



## The Conditions of Economic Efficiency and Competitiveness of Tourism Enterprises

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### ABSTRACT

The transition to a market system of management in Russia has put a lot of tourism enterprises in a predicament when the competition forces them to look for new ways of survival, use of competitive advantages and provision competitiveness of tourism enterprises and their service. As practice shows, many Russian tourism enterprises are not ready for active competition, for most of them, the management of competitiveness cannot be referred to and does not act as a standalone system or subsystem in the management process. Despite having a large database and various methods of comprehensive analysis of enterprises (both in Russia and abroad), statistics of tourism enterprises do not currently offer their competitiveness assessment methods. The specific questions of measuring and competitiveness forecasting in terms of competitive market of various properties are not quite adequately developed, there are no well-defined method for competitiveness forecasting of various industrial classification enterprises. The competitiveness of tourism enterprises in the terms of competitive pressure increase is increasingly predetermined by internal and external competitive advantage of territorial subject. If the formation of internal competitive advantages depends on the competitive potential of tourism enterprise, the effectiveness of its management, the formation of external advantages - on the level of competitiveness of a country, region and industry.

**Keywords:** Competitiveness, Economical Efficiency, Tourism

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### 1. INTRODUCTION

It is only the entrance to the market with a competitive product that enables the enterprise to survive in the competitive environment. Enterprises investing in the uncompetitive goods are doomed. There are quite a lot of scientific papers written and published on competition and the competitiveness of products each giving certain definitions.

In the literature on this issue, there are three approaches to define competition. The first defines competition as competitiveness in the market. Such approach is characteristic of Russian literature. The second approach considers the competition as an element of the market mechanism, which allows you to balance supply

and demand. This approach is characteristic of the classical economic theory. The third approach defines competition as a criterion by which the type of industry market is determined. This approach is based on the morphology of the modern market theory (Andreeva, 1997).

The most common definition of competition are given below:

- Competitiveness of business entities, entrepreneurs, when their independent actions effectively limit the ability of each of them to influence the general conditions of the goods in the market and stimulate the production of those commodities required to the consumer;
- Competitiveness in the market in terms of absence of monopoly;

- Competitive relationships between two or more economic entities of economic activity, manifested in the intention of each to leave behind the other to achieve a better result, to get a better result, drive out the opponent. By meaning, competition is a special form of fair economic struggle, in which the presence of basically equal opportunities in each of the contending parties, sees out the party being more skillful, enterprising and capable (O'Shonessi, 2001);
- Competition between the participants of the market economy for better conditions of production, purchase and sale of goods;
- Competition between market participants for the best conditions of the product manufacturing and sales;
- Competition in the market between the producers of goods and services for market share, profit maximization or achieving other specific purposes.

## 2. MATERIALS AND RESEARCH METHODS

Theoretical and methodological problems of formation of competitive advantages of the enterprises of sphere of services, including tourist services were observed in the works of domestic and foreign scientists-economists, such as G.L. Azoev, V. Andrianov, I. Ansoff, O. Vikhansky, E. Golubkova, A. Gradov, P. Zavyalov, B. Karloff, D. Lallok, E. Lavrenova, Zh. Lamben, R. Matthews, M. Porter, K. Prahalad, Thompson, R. Fatkhutdinov, G. Hamel, A. Chelenkov, etc.

As research tools there were used a comparative and systematic analysis, qualitative and quantitative study of reality as well as economic and statistical methods.

## 3. DISCUSSION

The key role of competition in the development of market economy was determined in the XVIII century by the outstanding English economist, author of the fundamental work "An Inquiry into the Nature and Causes of the Wealth of Nations" (1776) by Adam Smith in his famous principle of the "invisible hand." Adam Smith interpreted competition as a behavioral category, when individual buyers and sellers compete in the market for more profitable sales and purchases, respectively. The competition is the very "invisible hand" of the market, which coordinates the activities of its participants. According to Adam Smith competition is a mechanism by which private interests and economical efficiency are balanced, optimal distribution of resources between sectors is established and profit ratio is balanced (Porter, 2011).

Paul Samuelson, the Nobel laureate in economics, writes: "How does an economist defines perfect competition? His requirements to it are quite exact. He said that the competition is really perfect only if numerous manufacturers sell absolutely identical products such as two peas in a pod or two grains of winter wheat."

