

UDC 338.488.2(497.7)

ACCOMMODATION CAPACITIES IN MACEDONIA AS A FACTOR FOR COMPETITIVE TOURISM SUPPLY

Biljana Petrevska*, Ph.D

"Goce Delcev" University – Stip,

Faculty of Tourism and Business Logistics – Gevgelija, Macedonia

Abstract

Creating an adequate tourism supply which will meet the demand is a challenge for every country that seeks a planned tourism development. Tourism infrastructure is an essential part of the tourism supply and must be projected on a thorough analysis of the tourism demand. This paper argues the necessity of initiating measures and activities for enhancing tourism competitiveness in Macedonia. The recommendations stemmed from detailed calculations as a base for analyzing accommodation capacities, measured by the number of hotel beds and hotel rooms in Macedonia for the period 1990-2010. In that respect, their optimal number is estimated by employing the standard formulas. The results pointed to a significant over dimension of current hotel accommodation supply in Macedonia.

Key words: Tourism; Accommodation capacities; Competitiveness; Macedonia.

Introduction

One may argue that tourism in Macedonia is far behind the competition due to the lack of overall concept for development, as well as adequate general economic policy, especially development policy for supplementary sectors necessary for tourism follow-up development. The presence of uncoordinated activities, the lack of organisational forms functioning on horizontal and vertical line, unclear set of goals, aims and field of interest within the public, as well as the private tourism sector, resulted in poorly developed tourism in Macedonia. In order to cope with all serious challenges, obstacles and difficulties, Macedonia has just recently started to work on creating the foundations for increasing its competitiveness in tourism (USAID, 2006).

*) Address: Krste Misirkov bb, 2000 Stip, Macedonia, e-mail: biljana.petrevska@ugd.edu.mk

Consequently, all the efforts and attempts undertaken are directed toward promoting Macedonia as an attractive tourism destination. On one hand, tourist destination means temporary location whereas new travelling experiences may be gained, representing attractiveness of a certain destination (Leiper, 1979). On the other hand, attractiveness may be evaluated in many different ways, such as: from the point of view of emotions, experiences, adventures and satisfaction of tourists (Hu and Ritchie, 1993), with respect to the meaning of tourism attractions and business environment (Enright and Newton, 2004) or, by evaluation of different supporting factors which create tourism supply (Uysal, 1998; Dwyer and Kim, 2003). For instance, initially, the concept of tourism competitiveness was related to prices (Dwyer et al., 2000), and later on, econometric models were used for the purpose of ranking (Song and Witt, 2000). Additionally, it is highly believed that competitiveness determines the success of a sustainable tourist destination (Ritchie and Crouch, 2003). Undoubtedly, the most comprehensive approach is the one which, beside the competitive advantages, takes into consideration the comparative advantages as significant factors which determine tourism competitiveness of a certain destination (Ritchie et al., 2001). There is a variety of definitions and approaches, none being correct or false, but rather helpful in formulating hypothesis for proving different aspects of tourism destination competitiveness (Mazanec et al., 2007).

In the changing environment, it is especially important to define properly the role of government in giving the tourism an appropriate treatment, as a possible tool for achieving positive economic results. The role of the government is particularly crucial in the implementation of the tourism development plan in order to achieve sustainable growth of tourism industry. It can be accomplished by different measures and activities for supporting the international tourism or, by redirecting domestic tourists towards domestic tourism destinations. In both cases, it is fundamental to look at two particular issues: (1) tourism promotion and (2) appropriate tourism supply.

