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Original scientific paper

Biljana PETREVSKA¹⁾

**ASSESSING TOURISM DEVELOPMENT: THE CASE OF
KRUSHEVO, MACEDONIA**

Abstract

Tourism in Macedonia emerged as a major factor for regional and overall economic development, which can trigger growth and prosperity. However, some guidelines for sustainable development must be laid down in order to preserve resources, ensure complementarity between areas and define tourism development. This paper intends to assess the current tourism development, as well as to disentangle potentials for further tourism development of Krushevo, as a famous destination in Macedonia. Moreover, it brings an analyses of major problems and underlying causes, as well as describes the weaknesses that need to be addressed. The focus is put on the major opportunities for improvement, particularly formulating the sector vision of change and the vision of change for products and services, as well as the identified interventions to reach the vision of change. In order to meet the research aims, the quantitative approach is mainly used, by conducting a survey among four target groups, thus covering the demand and supply side. The overall conclusion is that the destination has profound limiting factors for tourism development. Therefore, the current marketing strategy needs an improvement in order to overcome the spotted obstacles for destination and product development.

Key words: Tourism; Tourism planning; Regional development; Assessment; Krushevo.

JEL Classification: F63, L83, O21

¹⁾ PhD, Assistant Professor, Faculty of Tourism and Business Logistics, “Goce Delchev” University – Shtip, Macedonia, E-mail: biljana.petrevska@ugd.edu.mk

Introduction

Tourism is the world's largest industry and it is a major area of interest, not just because of its size in terms of enormous number of travelers, passengers, visitors and tourists, or the size of their consumption, but also because of the enormous impact on the national economies and people's lives. Tourism has proven to be a surprisingly strong and resilient economic activity and a fundamental contributor to the economic recovery by generating billions of dollars in exports and creating millions of jobs. The international tourist arrivals reached 1,138 million in 2014 (a 4.7% increase over 2013), while the number of overnight visitors reached 1,138 million in 2014 (51 million more than in 2013). With an increase of 4.7%, this is the fifth consecutive year of above average growth since the 2009 economic crisis. This has been true for destinations all around the world, but particularly for Europe, as the region struggles to consolidate its way out of one of the worst economic periods in its history. For the upcoming period, an increase of 3% to 4% is forecasted, further contributing to the global economic recovery.

Tourism in Macedonia emerged as a major factor for regional and overall economic development, which can trigger growth and prosperity. The objective of this paper is to assess current stage of tourism development of Krushevo, as a famous tourist destination in Macedonia. In particular, the paper attempts to explore and identify the major problems and weaknesses that need to be addressed. The focus is put on the major opportunities for improvements, particularly formulating the sector vision of change and the vision of change for products and services, as well as the identified interventions to reach the vision of change. The paper is structured in several parts. After the introductory part, the paper is organised as follows: Section 2 provides a brief overview of literature addressing the issue of tourism and regional development. Section 3 provides some stylized facts on current tourism development in Krushevo, by elaborating the regional and local context. Section 4 presents the tourism market map of Krushevo, while Section 5 encompasses the analysis, results and discussion of the research. Future challenges and recommendations are presented in the final section.

1. Literature review

The concept of regional development on one hand includes the dynamics of development of specific areas, primarily understood as a regional economic development of those areas, but also regional traffic, population or environmental development. There is a large body of literature where the main thesis is grounded on the fact that regional development must be based on the exploitation of the best potentials of the regions' environmental features, and sustainable development must be based on reasonable regional development.

In this respect, the conventional view on the relationship between tourism and regional development is present in many studies (Sharpley & Telfer, 2002; Rayan, 2010; Stabler et al, 2010). Other researchers investigate the local, place-based factors that influence tourism development, and raise the question why some tourism areas develop more than others (Raina & Agarwal, 2004). Likewise, a focus is put specifically on the less developed world and by posing many assumptions about the role of tourism in development and, in particular, highlighting the dilemmas faced by destinations seeking to achieve development through tourism (Huybers, 2007; Telfer & Sharpley, 2008). Some authors even endeavor to a critical approach within a multi-disciplinary framework to relook at the complex phenomenon of tourism development (Babu et al, 2008; Ramos & Jimenez, 2008).