A characteristic feature of competitive market, according to R. McConnell Campbell, L. Brue Stanley, is the presence of a large number of independent sellers. In terms of pure competition, each company produces a small fraction of the total output, so the change of its release will have no appreciable impact on the overall

proposal and, consequently, the price of the product. An individual competing manufacturer "agrees with the price," without setting but adapting to it. New companies can freely enter and existing firms can freely leave purely competitive industry. To exit the industry, there are no legal, technological, financial and other obstacles.

Perfect competition is called abstract by some scientists, perfect by others and formal by still others. Markets, fully meeting the parameters of this structure, in reality do not exist (for example, the full non-interference of the state). By itself, the model of perfect competition had a great analytical value, but too much attention to the price competition did not allow revealing the essence of competitive activity (Sergeev, 2010).

Views on competition and its role in the economy had been changing, and by the middle of the XX century through the work of the classics of theory of competition (Table 1) there were developed its four classic patterns: Perfect (pure), monopoly, oligopoly and monopoly (Enis and Cox, 2001).

From the point of view of marketing theory, the concept of "competition" is based on human needs expressed in the needs specific to different cultures and people. Peter R. Dickson calls the process of making marketing decisions on the market saturated with competitors a competitive rationality. The theory of competitive rationality studies consistent marketing behavior of a company, interacting with the consumer, as a part of organization of the exchange process in the continuously developing competitive market (Peter, 2004).

Marketing solutions in the theory of competitive rationality have special features: The necessity to meet continuously growing needs, requiring from a company focused efforts to improve the product as the highest consumer value; the need to reduce costs while maintaining the quality required by consumer; desire to improve decision-making processes related to the creation of distinctive competitive advantages.

The theory of competitive rationality has two aspects - Macro and microscopic theory. Macro theory of competitive rationality determines the minimum of conditions necessary for establishing and maintaining a competitive economy: The existence of freedom of choice of the buyer and the seller, fluctuations in the rate of change of offer among suppliers and demand among the customers, as well as the desire to increase profits. Micro theory examines the root causes of competition between producers of goods and services, and on this basis, proposes methods for creating sustainable distinct advantages of an enterprise compared to its competitors.

## 4. THE ROLE OF COMPETITIVE ADVANTAGES IN THE FORMATION OF A COMPETITIVE STRATEGY OF TOURISM ENTERPRISE

Despite the dialectical unity, a competitive advantage cannot be considered identical to the concept of "competition" as it is only a single aspect of it, presented by circumstances or characteristics

**Table 1: The evolution of economic views on the theory of competition**

Founders	Year	Basic works
Perfect competition		
Adam Smith	1776	An Inquiry into the Nature and Causes of the Wealth of Nations
David Ricardo	1817	The Principles of Political Economy and Taxation
John Stuart Mill	1848	Principles of Political Economy
Karl Marx	1863-1894	Capital
Imperfect competition (monopoly, oligopoly, pure monopoly)		
Cournot Augustin	1838	Researches into the Mathematical Principles of Wealth
Francis Y. Edgeworth	1897	“The Pure Theory of Monopoly”
K. Wicksell	1901	Lectures on Political Economy
Joseph A. Schumpeter	1911	The Theory of Economic Development
	1942	Capitalism, Socialism and Democracy
Joan Robinson	1933	Economics of Imperfect Competition
E. Chamberlin	1933	The Theory of Monopolistic Competition
J. M. Keynes	1936	The General Theory of Employment, Interest and Money
Abba P. Lerner	1944	The Economics of Control
F. A. Hayek	1948	Individualism and Economic Order
Piero Sraffa	1960	Production of Commodities by Means of Commodities
P. Samuelson	1964	Economy
M. Porter	1980	Competitive Strategy
	1991	International Competition (The Competitive Advantage of Countries)

of goods (enterprise), allowing winning the competition, and determining the position in the market through customer commitment.

Competitive advantage cannot also be identified with the potential possibilities of tourism enterprise. In contrast to the possibilities having by definition the dynamic nature, competitive advantage is a fact fixed in customers’ preferences. That is why in the practice of business competitive advantages are the main target and the result of marketing activities.