THE COMPETITIVENESS OF MACEDONIAN TOURISM: AN OVERVIEW

In Macedonia, the budget expenditures allocated for the implementation of the Programme for tourism promotion are very modest, though their constant increases every year. For instance, approximately 100 000 EUR were scheduled for tourism promotion in 2005 (Government of Republic of Macedonia, 2009), and another 120 000 EUR were spent in 2011 (Government of the Republic of Macedonia, 2010). The need for more efforts in the field of tourism promotion in Macedonia is illustrated by the fact that Macedonia has been ranked low on the list of the most attractive destinations for travel and tourism, issued by the World Economic Forum. So, in 2007 Macedonia was ranked as 83rd out of 124 countries. In 2008, it was placed at the same position, but this time out of 130 countries. In 2009, a small progress was made, i.e. Macedonia was ranked 80th out of 133 countries (Blanke and Chiesa, 2009, p. 31). Finally, a slight improvement was made in 2011, when Macedonia was ranked at the 76th place out of 139 countries. However, it should be mentioned that the majority of the countries in the region are significantly better ranked than Macedonia: Slovenia – 33rd place, Croatia – 34th place, Montenegro – 36th place, Bulgaria – 48th place and Albania – 71st place (Blanke and Chiesa, 2011, p. xv). Concerning the neighboring countries, only Serbia, and Bosnia and Herzegovina are ranked lower than Macedonia.

If we make a detail analysis of all indicators concerning certain sub-indexes, many interesting concluding remarks emerge, in particular with respect to: travel and tourism regulatory framework, tourism business environment and infrastructure, tourism human, cultural and natural resources etc. For the purpose of this paper, we refer only to the tourism infrastructure index, which is categorized within the business environment and the necessary infrastructure for tourism and travel development. Thus, tourism infrastructure of Macedonia, which is essential part of the tourism supply and represents its appropriateness, has a score of 3.8, being ranked at the 69th place out of 139 countries (Blanke and Chiesa, 2011, p. 256). In this framework, it should be emphasized that hotel rooms are ranked at the 72nd place (Blanke and Chiesa, 2011, p. 257). It is also noticeable that this segment is not included in the list of competitive advantages of Macedonia, which is supported by the calculations presented in the next sections.

METHODOLOGY

Calculating accommodation capacities in Macedonia is undertaken in order to present (in)appropriate tourism accommodation supply. The main conclusions of the presented calculations should initiate, among all key actors responsible for the tourism policy, the urgent need for carrying out measures and activities for enhancing tourism competitiveness in Macedonia.

The calculations are based on the average values regarding the number of tourists and the average length of stay in all hotels in Macedonia. So, the data set does not cover the small accommodation facilities (motels, tourist camps, private accommodation etc.). The sample is spread over the period from 1990-2010, thus covering 21 years (State Statistical Office, 2011).

The working hypothesis applied in the calculations is the economic presumption that the accommodation capacities must be projected upon a detailed analysis of the tourism demand in order to accomplish optimal business results. In other words, it means obtaining optimal degree of capacity utilization with minimum costs, thus achieving maximum income.

The calculation of accommodation capacities consists of two mutually correlated calculations. The first calculation deals with the demand for beds, and the outcome serves as a data base for the next calculation, which refers to the required number of hotel rooms. Such mutual interrelation is obvious due to the fact that these two calculations are complementary and represent the two sides of a coin.

The calculations are based on application of standard formulas for forecasting tourism accommodation capacities, which may be applied in each tourism market separately, as well as for certain types of accommodation (European Commission – Eurostat, 2007). The aim is to determine the real need for total accommodation in a tourist destination.

Hence, the required number of beds is estimated by means of formula (1):

$$\text{Number of beds} = \frac{\text{number of tourists in certain time period} \times \text{average length of stay in overnights}}{\text{number of nights spent in certain time period} \times \text{percent of capacity usage}} \quad (1)$$

The second calculation, which is complementary to the previous one, refers to the need for hotel rooms and it is based on the formula (2) for estimating the demand for rooms:

$$\text{Number of rooms} = \frac{\text{number of demand for beds}}{\text{average usage of room (person per room)}} \quad (2)$$

In order to obtain accurate results, two variants are applied regarding the average room occupancy:

- We presume 75% of average room occupancy, which can be treated as optimal rate of utilization; and
- We presume 60% of average room occupancy, taken as a minimum rate which assures cost-effectiveness of hotels.

