of competitive advantage of tourism products are tourism resources and capabilities, which are transformed into distinctive competencies. Distinctive competencies allow achieving competitive advantage by using efficiency, quality, innovations, and customers’ responsiveness. Quality, innovations, and customers’ responsiveness are measured by feedback from tourists.

Latgale is rich in many unique tourism resources. Natural resources in Latgale are unique. Many beautiful hills, covered by forests, are crossed by twisting rivers. Many lakes, embraced by picturesque bays, are rich in many islands. The islands are covered by different broad-leaved species. Two biggest lakes in Latvia (the lake of Lubans and the lake of Razna) are situated in Latgale region. The newest National park in Latvia – Razna National Park – is located in Latgale. This preserved area comprises many rare biotopes and attracts many eco tourists.
The history of Latgale has many historical events related to the numerous wars, which have crossed the territory of the region. During centuries, different tribes have had settled in this land. Each of them have influenced Latgalian culture. In this way, Latgalian culture has multicultural character with own uniqueness.

The multicultural character relates to the history of religions in Latgale as well. During centuries, this territory was inhabited by Christians (Catholics, Old believers, Orthodox, Lutherans, Baptists) and by Judaists. Each of the faiths has left their own cultural heritage: the unique sacral buildings and traditions. The Latgalian language is a unique regional language with its own grammar, literature, rich folklore, and traditions. Many Latgalian songs are very popular not just within the region but beyond it. This uniqueness gives great opportunities for the development of unique tourism products.

Figure 2. The competitive advantage development model for tourism products in Latgale region (Source: the author’s construction based on (Charles et al., 2004))
Capabilities are very important tools for the development of distinctive competencies. Those are necessary for building the competitive advantage of tourism products. Findings of this research show, that in Latgale region these capabilities are strengthened by the following activities:

- contribution of local well-educated people, who have researched the local history and culture; their findings bring new information in local history and culture;
- improvement of the administrative capacity of people, who are engaged in tourism, by training and by their participation in different international projects;
- improvement of project management skills of people, who are engaged in tourism, by their participation in different international projects;
- development of cooperation with the regional universities providing tourism study programmes (in case of Dagda county – cooperation with the Rezekne Academy of Technologies).

Building competitive advantage by efficiency. Tourism destination performance might be evaluated through the measurement of competitiveness in terms of efficiency. Efficiency is a very important indicator in the building of competitive advantage. Efficiency of tourism products would be measured by using the input and output indicators:

- Input indicators (costs for labour, costs of maintenance, advertising costs);
- Output indicators (number of tourists, revenues from tourists).

The easiest way to measure the efficiency of tourism products in a certain area is dividing the outputs by the inputs:

\[
\text{Efficiency} = \frac{\text{Outputs}}{\text{Inputs}} \quad (1)
\]

In accordance with the research (Cracolici et al., 2014) findings: ‘when a tourist site is not able to produce the maximum possible output, given the inputs, the tourist site is inefficient and will attract relatively fewer tourists compared with competing areas. The reason may be that too many inputs are used, an imbalance between inputs and outputs exists, and/or the input combination is not optimal... that a tourist area should be able to manage its input efficiently; in other words, the territory’s physical and human resources constitute the input of a (virtual) tourist ‘production process’, and the output is then formed by arrivals, bed-nights, value added, employment, customer satisfaction, etc.’ The sustainability of the tourist destination product depends largely on the ability to efficiently
combine and manage input resources to produce the maximum possible output.