Tourism has seen as a 'sunrise' industry that is labor intensive, and therefore, it offers the potential to be a substantial source of employment. In short, much attention has been directed towards the economic potentials of the tourism. Due to the relationship between food and tourism, some authors underscore the significant opportunity for product development as a mean of rural diversification (Bessière, 1998). Others examine the contemporary issues and reasons for tourism development as a strategy for urban revitalization (Pearce & Butler, 2002) as well as for providing the basis for a better informed integration of tourism in regional development strategies (Sharma, 2004). Moreover, some discussions are towards various policy innovations as activities by regions in terms of tourism development, considering continuous growth within the sector (Giaoutzi & Nijkamp, 2006). Additionally, as tourism and regional development are closely linked, regions and local authorities play a key role in the formulation of policy and the organization and development of tourism (Constantin, 2000).

2. Snapshot on tourism development in Krushevo

Krushevo is a municipality located in the south-west part of Macedonia within the Pelagonia Region (Figure 1). It is situated at an altitude of over 1,350m above the sea level, being a mountainous town with the highest altitude in the Balkans.

Figure 1: Map of Macedonia with marked Pelagonia region and Krushevo

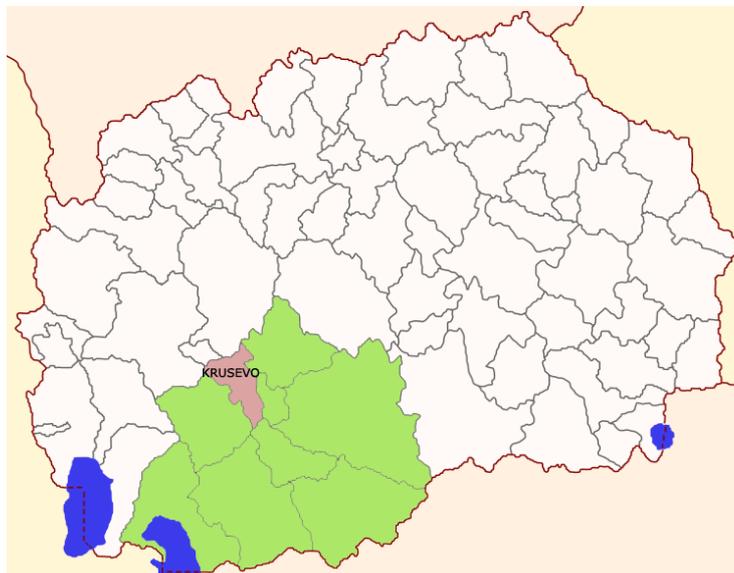


Table 1 presents the basic demographic data for Krushevo, Pelagonia region and Macedonia. The main aim is to locate the position of Krushevo within the Pelagonia region, and simultaneously identify the place of the Pelagonia region within the frames of Macedonia. According to the last estimation of the State Statistical Office regarding the population (data as of 30.06.2013) of the Pelagonia region, it has 232,367 inhabitants representing 11.3% of total population living in Macedonia. With a surface of 4,713 km² (18% of total surface of Macedonia), the Pelagonia region has the lowest density of all the regions in Macedonia of only 49.3 inhabitants/km². According to the gender structure of the population, the Pelagonia region has almost an ideal gender balance. It encompasses 11% of male and 12% of female population of Macedonia, and 11.3% of the working age population at national level.

Table 1: Basic demographic indicators for destination Krushevo, Pelagonia region and Macedonia

	Surface (km ²)	Population	Gender structure		Working age population
			Male	Female	
Krushevo*	191	9,684	4,918	4,766	3,706
Pelagonia Region**	4,713	232,367	116,392	115,975	189,136
Macedonia***	25,713	2,064,032	1,033,990	1,030,042	956,057

Note:

* Data for 2010.

** Data estimated as at 30.06.2013, State Statistical Office of the Republic of Macedonia (2014a), Regions of the Republic of Macedonia 2014, Skopje.

*** Data according to the census 2002.

Krushevo encompasses only 4.1% of the surface of the Pelagonia region and 4.2% of the total population of Pelagonia region with a density of 50.7 inhabitants/km². Compared to the Pelagonia region, it encompasses 4.2% of male population and 4.1% of female population. Regarding the gender structure of the destination, one may conclude that it has almost ideal gender balance (50.8% male and 49.2% female population).

Another specific feature of the destination is the high unemployment rate. Out of 3,706 total working population in the destination, only 1,848 are employed, out of which only 28.8% are women. In this line, the unemployment rate of the destination is 50.1%, which is far above the average of the Pelagonia region (22.2%) and from the national average (29%). On long-term basis, the unemployment rate, as a percent of the total unemployed population, is estimated at 89.5%. This leads to employment rate of only 29.9%, which is almost twice lower than the average of the Pelagonia region (50.1%) and the national average (40.6%). The employment rate in services, as a percent of the total employment, is 46.6%.