As a result to the fact that tourism demand may not be met completely during the main tourist season, the calculations should be made with some acceptable occupancy rate. In that respect, the rate of 62% is set as internationally accepted average room occupancy, which is the most economically efficient rate for hotels (Horwath Consulting Zagreb, 1999).

The calculated values refer only to the hotel accommodation capacities in Macedonia, mainly due to the following reasons:

- (1) The hotels are the main and dominant factor of tourism accommodation supply in Macedonia, representing a ground for commercial tourism development in future; and

(2) Limited statistical data do not allow accurate projections of accommodation needs for other types of capacities (households, tourist camps, motels etc.).

ANALYSIS, RESULTS AND DISCUSSION

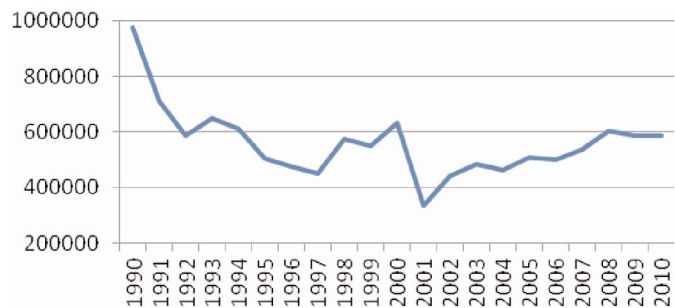
The calculation of accommodation needs in Macedonia is based on statistical data for the average number of tourists and the average number of stay in all hotels during 1990-2010.

Chart 1 reveals that the number of tourist arrivals in the sample period shows sharp downward trend due to the variety of obstacles that the newly created independent country was faced with. The total number of tourist arrivals in Macedonia during 1990-2010 was 11 768 450 tourists, meaning an average of 560 402 tourists.

Chart 1:

Tourist arrivals, 1990-2010

Source: State Statistical Office. (2011).
Statistical Review: Transport, Tourism
and Other Services, Tourism in the
Republic of Macedonia 2006-2010.
Skopje, p.11.

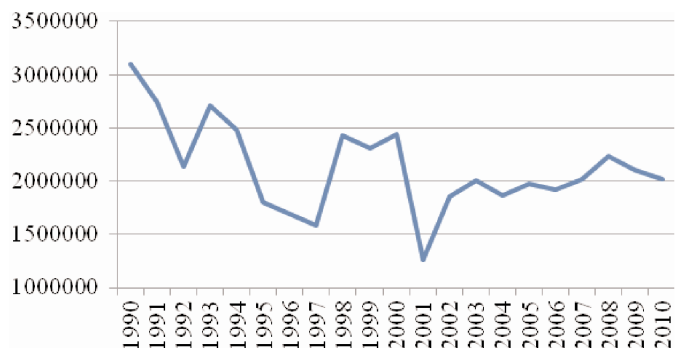


The data representing the tourist nights spent within the sample period are presented visually in the Chart 2. The same trend line being noticeable in the Chart 1 is present in the Chart 2. Moreover, the total number of tourist nights spent in Macedonia during 1990-2010 is 44 667 380 nights spent, resulting in an average of 2 127 018 nights spent.

Chart 2:

Tourist nights spent,
1990-2010

Source: State Statistical Office. (2011).
Statistical Review: Transport, Tourism
and Other Services, Tourism in the
Republic of Macedonia 2006-2010.
Skopje, p.11.

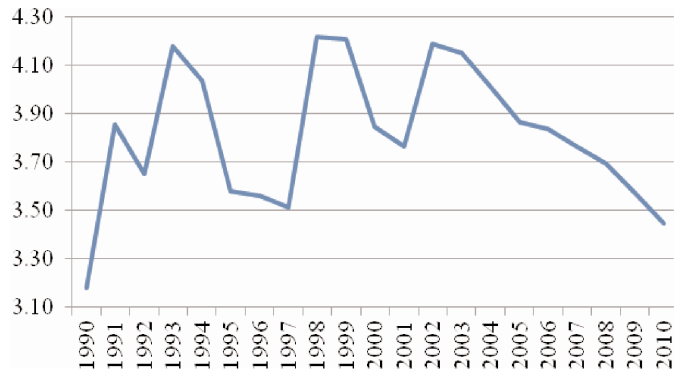


Although the economic impacts which affect the tourism development cannot be evaluated according to the length of stay in certain tourist destination, yet it is considered that longer stay implies larger tourism con-

sumption. Consequently, each country tries to identify and introduce measures and activities for extending the tourists' stay in the destination.

