Research Article

The Importance of Tourism to a Destination's Economy

Corina Larisa Bunghez

Bucharest Academy of Economic Studies, Bucharest, Romania

Correspondence should be addressed to: Corina Larisa Bunghez; corinabunghez@yahoo.com

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Abstract

Tourism represents, in the context of contemporary civilization, through its content and its role, a distinct area of activity, and a segment of essential importance in the economic and social life of the majority of countries in the world. The present work aims at the analysis of the multiple connections and implications of tourism in the economic field, as well as of the factors that determine the degree to which tourism contributes to the economy of a destination. We will show how tourism affects, through its activities and development, both the material and the human component, and we will describe the beneficial effects of tourism on the interference areas, acting as an element that stimulates progress and economic development. To illustrate these features, we will present an analysis of a micro-destination (Mamaia, Romania), highlighting all the constitutive elements of the destination and how they interact with regional and national economic structures.

Keywords: destination, economy, tourism.

Introduction

The phenomenon of tourism is one particularly complex. It has, by virtue of its activity, implications in the social, political, cultural and economic areas of activity. The sheer volume and complexity of the offer of tourist services have led to the development of travel and tourism industries. Because of this, the phenomenon of tourism should be regarded as a separate branch of the economy. This branch of the economy is closely linked with the development levels and growth of the other branches of the economy.

The diversity of activities incorporated in the tourism industry as well as the overlapping character of some of them in the structure of other economic branches makes tourism an economic branch highly based on association and interconnectivity. This determines the magnitude and complexity of the links between tourism and other parts of the economy. (Minciu, 2004)

Although travelers, having a similar motivation to that of the modern meaning of tourists, have engaged in this type of activity since the 1600s, the use of the word "tourist" is first recorded in the 1800s. (Lanquar, 1992) Tourism, in its modern form, has emerged as a
consequence of recent history socio-economic transformations. However, in its turn, this branch stimulates the development of other branches of the economy by the object of its activity. Tourism, in the economic context of the 21st century, is an essential activity in the structure of the economic mechanism and has an active role in the development and modernization of the economy and society. The importance and the economic contribution of this activity fluctuate from nation to nation. Although there are countries whose economy relies largely on tourism, its role is so well integrated in contemporary economies that the economic impact is relevant even to the less important countries in terms of tourism related activities.

Tourist destination

The destination is the place or geographical space where a visitor or a tourist stops either for a night or for a period of time, or the terminal point of a tourist's holiday, whether they are travelling for tourism or business purposes. The place or terminal point can be a country, a region, an area or a town and is an attraction where tourists can spend most of their time. (Stăncioiu, 1999) The destination represents the catalyst link that unites, maintains and drives all sectors of the tourism industry, namely transport, accommodation, food and entertainment, being a complex and specific item for tourism. (Heath & Wall, 1992)

We can categorize as destinations places separated by a real or artificial boundary, such as the physical border of an island, political boundaries and market-created boundaries. The latter may be exemplified by tours in several countries in a given region, while other countries in that particular area are being excluded on grounds of political instability or inadequate infrastructure.

The complexity consists in the fact that a destination is a product and at the same time, more products. In this respect, the concepts of micro-destinations and macro-destinations are used. Macro-destinations (countries, areas, etc.) are the sum of several destinations (regions, towns, resorts, etc.).(Stăncioiu, 2004) A macro-destination such as the United States of America contains thousands of micro-destinations, including regions, States, cities and even multiple destinations in one town. (Kotler, Bowen, & Makens, 2014) In Romania, for example, we can characterize the entire Black Sea coast as a macro-destination, while micro-destinations located here are represented by the sea resort-towns of Mamaia, Eforie Nord, Venus, Neptune, etc.

Most of the successful destinations all over the world have been developed starting from a major tourist attraction. Thus, the fame enjoyed by the town of Luxor in Egypt is due to the existence of the Pyramids and the Sphinx, in the same way that the city of Orlando revolves around Disney World. (Vellas & Becherel, 1999) The marketing of these destinations is centered upon the respective attractions, which become the destination symbol in the minds of tourists. For instance, thousands of visitors fly to Orlando and go directly to Disney World where they spend all their holiday or most of it. As such, these tourists consider their destination to be Disney World.

