

Chapter 8

The Competitiveness of the European Union Tourism Industry

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ABSTRACT

The competition is increasing in the tourism and hospitality industry worldwide, and the market is demanding higher levels of service, productivity, value, staff motivation, training, and improved customer relationships. Europe is without discussion the world's most important tourism market. In this chapter, the competitiveness of the tourism industry in the European Union is examined. Firstly, competitiveness in the tourism industry and factors determining destination competitiveness are discussed. Secondly, key characteristics and competitiveness of the European Union tourism industry are analyzed. Then the tourism in Europe is investigated in eight key areas. Each of these key areas is examined through Eurostat statistics and reports. SWOT Analysis of the European Union Tourism Industry is carried out. Finally, the challenges that the outcomes of the SWOT Analysis bring out for the European Union tourism industry in order to enhance competitiveness are discussed.

INTRODUCTION

Tourism is one of the world's biggest industries. It is considered one of the most important export industries (Shahin & Dabestani, 2010). Tourism sector is a diverse group of businesses and their clients that includes the airline industry, travel agents, tour operators, car rental companies, convention organisers and resorts, to name just a few

(de Freitas, 2003). Also, it has been both a cause and beneficiary of the prolonged period of economic growth seen in recent decades. The rapid growth of the industry has gone hand in hand with increasing diversification and competition among destinations (Ritchie & Crouch, 2003; Dwyer & Kim, 2003; Enright & Newton, 2005). The competitiveness of tourist destinations becomes increasingly important to countries that intend to

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control a large share of rapidly growing tourism market. The aim of this study is to identify the competitiveness of the tourism industry in the European Union through SWOT Analysis by the help of Eurostat statistics.

BACKGROUND

Dube et. al. (2001) state that what distinguishes the most successful firms is their ability to exceed their fare market share by engaging in a relentless search for what Porter has called operational effectiveness. He defined this as the ability to deliver 'more value' to the customers (competitive effectiveness) and to produce that value at a lower cost (operational efficiency). The process is dynamic and requires an accurate awareness of customer needs and industry practices. The industry's intense competition demands greater concentration on capital to enable a company to achieve market dominance. Another related factor that promotes constant improvement in the tourism and hospitality industry involves the realities of today's stock market. Since so many hotel chains are publicly traded, companies to show continual improvement in financial performance, hotel chains must find ways to compete more effectively.

Many writers agree that services marketing is different and usually more difficult to manage than product marketing due to the four distinct features of services: intangibility, variability, inseparability of provision and consumption and perishability.

There are three distinctive characteristics of the tourism and hospitality industry: intricate relationship between corporate and property-level operations and management in the industry, the experiential nature of the product and the presence of the customer at the core of service process (Dube et. al., 2001). They also state that customers' evaluation of a hotel and their decision to patronize it depend less on what services are provided but rather more on how the firm goes about delivering on the many aspects of the

service being purchased. That is organization and operation of the staff, the information systems, the facility configuration, the hotel environment and other resources are all part of the product the customer is purchasing and each is important to customer satisfaction and retention.

Service quality has been increasingly identified as a key factor in differentiating service products and building a competitive advantage in tourism (Hudson and Miller, 2004).

Quality in tourism-related services, like services in general, is basically about balancing customer perceptions and expectations. Consumer's attitudes or judgements resulting from comparisons by consumers of expectations of service with their perceptions of actual service performance (Lewis & Booms, 1983; Mackay & Crompton, 1990; Bhat, 2012).

Tourism cuts across many activities: services to tourists include hotels and other accommodation, gastronomy (for example, restaurants or cafes), transport operators and a wide range of cultural and recreational facilities (for example, theatres, museums, leisure parks or swimming pools). In many regions geared to tourism, retail and other services sectors also benefit considerably from the additional demand generated by tourists. Additionally, service quality is also a way of thinking about how to satisfy customers so that they hold positive attitudes toward the service they have received (Ostrowski et. al., 1993).

FACTORS DETERMINING COMPETITIVENESS IN THE TOURISM INDUSTRY

Improvement of service quality and tourist satisfaction has become a necessary strategy in making destinations more successful and competitive in recent years. According to Echtner and Ritchie, 21 destination image derives from perceptions of certain common functional characteristics such as price levels, transportation, infrastructure, types

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