Analyses of the tourism sector data show that the total number of employees in accommodation and food service activities in Macedonia in 2013 was 18,225. The average net wage in the field of accommodation and food services activities in 2013 is 15,294 MKD (Macedonian denars) (State Statistical Office, 2014b: 38), which is significantly less than the average net wage (19,804 MKD) in the Pelagonia region for 2013 (State

Statistical Office, 2014a: 116). At national level, women are participating with 28.4% in the total number of employed (State Statistical Office, 2014c: 70).

2.1. Regional context

The regional context includes data specifics for the Pelagonia region. Concerning the tourism statistics for the region, one may note that it encompasses a constant share in the national market, in terms of rooms and beds within the accommodation facilities. Moreover, in 2013, the Pelagonia region had 3,322 rooms, which is 12.4% of total rooms in Macedonia, and 10,001 beds, representing 14.2% of all beds at national level. Referring to tourism statistics in terms of arrivals and nights spent, the region has very modest portion of the national market. Namely, in 2013, 70,312 tourists visited the region, which represents 10% of total tourists visiting Macedonia. Almost three-quarters (49,635) are domestic tourists, thus representing 16.4% of domestic tourists visiting Macedonia. Only one-quarter of the tourists that visited this region are foreign tourists (20,677), which is only 5.2% of total foreigners at national level. In 2013, the region had 162,752 registered overnights, representing 7.5% of Macedonia's total overnights. In this line, 112,637 are overnights by domestic tourists, which is 8.8% of the national tourism market. The foreign visitors have 50,115 registered overnights, which is only 5.7% of national tourism market. The average length of stay in the Pelagonia region is 2.3 days for all tourists (lower than the average length of stay in Macedonia - 3.1 day), whereas, the domestic tourists stay as long as the foreigners - 2.3 days.

Based on the facts given above, one may draw a line that Pelagonia region does not have the potential for regional development through tourism in terms of basic tourism infrastructure.

2.2. Local context

Concerning tourism statistics of Krushevo within the regional context, one may find interesting conclusions. It is noticeable that the strong and dominant position of the destination within the regional frames is stressed only in terms of domestic tourists, who are almost ten times more, than the foreigners. The destination encompasses nearly half of the total tourist arrivals coming to the Pelagonia region (55.1%),

whereas 74.1% of the total domestic arrivals (36,799) and only 9.5% of the total foreign arrivals (1,969). In the same line, the destination encompasses half of the total nights spent in the region (54.9%), whereas 72.1% are overnights of domestic tourists (81,184) and 16.3% are overnights of foreign tourists (8,147). However, one must note that the above noted figures do not represent the real picture of tourism statistics. The problems are located within the private accommodation facilities, where it is often a case when the guests are not registered, or the guests are registered, but their overnight is not registered, or even the worst case scenario, when the room-renters are not registered as official tourist subjects within the local tourism market. Therefore, a large part of more than 200 private accommodation facilities with approximately 1,300 beds are in a process of categorization. The situation is clear with the hotel accommodation capacities, where within three hotels, there are 422 beds, and additional 150 beds in the Youth dormitory “Shula Mina”. The food and beverage capacities have approximately 800 seats.