The tourism potential is determined by the sum of all resources (natural, human, cultural, historical, infrastructure) which, in turn, constitutes a destination’s tourist offer. (Heath & Wall, 1992) Transportation networks enable destination accessibility for visitors (tourists). Thus, transportation networks over land, rail, sea and air, that facilitate quick and comfortable destination access, are indispensable. Equally important is the existence of a well-developed transportation system inside tourist destinations in order to facilitate easy and convenient ways for tourists to travel between attractions and places of accommodation, food, recreation, etc.

Tourism development, its integration into modern economic structures, its integration into the sphere of needs and consumption of the population, are all reflected in the continuous enrichment of its content. At the same time, the increase in both domestic travel and international one and the broadening role of tourism in international economic relations as a whole, as well as in economic and social
life, have prompted the evaluation of its multiple benefits.

The Benefits of Tourism

Economically speaking, the tourist is a goods consumer and a services beneficiary. From the expenditures which he performs, a part goes directly to economic units from the tourism industry (housing, food, transportation, etc.), the other part goes into local budgets or into the State budget in the form of fees, taxes, etc., and the third part goes to other sectors of the economy for the payment of the products delivered and services rendered by these sectors in order to meet the needs of the tourism industry. Thus, tourism can support the economic development of both local community and the economy of a country, through earnings from domestic or foreign visitors.

A major benefit of tourism in stimulating economic growth is represented by the increase in the number of available jobs in that tourist destination, both directly and indirectly, within the companies which provide services necessary for tourists. The process of serving tourists appeals to a large and diversified workforce, with a varied skill profile. One of the most visible benefits of tourist activities within a destination is represented by the jobs involved in the direct administration of hotels, restaurants, stores and transportation. Support industries and professions are less visible but contribute substantially to the local economy because these trades are, more often than not, better paid than jobs from the visible category of employment, such as the staff of a restaurant. The creation of new employment opportunities generated by the development of a tourist destination results in an increase in the standard of living among the local population, which, in its turn, leads to an increase in consumer spending.

Also, a tourist destination can bring important revenues to the State budget in the form of taxes and fees paid by companies who operate around such attractions. The structure of tourist expenditure reflects the impulse given through these expenditures to sectors engaged in the accomplishment of the tourism product. The process of increasing revenue occurs primarily in those sectors, and then gradually spreads to other sectors of the national economy. This is achieved through successive entries of money coming in from tourists, which represents income derived of these sectors.

Such effects are mainly recorded in the following sectors of economic activity: sectors that provide investments in the technical-material base of tourism (construction industry, financial trusts etc.); sectors carrying out general and tourism based infrastructural facilities (road network, water supply, energy etc.); the commercial sector (development of the network of commercial and food establishments that are intended to meet tourist demand); light industry sector and related industries that produce the kinds of goods requested by tourists; food industry delivering foodstuffs, drinks, etc. for the needs of tourists; sectors providing services of a general nature that tourists benefit from (telephone, internet, laundry, hairdresser, etc.); the cultural and artistic sectors (cinemas, museums, exhibitions, etc) and sporting events frequented by tourists. (Snak, Baron, & Neacșu, 2003)

Tourism also boosts the export of local products. It is estimated that 15-20% of the total tourist expenditure is spent for gifts, clothing, and souvenirs. The extent to which these products are made in the destination area directly affects the local economy. In many tourist destinations, there are markets that sell local crafts. This provides a source of income for local producers and also creates an interesting shopping experience for tourists. (Kotler, Bowen, & Makens, 2014)

We can positively assert that the emergence of a new tourism landmark or destination exerts a positive influence on the local economy and, in a broader meaning, on the entire national economy. This process generates an increase in activity, in branches that are directly related to tourism, and also in others, by attracting and stimulating the local

workforce and boosting the production of goods and services

The multiplier effect of tourism

In addition to the direct effect generated on economic and social structures, tourism has a number of favorable indirect and induced influences on other sectors of the economy. In the following pages, we will explain these influences. We will consider, first, the results of successive transactions between firms and businesses, caused by direct tourist spending. Here, we will refer to purchases of goods and services that tourism operators make from local suppliers, and the latter, in turn, acquire goods from the producers of raw materials, and so forth. Secondly, we will mention the influences of consumer spending growth on the production of goods and services. This growth is driven by the increase in individual incomes, which is influenced by intensifying tourist flux. So, any new monetary unit coming into the economy of a tourist destination and hence in a country's economy boosts the economy repeatedly in many ways.