It is a mistake to consider it equal to the meaning of the concept of “competitiveness.” Competitiveness is the result, fixing the presence of competitive advantage - without the latter it does not exist. But the presence of competitive advantages does not mean an automatic preference for consumer. In addition, the concept of “competitive advantage” and “competitiveness” are interpreted differently depending on the estimated object.

Competitive advantage - it is the value for consumer enclosed in the product, encouraging buying this product, in other words, those are the characteristics, the properties of the goods (services), which create specific advantage over direct competitors for enterprise (Andreeva, 1997). Consequently, the competitive advantage has a comparative, relative, but not absolute nature, since it can only be estimated by comparing the characteristics that affect the efficiency of sales in relation to the specific circumstances and reasons.

In addition, at last, a competitive advantage is an object of strategic management, the basis and target of the economic strategy of tourism enterprise, acting in a highly competitive market, as well as an element of strategic potential, which are the unique tangible and intangible resources of the economic entity (Grebnev et al., 2002).

To determine the priority areas for the formation of competitive advantages of tourism service providers it is necessary to

consider the classification of services, service management process and key strategies of demand management. The conceptual target for solving this problem in the marketing of services has long been a marketing mix (“7P” + “2P”). Its scientific and theoretical development led to the formation of the concept implemented in the theory and practice of management of marketing activity in the form of marketing cooperation (Sergeev, 2010).

Key areas of formation of competitive advantages of the service enterprises make: Innovation in the service sector, the quality of services and management services consumer behavior.

The inseparability of tertiary industries from its sales preconditions the characteristics of consumer behavior in the following four areas (Safonova, 2005).

1. Managing the interaction between the contact person of service producer (his front line) and the client. The client is a partner for the production of services. Service quality is enhanced if both the client and producer of services have knowledge.
2. Managing the interaction between the clients. Clients partly provide services for themselves, if the seller provides a place for the provision of services, as well as the necessary equipment, environment, employees.
3. Managing the interaction between the client and the physical attributes of the offered services offered by the manufacturer, its equipment and goods. What matters is physical access to location of producer of services and the corresponding perception of the premises where the service is consumed as a confirmation of the quality and professionalism.
4. Managing the interaction between the client and the system of production of services.

One of the strategic objectives in this regard is to provide a holistic service delivery process, consisting of an integrated flow of actions, rather than scattered individual events.

The main component of non-price competition in the market is to create competitive advantages based on the quality of services provided (Bogoviz and Mezhev; 2015). Satisfaction and value - the essence of thing is purely subjective. Consequently, the equivalent of exchange depends on the individual internal evaluation criteria of quality of services, which, in turn, are subject to change in time, i.e., the exchange results revaluation. Exchange actually cannot take place without evaluating the quality of services. It can be said that the evaluation of the quality of services is born in the exchange involved in the exchange and preconditions the exchange. That is, these concepts co-exist in the organic unity, in a functional continuity. The specified property of continuity, as a statement of functional and semantic relationship between these concepts is crucial for the use of the term “exchange-evaluation act.”

Since the evaluation of quality of services depends largely on the perceptions of the parties, the exchange-evaluation act is communicative interaction of perceptions. And the fact of exchange is possible only if there is a certain area in the communication, common for the both parties of exchange-evaluation act. Area, which can be called a zone of complete or partial coincidence of perceptions of parties or intersection.

The basis of the mechanism of formation of the perception of the consumer is a constant process of identifying the continuous sequence of information influences coming from his environment. That is, perception is the process of selection, storage and use by consumer of the information from multiple images, sounds, sensations and experiences.

Based on the above, it is possible to highlight the approach, by which the capabilities of the enterprise to gain a competitive advantage in its relations with customers can be accurately assessed, as well as the overall dynamics of the company activities identified and its position on the market with competitors compared (Gorshenin, 2011) (Figure 1).

In accordance with Figure 1, when deciding on the direction of development of service enterprise, the following shall be provided: A systematic approach to deal with problems of forecasting, planning and management; study of the process of development of services in the dynamics; analysis and synthesis of promising new perspectives in the development of the service sector; consideration of the specific object of study; comparison of alternatives for solving the problems to identify the optimal (from the point of view adopted by the criteria of effectiveness) development strategy. The relationship between producers and consumers are influenced by many factors. It is important, first of all, to identify the factors that determine the stability of the interaction between producers and consumers on the basis of quality of services perceived by them.