Chart 3:

Average length of stay in days,
1990-2010



Source: Own calculations.

The data presented in Chart 3 clearly indicate visible variations during the sample period when referring the average length of stay in terms of days, when addressing the total number of tourists in Macedonia. In that respect, the average length of stay in 1990 was 3,2 days, in 2000 - 3,8 days, while in 2010 was 3,4 days. Additional indicator that supports the conclusion for extremely limited average duration of tourists' stay in the sample period, is the fact that all tourists in Macedonia (foreign and domestic ones) stayed only 3,8 days during 1990-2010.

Table 1: Average length of stay of foreign tourists in selected countries in 2006

Country	Days
Malta	10,2
Bulgaria	8,6
Cyprus	7,4
Croatia	5,6
Spain	5,0
Turkey	4,5
Macedonia*	2,3

Source: Voithofer, P. (2006). *Tourism - Key to Growth and Employment*. Vienna, p. 14.

*Note: Own calculations.

Some previous in-depth analysis resulted with more shocking alerts stating the average length of stay of foreign tourists in Macedonia. Moreover, the comparative analysis from the data presented in Table 1, pointed out that Macedonia is far behind many countries that are tourism-oriented. Specifically, it can be concluded that foreign tourists in Macedonia are not coming due to tourism aims, but they visited Macedonia for business, diplomatic or other similar motives.

Calculating the required number of beds in hotel accommodation capacities

The first calculation refers to the required number of beds. In that respect, we employ the standard formula (1), the data regarding average number of total tourist arrivals (based upon data from Chart 1) and the average length of stay in days (based upon data from Chart 3) for the sample period 1990-2010.

The obtained results imply that 7 772 beds are needed in order to meet the average tourism demand in Macedonia under the assumed optimal accommodation capacity occupancy rate of 75%.

$$\text{Number of beds} = \frac{560\,402 \text{ tourists} \times 3.8 \text{ stay}}{365 \text{ nights} \times 75\% \text{ usage}} = \frac{2\,129\,528}{274} = 7\,772 \text{ beds}$$

In case of a minimal accommodation capacity occupancy of 60%, in order to meet the average tourism demand in Macedonia, it is necessary to have 9 724 beds on disposal in hotel capacities.

$$\text{Number of beds} = \frac{560\,402 \text{ tourists} \times 3.8 \text{ stay}}{365 \text{ nights} \times 60\% \text{ usage}} = \frac{2\,129\,528}{219} = 9\,724 \text{ beds}$$

If we make a comparative analysis of the estimated values regarding the number of needed hotel beds with the existing ones, we can conclude that there is an over dimension of hotel accommodation capacities in Macedonia. Namely, during the sample period, the hotels in Macedonia have an average of 14 581 beds (State Statistical Office, 2011), which is 1.5-2 times larger than the calculated needs.

The presence of such imbalance between the current capacities and the tourism demand is reflected in the low average hotel accommodation occupancy rate of 39% in the sample period. The calculations are made by employing the standard equation for average accommodation capacity occupancy (European Commission – Eurostat, 2007). Such a low occupancy rate rules out the possibility for efficient and profitable working of hotels in Macedonia. Also, it hampers the opportunity for offering competitive price of tourism services within the region.

Calculating the required number of rooms in hotel accommodation capacities

The second calculation deals with the needed hotel rooms in Macedonia. Based on the fact that the number of beds and the number of rooms are mutually connected and complementary in the sense that they both create the tourism accommodation supply, this calculation is based and uses the already calculated needs for beds, presented in the first calculation.