The economic impact of tourism as a whole is commonly known, in specialized literature, in the form of a multiplier effect. (Minciu, 2004) The multiplier effect reflects and expresses the direct link between entries in the economic system - investments- and its outputs in the form of income levels of economic activities participants. (Ciucur, Gavrilă, & Popescu, 2001) Thus, in a particular manner for tourism, the multiplier effect measures the changes produced in income levels, results, employment and balance of payments due to modification of tourist spending. (Witt, Brooke, & Buckley, 1995)

The total economic impact of tourist spending is determined by the contribution of three elements. The first is the direct impact. It measures the effects of the first round in the monetary circuit, which are derived from tourists (e.g. the ratio between restaurant expenses for raw materials, auxiliaries, staff salaries and the currency amount spent by one consumer in the restaurant). The next element is that of the indirect impact. It measures the derivative effects of additional rounds caused by the recirculation of the tourist initial monetary unit (e.g. the purchase of goods and services by firms in sectors that contributed to the supply of raw materials to the restaurant, necessary in order to provide the food services requested by the visitor). The third element is the induced (stimulated) impact. It measures the derivative effects caused by a tourism company's employees who spend a portion of their wages in other sectors (e.g. employees of a hotel spend a part of their salary to purchase clothing, food, etc. from the local trade network; owners and employees of other commercial establishments, for their part, spend a portion of their income for the purchase of other goods and services in the area in which they live and activate). Concluding, the total economic impact is equal to the effects of the direct impact plus the indirect impact, plus the induced impact of tourist spending. Hence, the tourism multiplier effect is the sum of the three impacts reported (divided) by the direct impact. (Snak, Baron, & Neacșu, 2003)

Therefore, the monetary means that a tourist initially spends enter a series of economic circuits, resulting in an increase in the volume of production and, consequently, an increase in the net income. At each new cycle the amount entered in the circuit is less, arriving finally to be insignificant due to losses after operating various expenses, such as taxes, imports, etc. Therefore, the tourism multiplier effect is characterized by the fact that an original expenditure made by a tourist passes through numerous rounds, until the monetary means concerned leave the country, or the reference area, disappearing completely from the circuit of the respective economic area.

The multiplier effect’s process therefore determines the following relationship: the more economically developed a country or a particular destination is, the more the initial tourist expenses for purchased goods and services are found in more economic circuits, thus contributing more to production and net income growth, to new investments and further development and therefore to the progress and the prosperity of that country. Accordingly, in the least developed countries, which
depend largely on foreign markets and where foreign ownership over equipment prevails, the monetary means derived from tourist revenues leave the economic circuit much faster, being used for the extinguishing of debts, for foreign imports, through repatriation of revenues, etc. Practical experience has shown that the multiplier effect of tourism takes values of 3-4 times lower in underdeveloped countries as opposed to the developed ones. (Minciu, 2004)

Taking the above into account, we can better understand how tourism has an important influence and greatly affects other branches of activity and, by doing so, generates numerous economic benefits, boosting both local and national economy.

Tourist destination management

The economic development potential of tourism activity is also determined by the nature of the environment in which it operates, as well as by managerial decisions taken by local administrators and by the Government of the country where that destination lies.

The external factors that affect the destination, such as globalization, greatly influence potential development. At the same time, the development of tourism itself can produce changes, complications, conflict and uncertainty and, in the process, create problems for analysts, designers, managers, local and regional administrators and authorities and even to the general public. (Mitchell, 2001) It is essential, in such cases, to acknowledge the importance of these forces and to adjust tourism activity accordingly, handling these situations so that they become favorable agents of positive change.

The responsibility of managing tourist destinations belongs to a large number of organizations, both public and private. These include tourism departments and ministries, as well as the Chamber of Commerce, hotels associations, environmental organizations, and more. Due to the large number of organizations involved in the management of tourist destinations, arriving at consensus in terms of approached strategies and planning, as well as regarding implementation, can often prove difficult.

An essential aspect of tourism management is represented by the ability to anticipate and manage crisis situations. A representative model for managing a crisis was developed by PATA (the Pacific Area Travel Association). It consists of four phases: reduction, readiness, response and recovery. Of these, only the first one requires an explanation. It relates to raising awareness and empathy among policy makers in order to determine the extent to which the impact of a crisis can change the tourism market and, by that, influence the economy. (Kotler, Bowen, & Makens, 2014)

Crisis are not the only difficulties encountered in the process of managing tourist destinations. Destinations that fail to maintain the required infrastructure standards or build an unsuitable infrastructure encounter major difficulties and risks. For example, the once pure and white marble of the Parthenon in Athens, a very important tourist attraction and a symbol of Greek culture and civilization, is nowadays a victim of pollution and negligence.