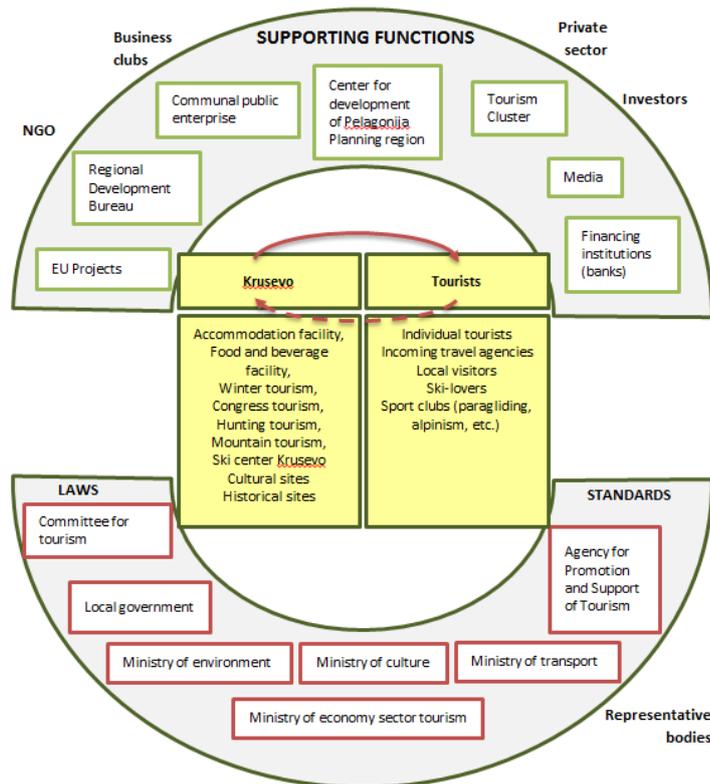
Interesting remarks may be driven in terms of the average length of stay in Krushevo. In this line, the total number of tourists who visit the destination stay in average for 2.3 days, which is exactly as the average length of stay in the Pelagonia region. Yet, one must underline notable differences in the length of stay among domestic and foreign tourists. Domestic tourists stay in average for 2.2 days (the same as the average of the region). This is almost two times lower compared to the average of foreign tourists who stay for 4.1 days (higher than the region and national average as well).

3. Tourism market overview of Krushevo

The local economic development of Krushevo during the transition process was faced with enormous negative changes. The business entities were not capable to positively complete the process of privatization, so they were closed, leading to huge unemployment rate at that time. Today, the available resources, as well as the potential opportunities for supporting local economic development are limited. The local self-government (LSG) supports various initiatives in terms of organizing events, thus contributing to diversified tourism supply. At the same time, through donor-funded projects, several strategic documents at local level were adopted (Local Action Plan for Employment, Strategy

for Local Development, Strategy for Tourism Development of Krushevo 2009-2013 and Local Ecological Action Plan). In all of them, the T&H sector was identified as the most important for the destination's development. Supplemented with the handicrafts, rural development, ecology and culture as additional strategic areas, further economic development of the destination was planned. According to the new Law on Tourism Development Zones, one zone was foreseen for the destination Krushevo. Currently, the project is still in its first phase, where the project documentation is being prepared. For the period up to 2017, it is planned that mini hotels and small accommodation facilities are built, as well as a weekend settlement.

Figure 2: Sector map of Krushevo, M4P methodology



The key providers of tourism services in Krushevo are the established networks of supply chain as well as LSG, NGO sector, formal and informal education providers and the Center for development of the Pelagonia planning region. By applying the Making Markets Work for the Poor (M4P) methodology, the sector map of Krushevo is given on Figure 2, which is hugely comprehensive. Many of the supporting functions currently present at the destination may be used in the line of supporting and enhancing sustainable development.

Generally, all tourism activities are driven by the actors from local, regional and central level. The LSG along with the Ministry of Culture supports various initiatives in terms of organizing festivals, cultural events and art exhibitions (“Krushevo Etno town”, “10 Days of the Republic of Krushevo”, “Krushevo cuisine” etc.). The municipality of Krushevo, through donor-funded projects, adopted several strategic documents at local level (Local Action Plan for Employment, Strategy for Local Development, Strategy for Tourism Development of Krushevo 2009-2013, Local Ecological Action Plan). The Agency for promotion and support of tourism in the Republic of Macedonia contributes to destination’s development by providing subventions for each attracted guest from abroad, as well as assistance for ski center development. The Ministry of Economy launched a project for private households’ categorization in terms of supporting tourism development of the destination. The Center for development of the Pelagonia planning region makes efforts for raising awareness and funds for developing tourism in the destination. The intention is to combine winter and alternative tourism and create a complex and unique tourism product. Yet, the general conclusion is that there is lack of coordination among the key market players.