In addition, these estimates are based on the standards for average room occupancy. Namely, in a well-known hotel, that indicator is 1.7 persons per room (p/r), while in a business hotel, that factor is lower representing 1.2 p/r. At the same time, the calculation is extended with additional, third indicator of 1.45 p/r, as an average value between these two points, in order to obtain more accurate outcomes.

By analogy to the first calculation regarding the needed number of beds, in this case we carry out the calculations with both variants for average accommodation occupancy rate, i.e. 75% and 60%.

In that respect, if the average accommodation occupancy is 75%, the calculations show that 7 772 beds are required. Based on that number, the optimal number of rooms, calculated by formula (2) is:

- 4 572 rooms, with an average use of 1.7 p/r;

- 6 477 rooms, with an average use of 1.2 p/r; and

- 5 360 rooms, with an average use of 1.45 p/r.

$$\text{Number of rooms} = \frac{7\,772 \text{ beds}}{1.7 \text{ p/r}} = 4\,572 \text{ rooms}$$

$$\text{Number of rooms} = \frac{7\,772 \text{ beds}}{1.2 \text{ p/r}} = 6\,477 \text{ rooms}$$

$$\text{Number of rooms} = \frac{7\,772 \text{ beds}}{1.45 \text{ p/r}} = 5\,360 \text{ rooms}$$

The calculations undertaken assuming 60% average hotel accommodation occupancy rate imply that 9 724 beds are needed. Based on that figure, the optimal number of rooms is:

- 5 720 rooms, with an average use of 1.7 p/r;
- 8 103 rooms, with an average use of 1.2 p/r; and
- 6 706 rooms, with an average use of 1.45 p/r.

$$\text{Number of rooms} = \frac{9\,724 \text{ beds}}{1.7 \text{ p/r}} = 5\,720 \text{ rooms}$$

$$\text{Number of rooms} = \frac{9\,724 \text{ beds}}{1.2 \text{ p/r}} = 8\,103 \text{ rooms}$$

$$\text{Number of rooms} = \frac{9\,724 \text{ beds}}{1.45 \text{ p/r}} = 6\,706 \text{ rooms}$$

The above calculations produce opposite conclusions depending on the initial assumptions behind the calculation. On one hand, the comparison between the projected optimal hotel capacities and the current ones imply that there is an over dimension. On the other hand, working under more conservative assumptions, the calculations show that there is a room for capacity enlargement.

So, within the sample period 1990-2010, the average number of hotel rooms in Macedonia is 6 748, which is 1.2 time larger than the projected optimal needs based on ideal working conditions: 75% of average capacity occupancy rate and 1.7 p/r.

However, the second calculation, based on the average capacity occupancy rate of 60% and 1.45 p/r, produces results that are closer to the current number of hotel rooms in Macedonia. In addition, the calculations show that there is a possibility for increasing the existing number of hotel rooms for 18%. However, this conclusion applies only when the hotel capacities work with minimum cost-effectiveness rate of 60% and with an average occupancy of 1.2 p/r.

CONCLUSIONS AND RECOMMENDATIONS

The tourism in Macedonia should be observed in a broad, macroeconomic framework as the only way for creating an analytical framework for identifying all tourism impacts with a special emphasize on the economic effects. Therefore, certain preconditions must be created in a sense of strengthening the cooperation between all key actors in tourism. Although significant efforts have been made in promoting tourism potentials of Macedonia, yet the modest and limited budget is the biggest obstacle in achieving greater competitive advantages. As a result, the last Travel & Tourism Competitiveness Report for 2011 ranked Macedonia at the 76th place out of 139 countries.