Another important part in the development and preservation of a destination's popularity is represented by the marketing of that destination. Most often, however, those who deal with increasing destination popularity are focusing their attention more on the development of the destination and, in the process, risk losing sight of the original attributes and characteristics that have attracted tourists to the destination in question. (Bergstorm, Yu, & Medweth, 1994)

Resort-like destinations experience a similar life-cycle to that of a regular product and, ultimately, will enter into a stage of decline or even destruction and deterioration. (Nemethy, 1990) Tourism managers should plan, organize and implement their work focusing on the establishment of a solid infrastructure that will meet the expectations of future tourist demand. This is an essential strategy in the growth phase of the destination. In some cases, sustainable tourism, in the maturity
stage of the destination, could even require diminishing the number of tourists, as a consequence of limitations imposed by available infrastructure. Tourism development has to balance the temptation to maximize revenues with the conservation of natural tourist attractions and to maintain a certain level of quality of life for the local population. This is, more often than not, difficult to achieve. Destinations that do not properly manage their activities may have a short lifetime. On the other hand, those which have a solid infrastructure are able to expand their activity and may diversify from seasonal tourism to multi-seasonal tourism, having even the capability to territorially expand. For example, the tourist destination of Aspen in Colorado has diversified its activity, expanding from a strictly winter-sports based tourism approach, to a multitude of recreational type of activities in the summer time and to other educational and cultural activities.

**Case study: The economic influence generated by the tourist destination of Mamaia, Romania**

Mamaia is a summer tourist destination situated on the Romanian Black Sea coast, on the western shore of the Black Sea. It is located to the North of the municipality of Constanța, Romania and has very few permanent inhabitants, being overcrowded in summer time.

Mamaia qualifies as a micro-destination, being a part of the Romanian Black Sea coast macro-destination. The end of World War I marks the beginning of its development. In the period after the war, the first Casino and hotel are built, followed by more hotels at the end of the '50s.

During the Communist era, the destination was frequented by a large number of foreign tourists attracted by low prices. After the 1989 revolution, Mamaia becomes a destination frequented mainly by Romanian tourists.

Every year, the Romanian seaside is visited by about 2 million tourists, of which only 1-2% are foreigners. (FPTR, 2015)

The destination of Mamaia has many places of interest for tourists. The main attractions are the Holiday Village (amusement park, restaurants, bars), Lake Siutghiol, the Telegondola, Mamaia Cliff, Aqua Magic (water park), numerous beaches, the possibility of practicing various water sports (kitesurfing, jet skiing, windsurfing, water skiing), numerous night clubs and discotheques, various annual festivals (the Romanian Folk Music Festival, Fashion TV Summer Festival, Sunwaves Festival of electronic music).

The large number of tourists frequenting the destination in summer time leads to numerous economic benefits brought to both the local community and to the Romanian economy as a whole (the resort being one of the main tourist destinations in the country).

The intense summer activity creates many jobs in hotels, restaurants, transportation services and other related activities.

The tourist destination also brings an important contribution to the State budget in the form of duties and taxes. An example of a contribution to the State budget is “Taxa de promovare a turismului în stațiunea Mamaia și Sat Vacanță” (the tourism promotion tax in Mamaia and the Holiday Village). It is a differentiated fee, established as a special tax for promoting the tourist resort of Mamaia as a tourist destination at both national and international level. It is collected from individuals, authorized agents, individual and family enterprises and legal entities operating in Mamaia (SPITC, 2015)

According to a summer season of 2014 report, Mamaia was at the top of Romania’s coast resorts, approximately over 50% of sales through travel agents being made for Mamaia. The average package value per tourist was 599 lei for the seaside macro-destination as a whole, while the medium package value per tourist was 720 lei for Mamaia. (Peșeț, 2014)

The 18-19 of July 2015 weekend recorded over 130,000 tourists being present throughout the whole Romanian seaside. Of these, approximately 40,000 chose Mamaia as their destination. In this
weekend alone, the grand total spent by those 130,000 tourists amounted to about 11.7 million euros. Of these, 4.1 million Euros have been assigned by tourists for food, 4.6 million Euros for accommodation and 2.8 million Euros for entertainment. The average sum of total daily expenditures per tourist at the Romanian seaside macro-destination hovers around 45 euros. Prices in Mamaia are above average. Here, just a restaurant meal can cost around 20 euros. (FPTR, 2015)

All of the expenditures made by tourists in Mamaia enter further into more rounds of monetary circuit (through direct impact, indirect impact and induced impact) and contribute to the economic development of the whole area. In this way, each monetary contribution made by tourists in Mamaia has economic ramifications in multiple areas of activity, both in those directly involved in supporting tourism activities, and in a multitude of related industries and services.