The efficiency of the tourism products, which are produced in private sectors, is measured, because each business must be profitable. In relation to the public sector, the situation is different in Latgale. For example, the Cross- Border Cooperation Programme 2007-2013: Support to Tourism Development and Culture Heritage Conservation in Latgale. This programme has promoted the development of tourism in Latgale through separate projects. The water tourism development project “Water Joy” has been one of the projects, supported by this programme. The project’s costs were 1.34 MEUR (13). In terms of efficiency 1.34 MEUR is the input. But what about measuring of the output? It is necessary to have a list of offered water tourism products, which are developed on the basis of this project. It is necessary to have information about prices of these products, the number of tourists, who used these products, and the expenses of tourists during their travel. Only this information would allow calculating the outputs. If this information is absent, it makes impossible calculation of the efficiency of this project. The efficiency of those tourism products, which were developed within the frame of international projects, is not measured. After finishing these projects, the sustainability of developed tourism products are not fully controlled and managed. It means that the competitive advantage opportunities are not fully used and developed.

The information about the efficiency of tourism products is very important for analysing and planning a tourism marketing strategy at regional/ municipal level. If the efficiency of tourism products was not measured in some regions, tourism development management would be problematic in these regions.

Tourism marketing strategy, which a region/municipality adopts, can have a major impact on efficiency. Latgale region comprises nineteen counties and two cities. Tourism marketing strategies in Latgale region operate at three levels:

1) National level: Latvia Tourism Marketing Strategy 2010-2015 (Latvijas tūrisma..., 2010);
2) Regional level: The Tourism Development Marketing Plan of Latgale Region (Latgales reģiona..., 2012);
3) Municipal level:
   - Tourism Development Marketing Strategy of Preili county 2013-2018 (Preiļu novada..., 2013);
   - Tourism Development Marketing Conception of Daugavpils City (Daugavpils pilsētas..., 2012);
   - Culture Tourism Development Conception of Rezekne City (Rēzeknes pilsētas..., 2015);
Taking into account the fact, that Latgale region is specialized in tourism, it is necessary to develop a tourism marketing strategy for each municipality. It would allow achieving higher efficiency in the development of tourism in each municipality.

Tourism is a services industry. Employees are the major input into the production of tourism products. Labour productivity mainly influences costs for labour. Labour productivity increases owing to learning in the most efficient way. Production costs decline because of increasing labour productivity and management efficiency.

Building competitive advantage by quality

Tourist destination performance might be evaluated by the measurement of competitiveness in terms of quality. Skilled employees are one of the key factors of quality in the tourism industry. They are the major input into tourism services processes. Highly skilled employees can perform tasks faster and more accurately. Positive attitude to the tourists and environment are provided by the employees. The implementation of innovative processes is provided by the employees. The employees should have attributes that match the strategic objectives of the company. The improvement of labour skills increases the competitive advantage by quality. Cooperation with universities, which deliver tourism management study programmes, with the aim to develop training programmes for the improvement of labour skills in the tourism services is very important.

Tourism quality has a strong connection to the infrastructure. The quality of infrastructure is a significant determinant of the tourism inflows into a destination and, at the same time, an important contributor to development of the other sectors creating important indirect benefits. For example, the construction of new regional roads to improve access to an emerging tourism destination can create economic opportunities for individuals and businesses located in that region. Mobility and accessibility are essential issues for the tourists. The transport infrastructure not only plays a significant role in attracting tourists, but also in improving the quality of life of the local population. Furthermore, it promotes the distribution of socio-economic benefits related to the tourists’ expenses (e.g. incomes, jobs) and interactions with the local residents (e.g. cultural heritage diffusion and maintenance) (Albalate et al., 2010).

In the case of Rezekne city, the streets’ system, improved and developed in 2013, has a positive impact on the attractiveness of the city.
and number of visitors, and has also helped to raise the positive impact on the local hotels, restaurants, and other retailers. Municipalities of Latgale region actively use the opportunities of the EU funds for the development of infrastructure projects. These facts are reflected in the annual public reports of Latgale counties and cities, which are published in the counties’/cities’ home pages. The municipalities of Latgale region actively use the opportunities of the Cross-border Cooperation Programme as well.

Building competitive advantage by innovation. Tourist destination performance might be evaluated through the measurement of competitiveness in terms of innovation. Unique tourism products could be developed by using the local unique cultural heritage, the Latgalian language, and nature. The main factor in the development of competitive advantage of these products is human resources, which are engaged in these processes. Innovation requires highly skilled employees. Highly skilled employees can better perform tasks, more likely to learn the complex tasks associated with many modern services and methods than individuals with lower skills.