## **5. METHODS OF ASSESSMENT AND FORMATION OF COMPETITIVE ADVANTAGES OF SERVICE ENTERPRISES**

Competitive advantages of tourism enterprise are the unique tangible and intangible resources owned by the organization,

as well as areas of business strategically important for the organization that enable it to win the competition. Competitive advantages are the high competence of the organization in the tourism industry, which gives it the best chance to overcome the competition to attract customers and maintain their commitment to its services and brand (Gorshenin, 2011).

Tangible resources (tangible assets) include logistical and financial assets of the organization that are reflected in the balance sheet. Intangible resources (intangible assets) combine qualitative characteristics of the organization, namely (Dmitriev, 2010):

- Intangible resources not associated with people (trademark, know-how, prestige, image);
- Intangible human resources (staff qualifications, experience, competence, organizational culture, management team).

In addition, the source of competitive advantages can be separate strategic directions of organization business (marketing, sales, finance, etc.), in which it succeeds. The organization will also hold a leading position compared to competitors in the case of a monopoly position in the market. Therefore, at present, many large organizations of the tourist industry are trying to capture the market through globalization and the integration of companies.

Competitiveness can be defined as a stable company's ability to maintain a position in the market of goods and services at different times, determined by the effectiveness of the organization economic potential management and the degree of implementation of its competitive advantages (Moiseeva, 2001). Management of competitiveness of enterprises requires the availability of consolidated methodological database enabling it to carry out an assessment for generation of optimal management solutions. Analysis and systematization of the existing methods allowed forming their classification (Rozhkova, 2010) (Table 2).

Subjective methods are those using data from a survey of consumers or experts; objective methods - using inputs that are independent of those conducting the assessment. In calculation methods the data are used in formulas and the measure of the competitiveness is a specific number. In estimated and graphical methods the data is used to construct the matrix, polygons, tables, etc. With the help of a priori methods of competitiveness forecasting is realized, when a posteriori methods reflect the real competitiveness. Depending on the advantages and disadvantages of these groups of methods shown in Table 3, the selection of the acceptable method is done (Rozhkova, 2011).

The analysis of the presented set of marketing methods of competitiveness assessment enables to make a conclusion on their preferential orientation in the assessment of competitiveness as a result of marketing activities, whereas the behavior of consumers is not paid enough attention to.

Summarizing the methodology for assessing the competitiveness of enterprises allowed identifying the basic criteria and sets of indicators, characteristic for many enterprises shown in the Table 4 (Tavsultanova, 2010).