Creating sufficient tourism supply which will meet the foreseen tourism demand is a challenge of every country that seeks a planned tourism development. This study found out an extremely limited average duration of tourists' stay during the sample period 1990-2010 of only 3,8 days. Moreover, the comparative analysis of the estimated values regarding the number of needed hotel beds with the existing ones, pointed out to an over dimension of hotel accommodation capacities in Macedonia. Namely, the hotel beds in Macedonia are 1.5-2 times larger than the calculated needs for beds. The presence of such imbalance between the current capacities and the tourism demand is reflected in the low average hotel accommodation occupancy rate of only 39%. Consequently, Macedonian hotels lost the possibility for efficient work as well as the opportunity for creating competitive tourism prices in the region. The calculations regarding required number of hotel rooms produced opposite conclusions depending on the initial assumptions behind the calculations. On one hand, the comparison between the projected optimal hotel capacities and the current ones implied an over dimension of 1.2 times (75% of average capacity occupancy rate and 1.7 p/r). On the other hand, working

under more conservative assumptions and with minimum cost-effectiveness rate (60% and 1.2 p/r), the calculations showed that there is a room for capacity enlargement of 18%.

However, the calculated values can serve as a starting point for initiating more serious analysis, which may provoke the need for undertaking measures and activities for supporting and enhancing tourism development in Macedonia.

REFERENCES

- Blanke, J., & Chiesa, T. (2009). *The Travel & Tourism Competitiveness Report 2009: Managing in a Time of Turbulence*. Geneva: World Economic Forum.
- Blanke, J., & Chiesa, T. (2011). *The Travel & Tourism Competitiveness Report 2011: Beyond the Downturn*. Geneva: World Economic Forum.
- Dwyer, L., & Kim, C. (2003). Destination Competitiveness. Determinants and Indicators. *Current Issues in Tourism*, 6 (5), 369–414.
- Dwyer, L., Forsyth, P., & Rao, P. (2000). The Price Competitiveness of Travel and Tourism: A Comparison of 19 Destinations. *Tourism Management*, 21 (1), 9–22.
- Enright, M. J., & Newton, J. (2004). Tourism Destination Competitiveness: A Quantitative Approach. *Tourism Management*, 25 (6), 777–788.
- European Commission – Eurostat. (2007). *Regional and Urban Statistics*.
- Government of Republic of Macedonia. (2009). *National Strategy for Tourism Development 2009-2013*. Skopje.
- Government of the Republic of Macedonia, Ministry of Economy. (2010). *Program for 2011*. Skopje.
- Horwath Consulting Zagreb. (1999). *Horwath Hotel Industry Survey Croatia*. Zagreb.
- Hu, Y., & Ritchie, J. R. B. (1993). Measuring Destination Attractiveness: A Contextual Approach. *Journal of Travel Research* 32 (2), 25-34.
- Leiper, N. (1979). The Framework of Tourism: Towards a Definition of Tourism, Tourist and the Tourist Industry. *Annals of Tourism Research* 6 (4), 390-407.
- Mazanec, J. A., Wöbel, K., & Zins, A. H. (2007). Tourism Destination Competitiveness: From Definition to Explanation? *Journal of Travel Research*, 46, 86-96.
- Ritchie, J. R. B., Crouch, G. I., & Hudson, S. (2001). Developing Operational Measures for the Components of a Destination Competitiveness and Sustainability Model: Consumer versus Managerial Perspectives. In J. A. Mazanec (Ed.), *Consumer Psychology of Tourism, Hospitality and Leisure* (pp. 1–17). Wallingford: CABI Publishing.
- Ritchie, J. R. B. & Crouch, G. I. (2003). *The Competitive Destination: a Sustainable Tourism Perspective*. Oxon, UK: CABI Publishing.
- Song, H., & Witt, S. F. (2000). *Tourism Demand Modeling and Forecasting, Modern Economic Approaches*. Amsterdam.
- State Statistical Office. (2008). *Statistical Review: Transport, Tourism and Other Services*. Skopje.
- State Statistical Office. (2011). *Statistical Review: Transport, Tourism and Other Services, Tourism in the Republic of Macedonia 2006-2010*. Skopje.
- USAID (2006). *Evaluation Report for Macedonian Competitiveness Activity*. Skopje.
- Uysal, M. (1998). *The Determinants of Tourism Demand: A Theoretical Perspective, The Economic of the Tourist Industry*. London: Routledge.
- Voithofer, P. (2006). *Tourism - Key to Growth and Employment*. Vienna.