

GLOBAL AND LOCAL IN TOURISM AND HOSPITALITY INDUSTRY. ATTRACTIVENESS OF ROMANIA AND MALAYSIA AS EMERGENT MARKETS

Cezar SCARLAT¹, Azilah KASIM², Ileana GHIȚĂ³

Turismul și industria ospitalității (hoteluri-restaurante) sunt printre cele mai dinamice domenii ale economiei contemporane. Totuși, potențialul turistic nu este valorificat în totalitate în țările în curs de dezvoltare – cum sunt România și Malaysia. Pe baza Indicatorului de Competitivitate a Turismului (TTC), lucrarea analizează atractivitatea industriei turistice. Deși complementar, turismul internațional poate genera conflicte între caracterul său global și moștenirea culturală locală – parte a serviciilor oferite local în industria ospitalității. Autorii au elaborat un set de șapte propoziții (“Conflicte”) între elementele “globale” și cele “locale”. Soluțiile acestor conflicte sunt serviciile profesionale de consultanță și instruire, oferite în acord cu politicile guvernamentale.

The tourism and hospitality industry are among the most dynamic industries in today's economy. However, the tourism potential is not entirely valued in new emerging economies – as Romania and Malaysia. Based on Tourism & Travel Competitiveness (TTC) index, the tourism attractiveness is analyzed. Although complementary, the international tourism might generate clashes between the global character of tourism and local cultural heritage – enclosed in serviced provided locally by hospitality industry. The authors have developed a set of seven propositions (“Conflicts”) between “global” and “local” elements. Concerted with government policies, the solution is in professional consulting services and training.

Key words: tourism, hospitality industry, tourism & travel competitiveness index, tourism attractiveness, emergent markets, Romania, Malaysia

1. Introduction: Tourism – a dynamic industry

The tourism and hospitality industry are currently among the most dynamic industries in the world economy. In spite of natural disasters, terrorism, and economic and politic uncertainties, the international tourism – measured both as number of international tourist arrivals and international tourist receipts value – reports continuous increase.

In 2005, the worldwide tourism exceeded 800 million arrivals, achieving an all-time record [1]. According to the same source, the increase represents 42

¹ Professor, Department of Management, University “Politehnica” of Bucharest, ROMANIA

² Professor, Faculty of Tourism and Hospitality, University Utara - MALAYSIA

³ Assistant, Department of Management, University “Politehnica” of Bucharest, ROMANIA

million additional arrivals, compared to 2004, the champions being Europe (17 million) and Asia & Pacific region (11 million). By purpose, most of the tourists (two thirds) are travelling for leisure, recreation and holidays (402 million) and business (125 million). *Therefore the local hospitality industry should consider the flow of incoming global tourists.* Between the tourism and hospitality industry is a positive feedback loop: *the dynamic incoming tourism stimulates the local hospitality industry* [2, 3] *and the quality of local traditional food is an attraction pole for global tourists* [4, 5, 6].

According to the UNWTO World Tourism Barometer quoted by Carlson Nelson [7], it is estimated that 2007 will be the fourth year of sustainable growth for the global tourism industry. United Nations World Tourism Organization (UNWTO) has prospected the tourism market and developed long-term quantitative forecasts, covering a 25 years period (1995 as a year of base). The forecasts figure around *1 billion tourist arrivals by 2010 and 1.6 billion by 2020*, which is twice as compared to 2005. Europe, East Asia & Pacific region, and Americas will continue to have the largest market shares: 717 million, 397 million, and 282 million, respectively – but the gap between them will diminish [8].

The forecasts for Romania and Malaysia are optimistic as well.

Although Romania is not ranked among top 20 European destinations, it is estimated that in 10 years its tourism market will double, accounting for a global market share of 0.2% (up from 0.15%).

At present, Malaysia reports spectacular growth: in 2005 it was ranked as the 13th tourist destination in the world, and second largest in Asia-Pacific [9, pag.57]. As market share in Asia-Pacific region, Malaysia accounts for 10.6% as number of arrivals (second place) but only 6.2% as receipts (the sixth) according to UNWTO *Tourism Highlights* [1].