Mamaia includes 83 hotels of different categories, from those of one star, to the five-star hotels. Of these, only 38 hotels (40%) benefit from web pages presentation. Most hotels created in the early stages of this destination’s development currently form the 2 and 3 stars hotels group. Some hotel units were taken over or included in groups of hotels with great tradition. Such is the case of the Jupiter-Junona hotel, built in the early '50s, who, in 2005, entered under the aegis of the Golden Tulip Hospitality Group hotel chain. Hotels of 4 and 5 stars are much more rigorously managed and 60% of them benefit from a web page. (Bădescu, 2012)

An important contribution in terms of the Mamaia infrastructure is represented by investments made by the City Hall of Constanța. These include: urban amenities and public lighting; green areas maintenance (planting of trees and bushes, constructing pipes and sprinkler irrigation systems); parking and driving regulation; rehabilitation of major junctions; decorative elements placing and preservation (exotic vegetation - 47 palm trees); construction of 8 recreational facilities which include rides, pedal boats, diving, parachute, boat sailing with Catamaran and Caravelle boats; designing and building the amusement park Aqua Magic (27200 square meters of total surface area that can accommodate 2,500 people per day); assembling a complex cable transportation installation - the Telegondola (3.5 million euros investment). (PMC, 2009)

Despite the fact that, in the post-communist period, the tourist destination of Mamaia has experienced a constant increase, both in the number of tourists and in the level of infrastructure, the 2014 tourism agencies sales number show that, in contrast to previous years, the Mamaia destination is experiencing tourist demand stagnation. (FPTR, 2015)

Although tourism demand over the last two years indicates a trend of stagnation at the level of the tourist destination Mamaia, the Romanian tourism sector as a whole is in full process of development, innovation and demand growth and is in an excellent position for capitalizing future earnings. (Roth & Fishbin, 2015) The tourism sector therefore matches the landscape of Romanian economic growth and the increase in the standard of living taking place in Romania in recent years, and its direct and indirect effects on the local and national economy represent important contributions.

Globally, the tourism industry currently provides about 266 million jobs and contributes with 9.5% to the overall global GDP. In Romania, in 2013, tourism had a contribution of about 33.1 billion lei (9.9 billion dollars) to the national economy, this amount representing 5.1% of Romania’s GDP. (WTTC, 2015) From that grand total, a significant amount was contributed by the Black Sea coast macro-destination, in which the micro-destination of Mamaia is an important landmark. The touristic importance and the significant economic contributions of this destination are due to numerous investments made both by the local Council as well as by private investors. Mamaia represents an essential pillar of Romanian tourism and contributes, through the significant influx of visitors and the way in which their presence influences the monetary circuit rounds, to the regional economic

development and, implicitly, to the national economy.

Conclusions

At a global level, tourism represents a crucial economic component. The extent and economic contribution of this activity differs from country to country. There are nations whose economy is substantially supported by the local tourism industry.

Being a socio-economic phenomenon specific to modern civilization, which, in terms of its content and propagation, consists of a material component and a human one, tourism has an especially important role in the evolution of the economy and of society as a whole. It is also a globalization promoter and a significant constituent of sustainable development, its contribution to the GDP being proportional to the development level of each country.

Tourism, encompassing a diversity of activities into its content, has a multiplicative character. This explains the complexity of the links between tourism and other parts of the economy. By the fact that it creates an increase in related branches, the tourism industry, an important part of the tertiary sector, becomes a means that leads to the stimulation and growth of the economic system.

The amount of tourism contribution to a destination's economy is influenced by numerous factors, such as the degree of infrastructure development, the management abilities of local authorities and private investors, the economic development level of the destination's country and destination marketing abilities.

When taking into account all of the aspects considered above, it can confidently be said that tourism is one of the most complex industries in the world, involving, in its activity, the entire society. At the same time, tourism reflects society as a whole and can be considered a defining component of modern civilization. (Ionescu, 2000)

References