4. Analysis, results and discussion

For the purpose of the research outcome, a field survey was conducted during the period 11-19 July, 2014. It included a quantitative approach by introducing a factor analysis. The data were collected by four types of tailor-made self-administered questionnaires and processed with SPSS. They were distributed in Krushevo with an overall response rate of 66.7%, while the rest of the questionnaires were incomplete and

unusable. Four target groups were surveyed with the following details on descriptive statistics:

- Target group 1: Managers/owners and employees in travel agencies. This target group encompasses 5.6% of all respondents. Due to the fact that Krushevo has only one travel agency (TA Arbo Travel), only one respondent was surveyed. The respondent has the following demographic characteristics: by working position – manager (at the same time owner and an employee); by gender – female; by nationality – Vlah; by age – 47 years;
- Target group 2: Managers/owners and employees in service facilities. This target group encompasses 33.3% of all respondents. The sample for this target group consists of restaurants - 83% and other type of food service facilities, 17% accommodation facilities. According to the working position of the respondents, the structure is: owners 67% and employees 33%. According to the gender, 83% of the respondents are male, and 17% are female. By nationality, they are all Macedonians with an average age of 36 years;
- Target group 3: Tourists. This target group encompasses 22.2% of all respondents. According to gender, 75% of the respondents are male and 25% are female. The majority of respondents (75%) are Macedonians (domestic tourists) and 25% are foreign tourists. They are all between 15-29 years of age; and
- Target group 4: Residents. This target group encompasses 38.9% of all respondents. According to gender, 86% are male and 14% are female. According to nationality, 86% are Macedonians and 14% are Vlachs. The majority of the respondents (71%) have higher education. According to the age structure, 57% are between 15-29 years and 43% are between 30-64 years.

4.1. Problems and underlying causes

Based on the field survey, several problems which could be considered as very large obstacles for tourism development of Krushevo were revealed.

The highest limitations for development of tourism supply facilities are noted according to the perception of the surveyed respondents. The owners/managers identify the access to finance as one of the top 3 limitations to the facilities' development. Besides this, the

insufficient knowledge and skills of employees, as well as the lack of cooperation with LSG are identified as the most powerful limiting factors. On the other hand, the surveyed employees in service facilities find the insufficient promotion at foreign markets, unfavorable legislation, as well as the bad economic situation in the country as the strongest barriers for their business performance. Due to the fact that tourism sector is labor intensive, an effort must be made to find qualified and skilled workers in the destination. On one hand, Krushevo has the highest unemployment rate (50.1%) within the region, but on the other hand finding qualified work force is not easy. Because of the job specifics and lack of skilled workforce, almost all tourism suppliers offer free training to their employees. The service facilities do not cooperate neither with domestic tourist agencies nor with foreign tour-operators. The lack of intermediaries in the line of increasing the market is a profound obstacle in a destination's development. Generally, no one from the supply side receives subsidies from the state. All tourism market players on the supply side agree that the LSG is not contributing enough in the line of increasing the number of guests in Krushevo. The respondents fully agree that the indifference of local officials is a very large obstacle in a destination's development.

As the most important elements that need to be addressed in line of improving the tourism development in Krushevo is the improvement of the existing accommodation facilities, followed by improving the knowledge and behavior of the employees in tourism. The need of introducing new marketing strategy, as well as establishing better coordination with the LSG is also noted as the 'hot-spots' with negative reflection.

Concerning the demand side, one may also find interesting notes. Only 20% of the visitors are foreign tourists, which lead to very modest multiplier effect in the sector. Generally, the foreign tourists come from the neighboring countries (Greece, Serbia, Bulgaria, Albania and Kosovo). The surveyed tourists identified several items in terms of missing elements on the supply side. While the domestic tourists miss cultural events as number-one item, the foreigners ranked the historical and archeological sites as the most important. Yet, both types of tourists miss natural beauties, as well as churches and monasteries regarding sightseeing activities. The traditional food is ranked as the least important in the missing list of tourism demand side, meaning that the gastronomy and production of local food is a strong side of tourism supply. Yet,

besides the problems which the destination is facing, the tourists get what they pay for, and are willing to return again and recommend the destination to others.

4.2. Core Value Chain

Upon the detailed field survey, it may be concluded that there is a presence of many challenges the destination is facing.

Tourism facilities generally are not star ranked, although being fully aware that the star-classification assists in attracting guests. Some of the service facilities are fresh on the market (up to 5 years of existence), but some have 10-15 years of experience, and an approximate yearly income in the last 2 years of up to 50,000 EUR. They are mostly small business entities (ranging from 1-8 employees). The vast majority of the employees (84%) have secondary education, and it is very rare to have employees with higher education. The number of employees with primary education, or without any degree of education is extremely small. The surveyed managers and/or owners of the accommodation and food service facilities expect an increase of the number of employees after 5 years of approximately 30%.