Both Romania and Malaysia are emerging economies; however, in terms of tourism development, Malaysia displays better results (*Table 1*). Their competitiveness and potential will be further discussed.

Table 1

Tourism development in Romania and Malaysia (2005)

| Country | General data | | International tourist | | |
|----------|-----------------|-------------------------|-----------------------|------------------------|------------------------------------|
| | Area [sq.km] | Population [million] | Arrivals [mill.] | Receipts [US\$ bln] | Spending index [US\$ / tourist] |
| Romania | 238,400 | 21.6 | 1.43 | 1.05 | 734 |
| Malaysia | 329,700 | 25.3 | 16.43 | 8.54 | 520 |

Source: adapted after World Economic Forum (2007) – Country profiles: Romania, Malaysia [10]

2. Romania and Malaysia: Potential for local development context

Even if the global tourism is soaring, the tourism and hospitality industry potential is not fully valued in emerging economies – as Romania and Malaysia. The World Economic Forum (WEF) has published *The Travel & Tourism Competitiveness Report*, which contains the global ranking of tourism and travel potential, for 124 countries [10], concluded according to the *Travel & Tourism Competitiveness Index* – a composite index that aggregates three sub-indexes [11]:

- Travel and tourism regulatory framework (as result of local government policy)
- Travel and tourism business environment and infrastructure
- Travel and tourism human, cultural and natural resources (local resources).

Table 2

The criteria used to assess the country tourism potential by TTC index

| Sub-indexes | Criteria | |
|--|----------|--|
| | No. | Description |
| Travel and tourism regulatory framework | 1 | Travel and tourism policy, rules and regulations |
| | 2 | Environmental regulations |
| | 3 | Safety and security |
| | 4 | Health and hygiene |
| | 5 | Prioritization of travel and tourism strategies |
| Travel and tourism business environment and infrastructure | 6 | Air transport infrastructure |
| | 7 | Ground transport infrastructure |
| | 8 | Tourism infrastructure |
| | 9 | IT and communication infrastructure |
| | 10 | Competitiveness in the travel and tourism industry |
| Travel & tourism human, cultural and natural res. | 11 | Human resource |
| | 12 | National tourism perception |
| | 13 | Natural and cultural resources |

Source: adapted after WEF (2007)

Each sub-index is calculated as average of other criteria (called “pillars”), 13 as a total (Table 2). Each of these criteria depends on a number of factors, and each factor is valued on 1-to-7 scale. The *Travel & Tourism Competitiveness (TTC) Index* aims at measuring the factors and policies that make a country more attractive (more competitive) than other countries in travel and tourism sector. Even though the TTC index is a picture of the current state, it does not show the level of tourism activity in that specific country but the country attractiveness and potential for further development. Analysis of the TTC index structure reveals that the potential for tourism development depends, expectedly, on: consistent and coherent, specific legal framework; solid investments in tourism and hospitality

infrastructure; financial, communication and IT services, but largely (about 25%) on the *availability of local natural and cultural resources* (human resource included).

To explain the difference between the TTC index and tourist activity index, *Table 3* displays significant dissimilarity in top 10 rankings. None country in top 3, only United States in top 5, and only four countries in top 10 make the both. Overall, it seems that:

- More developed countries are more attractive – according to the TTC index
- Bigger countries are preferred as tourist destination compared to the small ones.

A further research is to be conducted aiming at identifying possible correlations between different tourism indexes, in their dynamics, and considering all or most of countries. According to the TTC index, Romania and Malaysia have quite different tourism attractiveness and potential. A thorough BCG-type analysis was completed based on WEF data [12, pg. 54] and the conclusion is different for Romania and Malaysia: the tourism in Malaysia is definitely a “star” while Romanian tourism is still a “question mark”.