Cooperation with universities, which deliver tourism management study programmes, is very important for municipalities in many aspects:

• development of training programmes for the improvement of creative labour skills in tourism services;
• development of new tourism products by implementing theoretical knowledge and using the creative approach of students, who perform practical studies in a municipality;
• development of training programmes for people, who are engaged in tourism businesses, for the improvement of their administrative capacity.

Conclusions and suggestions

Latgale region is able to get competitive advantages as an international tourism destination, taking into account its geographical location, its rich natural and cultural resources, and opportunities of international support in the development of tourism products. The efficiency of those tourism products, which are developed by using international projects, is not measured. After the implementation of these projects, their sustainability is not fully controlled and managed. In that way, competitive opportunities are not fully used.

The councils of municipalities must provide and control the sustainability of the all international projects after their end. It is necessary to develop a management plan for project sustainability and
efficiency. It allows increasing competitiveness in regional tourism. The sustainability of the tourist destination product depends largely on the ability to efficiently combine and manage input resources to produce the maximum possible output.

Efficiency is a very important indicator in building the competitive advantage of tourism products. The competitive advantage development model for tourism products in Latgale is offered in this research study. It is necessary to develop a tourism marketing strategy in each municipality. It will allow achieving a higher efficiency of the tourism industry in each municipality.

Skilled employees are one of the key factors of quality in the tourism industry. They are the major input into tourism services processes. Highly skilled employees can perform tasks faster and more accurately, and are more likely to learn the complex tasks associated with many modern services and methods than individuals with lower skills.

Cooperation with the universities, which deliver tourism management study programmes, is very important in the development of training programmes for the improvement of creative labour skills in tourism services, in the development of new tourism products by implementing theoretical knowledge and using the creative approach of students, who perform practical studies in a municipality, and in the development of training programmes for people, who are engaged in tourism businesses, for the improvement of their administrative capacity.

References


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Kopsavilkums


Liegā tūrisma produktu, kas ir izstrādāta, izmantojot starptautiskos projektus, efektivitāte netiek mērīta. Pēc projekta beigām to efektivitāte un ilgspējība netiek kontrolēta un pārvaldīta. Tādā veidā konkurentsējīgas priekšrocības netiek pilnībā izmantotas. Ieteikums pašvaldību domēm nodrošināt visu starptautisko produktu attīstības efektivitāta un ilgtermiņa ilgspējību. Tam nolūkum ir jāattīstā pārvaldības plāns projekta ilgtermiņa efektivitātes nodrošināšanai, tā liecasana lauš palielināt reģionālā tūrisma konkurentsēju.

Analizējot tūrisma attīstības dokumentu esamības ietekmi uz tūrisma attīstību novadā, tika secināts, ka, lai sasniegtu lielāku efektivitāti tūrisma nozarē, ir nepieciešams attīstīt tūrisma mārketinga stratēģiju katrā novadā.

Kvalificēti darbinieki ir viens no galvenajiem faktoriem tūrisma industrijā. Augstā kvalificētu darbinieku iespēja un precīzā spēja apgūt sarežģītus uzdevumus, saistītus ar inovatīviem risinājumiem, tāpēc pašvaldībām jāpievērš uzmanība kvalificētu darbinieku sagatavošanai tūrisma nozarē. Sadarbība ar augstskolām, kas piedāvā tūrisma vadības studiju programmas, ir viens no kvalifikācijas sagatavošanai tūrisma nozarē. Izmantojot studentu prakses vietu iespējas, iespējams attīstīt jaunas konkurentsējās tūrisma produktus. Tāpat sadarbība ar augstskolām sniedz iespēju paaugstināt administratīvo kapacitāti tūrisma speciālistiem.

Atsleģas vārdī: Reģionālā ekonomika, pašvaldības, konkurentsēja, tūrisms.