Figure 1: Relations between producers and consumers

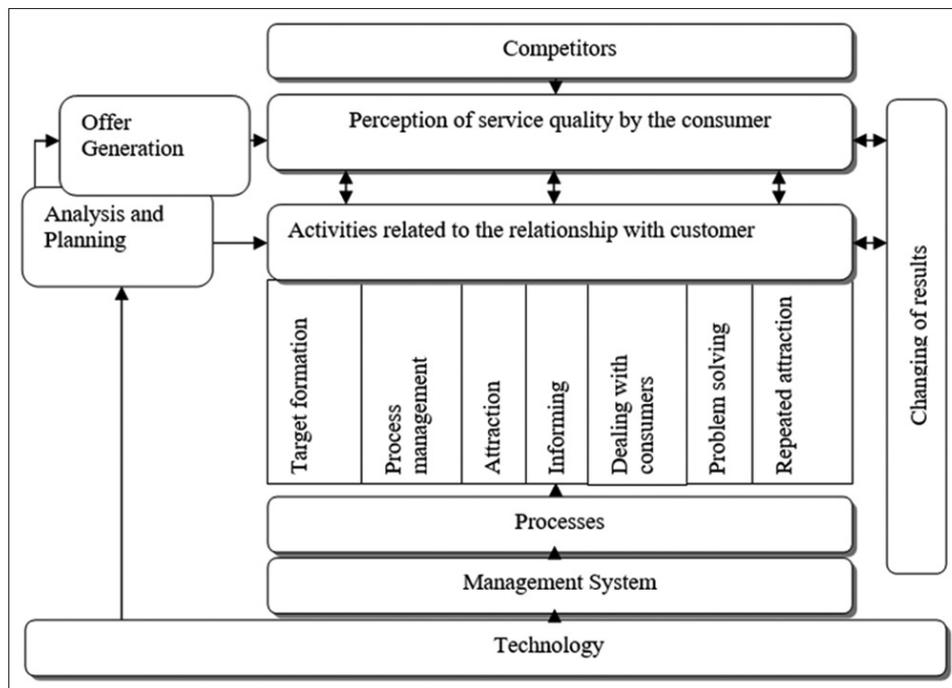


Table 2: Classification of competitiveness assessment methods

Competitiveness assessment method	Group					
	Subjective	Objective	estimated	Estimated and graphical	A priori	Posteriori
The model of “attraction of market is the advantages in the competition”	*			*	*	
The compensation and non-compensation assessment method	*		*		*	
Method of analysis of competitiveness in terms of quality and marketing metrics	*		*		*	
“Beneficial effect-price” method	*		*		*	
Analysis of competitiveness, taking into account the influence of the brand	*		*		*	
Association method	*		*		*	
Ideal point model	*		*		*	
Rosenberg model	*		*		*	
Differential	*		*		*	
Complex and integral methods	*		*		*	
BCG matrix		*		*		*
Ordered estimate		*	*			*
“Market share - growth rate” method		*		*		*
The estimation based on the market share		*	*			*

In connection with the development of technological innovation and the globalization of the tourism business, companies shall mandatory take into account the following features of the present stage of development of society to achieve and maintain competitive advantages over other organizations (Gorshenin, 2011):

- Advantages ceased to be strategic, they change under the influence of the innovation process (change of service technologies, management methods, methods of service provision, etc.). Therefore, to keep the competitive advantages, the constant innovations are required. Timing for the introduction of the latter must be equal to or exceed the terms of introduction of similar innovations by competitors;

- Globalization of business forces companies to take into consideration national and international interests;
- Country and its territory is considered by the organizations not only as the place where the company carries on its business, but also as a basis for developing the strategy. The potential of the company essentially depends on the conditions in which it carries on its business and is subject to constant changes.

Achieving competitive advantages in market conditions is impossible without marketing activities, which is a way of doing business in the hospitality industry focused on the client - The customer of recreation and tourism services. The main reason for

**Table 3: Advantages and disadvantages of competitiveness assessment methods**

Methods	Advantages	Disadvantages
Subjective	Holistic assessment by group of specified, technological, economic, marketing parameters	High probability of errors due to subjective assessments of indicators of competitiveness and standardization of coefficients of weight; the difficulty of choosing reference commodity
objective	Getting information about the sales share of the goods in comparison with competing products in a specific period of time, as well as compared to other periods	The difficulty in obtaining reliable information; the complexity of calculation in determining the market shares of competing products
Estimated	Competitiveness is expressed by a specific number, which can be easily subjected to comparison	Using a limited number of competitive indicators, most of which are subjective
Estimated and graphical	Multivariate approach to assessment; a combination of quantitative and qualitative variables	The large volume of inaccessible information; the difficulty to converse qualitative assessments into quantitative; subjectivity in assessments and standardizing of weights of competitiveness indicators
A priori	Acquiring the projected value of competitiveness, allowing to plan the activities	The prevalence of subjective indicators of competitiveness, the difficulty of choosing a group of persons, conducting an assessment of competitiveness
Posteriori	Defining the real competitiveness	Problems related to obtaining the data required for defining the competitiveness

**Table 4: Criteria and sets of indicators of competitiveness of enterprise**

Criteria	Indicators
The availability and provision of production resources	The level of provision of the main production facilities, the level of production organization, the level of innovation
The provision of material and technical resources	Sources of procurement and their characteristic the number of suppliers of goods, the nature of relationships with suppliers
Efficiency of trading activity of the enterprise	Management efficiency, cost effectiveness of total costs, efficient of fixed and current assets usage, productivity
The efficiency the financial situation	The indicators of financial activity of the enterprise (liquidity, solvency, etc.)
Competitiveness of goods and services	The quality of the goods, the price and range of goods and services, transportation and storage costs, etc.
The competitiveness of the enterprise marketing activity	The level of market researches, merchandising management level, the competitiveness of competitive companies
Human resources	Availability and qualification of personnel, personnel training, recruitment needs
Enterprise management system efficiency	The legal form of the enterprise, ownership, management system hierarchy, management standards, communication and information flow system (their effectiveness)
The availability of competitive advantages of enterprise	The unicity of enterprise, the image of enterprise, its brand value to consumers, profitability

techniques of tourism marketing. Based on this, there formed can be the list of the main ways of activities of tourist firms seeking for the increase of their competitiveness in the tourist market (Figure 2) (Barinov and Sinelnikov, 2006).