Table 3

| Differences in top 10 countries rankings in international tourism (2005) | | | | | |
|---|---------------------|-----------|-----------------------------|---------------|------|
| Rank | Top 10 by TTC index | | Top 10 tourist destinations | | Rank |
| | Country | TTC index | Arrivals [milln.] | Country | |
| 1. | Switzerland | 5.66 | 76.0 | France | 1. |
| 2. | Austria | 5.54 | 55.6 | Spain | 2. |
| 3. | Germany | 5.48 | 49.4 | United States | 3. |
| 4. | Iceland | 5.45 | 46.8 | China | 4. |
| 5. | United States | 5.43 | 36.5 | Italy | 5. |
| 6. | Hong Kong | 5.33 | 30.0 | UK | 6. |
| 7. | Canada | 5.31 | 21.9 | Mexico | 7. |
| 8. | Singapore | 5.31 | 21.5 | Germany | 8. |
| 9. | Luxemburg | 5.31 | 20.3 | Turkey | 9. |
| 10. | UK | 5.28 | 20.0 | Austria | 10. |

Source: adapted after WEF (2007) and UNWTO (2006)

Romania scores 3.9 overall – which means ranking on the 76th place globally, in the middle tier, between Azerbaijan and El Salvador, behind India (65th) and China (71st) but ahead of Peru (81st) or Ukraine (89th). Detailed analysis by sub-indexes reveals average potential as well (*Table 4*). However, *Romania scores and ranks better as far as human, cultural and natural resources*. More

detailed analysis, by criteria, emphasizes that upper middle positions are reported for (Table 5): tourism and IT&C infrastructure, tourism policy and regulations, and *natural and cultural resources*.

Further analysis, by factors, reveals uneven influence. *Romania ranks the first globally* as a number of factors (visa requirements, primary education enrolment, HIV prevalence, malaria incidence, risk of malaria and yellow fever) while *tourism fair attendance* (ranked 23rd), *number of world heritage sites* (30th), and *presence of major car rental companies* (35th) are other definite country strengths. Some major disadvantages have to be signalled as well: *effectiveness of marketing and branding*, road infrastructure (both on 111th), government prioritization of sustainable tourism (115th place).

Recently, Vaughan [13] completed a survey in four urban areas of Europe in order to explore the Romania's tourism potential. Unfortunately but as expected, the conclusion is that Romania has "much to do in terms of developing and presenting an attractive image to potential visitors" – mostly in terms of *building an attractive image, using adequate marketing and promotion means*.

Table 4

Ranking of Romania and Malaysia as tourism potential, by sub-indexes (2005)

| Sub-index used for ranking | Romania | | Malaysia | |
|--|---------|---------|----------|---------|
| | Score | Ranking | Score | Ranking |
| Travel & tourism regulatory framework | 3.9 | 87 | 5.1 | 27 |
| Travel & tourism business environment & infrastructure | 3.2 | 74 | 4.4 | 27 |
| Travel & tourism human, cultural & natural resources | 4.7 | 71 | 4.8 | 57 |
| Overall (TTC index) | 3.9 | 76 | 4.8 | 31 |

Source: adapted after WEF (2007)

Table 5

Better ranking of Romania as tourism potential, by some criteria (2005)

| No. | Impact criteria used for better ranking | Romania | |
|---------------------|---|---------|---------|
| | | Score | Ranking |
| 1 | Tourism policy, rules and regulations | 4.6 | 67 |
| 8 | Tourism infrastructure | 3.5 | 50 |
| 9 | IT&C infrastructure | 2.8 | 56 |
| 13 | Natural and cultural resources | 4.6 | 46 |
| Overall (TTC index) | | 3.9 | 76 |

Source: adapted after WEF (2007)

Malaysia shows a better picture, ranking in first tier (TTC index = 4.8 corresponding to the 31st place globally), right after Taiwan, equal to Israel and just ahead of Italy; while Tunisia, Korea or Thailand are left behind. Detailed analysis by sub-indexes underlines strong commitment of the government to support the tourism industry by providing a sound regulatory framework for sustainable development, (Table 6), which proves to be the driving force. By far, the *price competitiveness* in tourism industry is the most important pillar (corresponding to 5.9 points that place Malaysia on the second place across the world). Other criteria demonstrate the government willingness: environmental regulations, prioritized strategies for tourism development, ground transport infrastructure.