There is only one travel agency in Krushevo (TA Arbo Travel), managed by a female owner (employee at the same time). The agency possesses a working license type A, has five years of experience with an approximate yearly income in the last 2 years of up to 50,000 EUR. It makes arrangements for Macedonia and neighboring countries, with an average price of the most selling arrangement of up to 200 EUR. The service facilities as tourism suppliers promote their facilities and packages by using the Internet (web sites), the social networks (Facebook, Twitter and similar) and the printed media as marketing channels for promotion. Yet, they do not apply TV advertising, nor billboards and e-mails (direct selling) as marketing channels. Opposite of them, the travel agencies only use the Internet as a media for promotion and do not apply other marketing channels. Since one may expect that the contemporary modern tourists like to be informed about the destination prior to the arrival, it is necessary to develop integrated website for the destination.

The domestic tourists, coming from other places different from Skopje, are dominant in the destination. The small number of foreign tourists (only 5% in 2010) come from different countries, and stay in

average for almost twice longer than the domestic tourists do. Holiday is the main purpose of visit and in that case, the tourists stay even longer than three days. In case of being day-trippers, the purpose of visit is fun. The average daily expenditure is less than 30 EUR for food and for fun, pointing to low economic effect for the destination. The tourists travel by self-organizing trips and generally reach the destination by car or by public transport. The destination does not have a rent-a-car agency. Generally, the tourists inform themselves prior to the arrival in the destination using the Internet as medium. In case of being accommodated in private rooms, they pay the tourist tax of 0.7 EUR per night. The surveyed tourists responded that it is their priority to have good accommodation during the stay, while the hygiene and the fun elements are second ranked. The price of a tourist package is the most influencing determinant when making decision for staying in the destination. The tourists are not willing to pay 15 EUR for obtaining a card for 10-15% discount in all hotels, restaurants and museums in the destination if they stay 3 or 5 days. Only in case of staying 7 or more days, the tourists (only foreign ones!) are willing to pay for this kind of service. The overall perception of both types of tourists that the prices are acceptable encourages additional service expenditure for food, shopping and fun.

The local community perceives tourism as the most important sector for development and prosperity of the destination. The surveyed residents fully agree that the destination has potential to be developed into a tourist sight if the road infrastructure is improved and the tourism supply is enriched. They are fully ready to be involved as volunteers in organizing events for promotion of the destination (sports events in first place, and then forums for promoting tourism development).

For the development of the destination in terms of tourism, the main "season" is winter due to the natural preconditions. The utilization of the capacity within the season is estimated to 60-70%, while out of season the utilization is 20-30%. Being aware of the negative effects of the seasonality on the tourism business, tourism market players take measures and activities for overcoming it, but with modest and limited results. The destination identifies with the winter tourism, mostly based on the usage of the ski center – Krushevo. A very small portion of the "tourism" cake is obtained from congress and mountain tourism. Despite the opportunities for the destination's development by application of alternative tourism, no significant results are noted so far.

Conclusion

When drawing conclusions from the surveyed respondents on the supply side, Krushevo offers relatively good transport and tourism infrastructure (road conditions to reach the place, well-marked tourist attractions, easily accessible tourist locations, and a tourist information office). The demand side confirms this as well. The destination provides various additional services necessary for a pleasant and safe stay, like public parking plots, police patrol, fire-fighting units, emergency health care unit operational 24 hours, clean public areas, waste disposal plots, petrol stations offering all types of fuels (gas, petrol and diesel), as well as car-mechanics. The only missing spots in this line is the lack of regular public buses/van transportation to and from the destination, and the absence of sufficient number of public toilets.

However, the overall general conclusion of the research is that Krushevo, despite the identified potentials and the current achievements of tourism development, needs to undertake some strategic long-term interventions, like:

- Improvement of knowledge and skills of the employees in the tourism and hospitality sector (working place specialization, foreign languages and team work);
- Capacity building for running tourism and hospitality businesses, with special focus on funding. This intervention is for the tourism market players, employees in the tourism and hospitality sector in general, as well as the local population;
- Raising awareness for necessity of undertaking measures and activities for prolonging the season. Identifying forms for overcoming the negative shocks. This may be addressed by enhancement of the currently modest and limited tourism promotion of the destination by developing and introducing new intelligent and sophisticated approaches (mobile applications, quick-response tourism codes, tourism recommendations systems etc.).

Concerning the vision of change for services, a three-fold improvement is a must: (i) to improve current accommodation facilities as well as the road and tourism infrastructure; (ii) to improve knowledge and behavior of tourism employees; and (iii) to introduce new innovative approaches for tourism promotion and to create tourism products, events and stories to link the products.

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