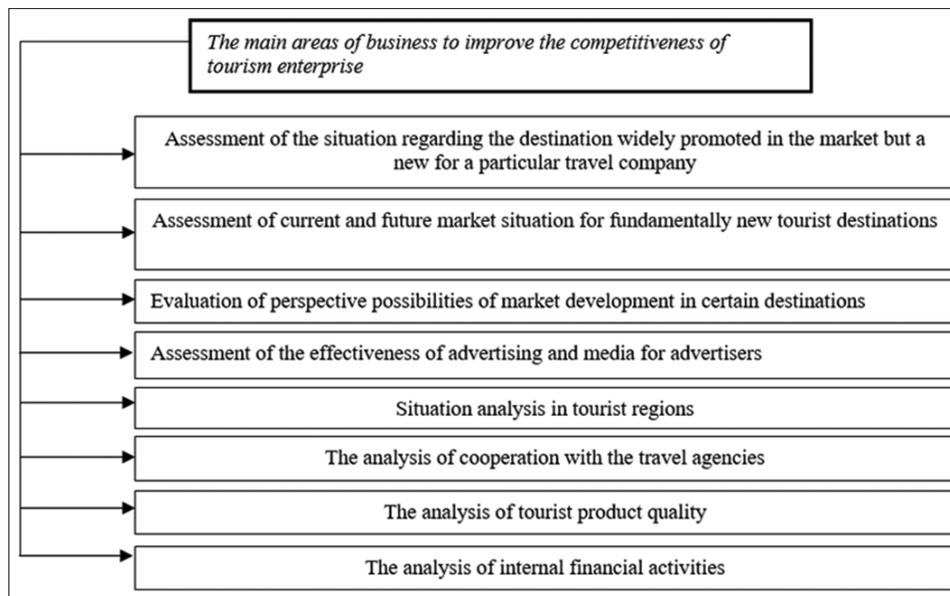
One of the main directions to form strategic competitive advantages of a tourism enterprise is to provide services of a quality higher than at the similar competitive organizations. The main point here is the provision of such services, which meet and even exceed the expectations of target clients. Expectations of consumers are formed on the basis of their experience, as well as information obtained through various channels of marketing communications. On this basis, the consumer selects a producer of services and after providing these services to him compares his impression about the service provided with his expectations. If the idea of the service does not meet expectations, the client loses interest in the service company, if it meets or exceeds expectations, he may revert to the producer of such services. The customer is always committed to his own particular appropriate price and quality of services. Another important feature of the service is the period of its execution. Very often, the perception of service by the consumer is realized through the image of acceptable terms of its performance. In this case, the time limits are more important than price, and even the reputation of the producer of service. This perception of the terms of service is more complicated than the simple evaluation of the role of the time factor. On the one hand, clients are very sensitive to the situations when they have to wait for the service performance too long.

## 6. CONCLUSION

Also, as the main proposals for improving the efficiency of tourism enterprises the following can be considered:

- The creation of new and development of existing tourism services and markets, taking into account the state of tourism (natural, historical and cultural) resources in the countries of residence of tourists;

the inefficient functioning of the majority of tourist organizations is hidden in the reluctance of managers to apply the principles and

**Figure 2:** The main areas of business of tourism enterprises aiming at increase of their competitiveness

- Improvement of system of planning and development of tourism enterprises;
- Increased attention to the security of tours offered;
- The development of cooperation between tourism enterprises, and not only with travel agents, in order to achieve understanding of the needs of potential clients, find ways to meet their needs;
- Implementation of more accurate marketing and provision of more resources for the promotion of services, search for specific groups of tourists and the organization of address information on the services offered for them;
- Increase of professional level of personnel of tourism enterprises (higher education, knowledge of foreign languages). All of these factors to some extent help tourism enterprises to be competitive in the market of tourist services.

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