Table 6

Better ranking of Malaysia as tourism potential, by some criteria (2005)

| No. | Impact criteria for better ranking | Malaysia | |
|---------------------|---|----------|---------|
| | | Score | Ranking |
| 2 | Environmental regulations | 5.3 | 20 |
| 5 | Prioritization of travel and tourism strategies | 5.0 | 21 |
| 7 | Ground transport infrastructure | 5.6 | 15 |
| 10 | Price competitiveness in the travel & tourism | 5.9 | 2 |
| Overall (TTC index) | | 4.8 | 31 |

Source: adapted after WEF (2007)

As far as factor analysis, even though Malaysia ranks the first at none globally, its strengths are significant: the government efforts to reduce risks from pandemics and prioritize sustainable development of tourism industry are all ranked on 8th place; Malaysia presents a similar but stronger point than Romania as far as *tourism fair attendance* (ranked 2nd); and *effectiveness of marketing and branding is a lot better than in Romania* (ranked 6th).

Reversely, the two Malaysian weakest points correspond to the absolute advantages of Romania: primary education enrolment (112th) and risk of malaria and yellow fever (103rd). In addition, another element that underlines the understanding of the role the government should play: in spite of remarkable effort of Malaysian government to support the tourism industry, the government expenditure is very low – which determines low ranking (94th). The government is a national strategist and referee, not a player in the business game.

In countries with strong tourism and hospitality tradition, the natural resources are sources of competitive advantage in business [14]. The natural resources are a necessary condition but not sufficient. *Romania and Malaysia*,

both emerging economies having comparable human, cultural and natural resources, present different tourism attractiveness because of different regulatory frameworks, and business environment and infrastructures. In other words, the simple existence of natural and cultural resources is not enough for developing a sustainable tourism and hospitality industry.

Kasim and Scarlat have shown that “the attainment of sustainable tourism needs to be viewed as a progressive process ... in the context of developing countries this can not be attained without *the governmental and policy support* for sustainable tourism in the first place” [15, pg. 215]. As such, there is no wonder then that Malaysia has reported spectacular growth of incoming tourism over the last years: 50% up in 2004 compared to 2003 [1] and ranking the 13th global market as international tourist arrivals.

Other amazing examples of successful public-private partnerships, at national scale, are Dubai and Singapore [16].

3. Hospitality industry, between global tourism and local culture

In developing countries, when the pace of tourism development is high and use of resources accordingly, development crisis might appear (for different reasons as shortage of resources or pollution). In this case, the intervention of government is also important: adequate legal framework and mechanisms for the sustainable development of natural reserves should be designed and implemented – in order to avoid this type of crisis [17]. Hence, besides the original conflict between private business and public administration (conciliated by public-private partnership):

Conflict no. 1: *local tourism business’s interest to make profit (on short term) vs. global interest for natural resources, environment and sustainable development.*

As presented, the development of global economy, in general, and, particularly, tourism industry stimulate the hospitality potential and have snowball effect. As the demand for these services increases, new hotel and restaurant businesses are created by entrepreneurs that follow the opportunities by all means [18, 19]. These new firms are better or worse managed, according to the business owners’ level of business understanding or even business ethics and social responsibility. Therefore, the side effects of the development are not always beneficial [20]. The slow response towards integrating responsible environmental considerations into tourism planning and development indicates the need for a

collective and conscious effort of all tourism businesses, governmental policymakers and planners as well as the key stakeholders [21, pg. 207-208].

Conflict no. 2: *local entrepreneur's interest to make profit (on short term, frequently) vs. global interest of the society (on long run, generally).*

As a rule, in hospitality industry, large H&R⁴ companies are global and small hotels and restaurants are local. The globalisation tendency is present in tourism and hospitality industry as well:

Conflict no. 3: *local SMEs in hospitality industry vs. general globalization trend in tourism industry.*

While dealing with international tourists, large companies and SMEs behave differently.

SMEs⁵ constitute over 90% of Europe's tourism enterprises [22]. Their particular interest is on impact of globalization, new technology, and – in case of transition economies (as Romania) – efforts under way to *build an enterprise culture*.

Conflict no. 4: *poor business culture of local SMEs vs. global business culture – including advanced business management and marketing methods used in global tourism industry.*

By its nature, the incoming tourism is global and small businesses in hospitality industry are local. Hence:

Conflict no. 5: *local small business in hospitality industry (as service provider) vs. global tourism (as client).* This conflict is not business conflict (as they are service provider and client) but *cultural*.

The competition in global market is so fierce that new entrepreneurs in hospitality industry have to cope with, adapt, and sometimes try to literally copy (or even steal – when under intellectual property rights) fragmented bits and pieces of methods, instruments or practice. Incomplete information, understanding or use might have hilarious or devastating results. The globalization process makes the marketing and promotion key-factors for H&R businesses to succeed, while the budgets are larger and larger. The use of similar marketing methods and instruments and even promotion messages is tricky – because, amid the commonality, different people have their own specificity.

Conflict no. 6: *local country culture vs. mix of foreign cultures associated to global tourism (languages included).*

In addition to all above, in food and beverage business:

⁴ H&R = Hotel and Restaurant

⁵ SMEs = Small and Medium-sized Enterprises

Conflict no. 7: local culinary tradition vs. other culinary practices and consumer behaviours present in global tourism industry.

Even they are not at war, each of the above conflicts requires thorough analysis and case-by case conflict solving. Many times, they are principle-conflicts and the solution is in people only.

The conflict resolution, at a given time – in a given cultural environment and legal framework – may not be “one size fits all” cases. Anyhow, in all cases, concerted with government policies, the solution is enlarged business culture – by building up a sound education system in tourism and hospitality industry and developing specialized professional business services as consulting and training.

4. Limits and extensions

This paper is part of larger study on tourism and hospitality industry – conducted in Malaysia and Romania. Further development is expected on tourist spending structure, correlations between different tourism indexes – in their dynamics, and conflicts in hospitality industry and the corresponding solutions – sustained by cases and examples from Malaysian and Romanian businesses active in hospitality industry. Such positive and negative examples, “do”s and “don’t”s in hotel and restaurant businesses might be developed and become best practice.

5. Conclusions

The development of the global economy, in general, and, particularly, tourism, stimulate the potential of local hospitality industry. As emerging economies, Romania and Malaysia have significant potential for the development of tourism industry but the international tourism is better developed in Malaysia – measured both as number of international tourist arrivals and international tourist receipts value.

According to the TTC index, Romania and Malaysia have significant potential for developing their tourism and hospitality industry, thanked to their natural resources and cultural heritage. However, the natural and cultural resources are not enough; clear national strategies are needed, associated with coherent legal framework, solid investments in tourism infrastructure, IT&C, and financial services. Romania and Malaysia, both emerging economies having comparable human, cultural and natural resources, present different tourism attractiveness because of different regulatory framework, and business environment and infrastructure. Malaysia is more competitive and its market more attractive for foreign tourists.

As far as factor analysis, Malaysia's strengths are significant: government efforts to reduce risks from pandemics and prioritize sustainable development of tourism industry. Malaysia presents a similar but stronger point than Romania as far as *tourism fair attendance* and *effectiveness of marketing and branding is a lot better than in Romania*. Reversely, the two Malaysian weakest points correspond to the absolute advantages of Romania: primary education enrolment and risk of malaria and yellow fever.

The side effects of the development are not always beneficial. This is why the emerging economies need strong national strategies to stimulate and boost their tourism and H&R sectors, in sustainable manner.

Development of the hospitality industry in emerging countries evolves between global tourism and local culture, and may generate clashes between global and local forces. Each of the above conflicts requires thorough analysis and case-by case conflict solving. Therefore, there is a strong need to develop a thorough business management and marketing culture in this sector. Concerted with government policies, building up a sound education system in tourism and hospitality industry, the specialized professional business services, as consulting and training, should play a major role.

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