

# **MARKETING STRATEGY – A STRONG BASE FOR TOURISM GROWTH AND DEVELOPMENT: A CASE STUDY ANALYSIS – REPUBLIC OF MACEDONIA**

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## **Abstract**

The National Prosperity is not inherited, it is created.

Michael. E. Porter

Tourism offers an important development and business opportunity for every national economy. In view of the current development level of Macedonian tourism and the existing development potential, tourism is positioned to become one of the leading branches of industry in the Macedonian economy, thus making a significant contribution to the country’s development objectives (competitiveness, GDP growth, employment growth, increase in the education level of tourism workers, stimulation of cultural identity, increase in the recognisability of Macedonia in the international environment). The development of our tourism is based on the construction of physical infrastructure, but the area of so-called soft development elements has been disregarded: quality in the broadest sense, development of human resources, promotion of creativity and innovation. Accordingly, the fundamental strategy must be designed so as to take into account integration at local, regional and national levels.

Key words: national economy, development potential, tourism, strategy.

## **INTRODUCTION**

Tourism offers an important development and business opportunity for Macedonia. In view of the current development level of Macedonian tourism and the existing development potential, tourism is positioned to become one of the leading branches of industry in Macedonian economy in the following years, thus making a significant contribution to the achievement of the country’s development objectives. In this context, the latter particularly relates to the achievement of the national economic objectives (competitiveness, GDP growth, new jobs/employment growth, increase in the education level of tourism workers, implementation of sustainable development criteria, balanced regional development, increase in the quality of life and prosperity of population, stimulation of cultural identity and increase in the recognisability of Macedonia in the international environment). In recent years, the development of Macedonian tourism has been based on the construction of physical infrastructure, which provides an important and necessary basis for future progress. However, the area

of so-called soft development elements has to some extent been disregarded: quality in the broadest sense, accelerated tourism training and development of human resources, promotion of creativity and innovation for the development and designing of market-attractive, innovative and high-quality, integrated tourism products (ITPs). Furthermore, the development of tourist destination management based on the public-private partnership as one of the main factors for the maintenance of competitiveness in the global tourist market has also been unsatisfactory. Tourism is an integrated activity involving all areas of economic and social life. Since tourism is integrated at the local, regional and national levels, it is necessary to consider strategic policies at the local and regional levels, which also include a number of diverse activities and development potentials. After all, Macedonian tourism is a part of world and European tourism.

## 1. ANALYSIS OF THE PRESENT STRATEGY OF MACEDONIAN TOURISM

The growing synergy of tourism and culture has been one of the major themes in tourism development and marketing in recent years. Tourism destinations seeking to distinguish themselves from their increasingly numerous competitors have turned to culture as a means of distinction, and culture has increasingly been linked to tourism as a means of generating income and jobs (Richards 2001, 24). The present strategy of Macedonian Tourism is based on a development paradigm focused on the strengthening links and cooperation according to the principle of public and private partnership in designing and implementing strategic objectives. Accordingly, the strategy defined clearly the role, tasks and responsibilities of individual partners (tourism economy, states, municipalities, civil society operators) in implementing strategic objectives.

### 1.1. SWOT Analysis of Macedonian Tourism

A SWOT matrix has been drawn up, which represents a synthesis of key strategic factors affecting the development of Macedonian tourism. Key strengths and opportunities are brought into focus. We try to address the identified weaknesses with appropriate policies and activities, and change them into strengths and change the identified threats into opportunities.

Figure 1. SWOT matrix of Macedonian tourism

Strengths	Weaknesses
1. variety of offers in a small area	1. offers not integrated
2. preserved nature, cultural heritage and rich contemporary cultural creation	2. non-recognisability of destinations and sub-destinations
3. cuisine and wines	3. lack of personnel
4. hospitality of providers and population	4. low level of quality
5. small-scale Balkan	5. lack of standardised offers
6. geographic location	6. unattractive destination for foreign investors
	7. too few small and medium-sized enterprises
	8. lack of information and research
Opportunities	Threats

1. destinations with qualitative tourist offers	1. no understanding of the government for the development of tourist activity
2. easily accessible destinations	2. no understanding of local communities for the development of tourist activity
3. destinations with out-of-season offers	3. unfulfilled expectations of tourists
4. destinations with individual offers	4. cheaper tourist destinations with similar offers
5. new destinations in Europe	5. hostile business environment with administrative barriers
6. short, repeated holidays	6. insufficient scope of development initiatives for tourism
7. destinations with diversified offers	7. non-implementation of public-private partnership
8. destination with culturally rich offers	8. insufficient cooperation of different stakeholders in the area of tourism
9. destinations with authentic offers	
10. balanced and sustainable natural destinations	
11. destinations with specialised tourist offers	
12. Internet	
13. development of tourist association	
14. participation in other activities	

It is obvious from the current situation that on one side we have more weaknesses than strengths, but on the other side there are more opportunities than threats, so it becomes clear that the solution should be development of the strategy of improvement and internal strengthening for the purpose of effective usage of the opportunities. The process of linking the strengths with the opportunities is possible through the strategy of focus on efficient processes and activities, strategy of leadership in tourism products and the strategy of better service providing to the customer than the competition. Transformation of the weaknesses and the threats can be done through development of new products/services with investments in market research and development. Minimization and avoidance of the weaknesses and the threats is possible through market niche strategy.

## 1.2. Environmental Analysis of Macedonian Tourism

### 1.2.1. Analysis of the internal environment

According to the number of guests and number of overnight stays, we have raised the percentage only for 1,5% in 2009, comparing to 2008<sup>1</sup>. Tourism receipts in the last period grew more rapidly than the number of guests and overnight stays. Revenues from tourism do not provide a good basis for strategic and operational decision-making in tourism. Therefore, it would be reasonable to employ continued (annual) monitoring of tourism activity using the internationally established tourism satellite account methodology<sup>2</sup>. The qualitative analysis includes many individual areas of tourism:

- The accommodation sector shows a low internal quality in the hotel industry. There is a need for upgrading the current classification system of accommodation. Also, there is a low average annual occupancy of accommodation capacities, with the exception of health resorts<sup>3</sup>. There is a need for more appropriate monitoring

<sup>1</sup> State Statistical Office of Republic of Macedonia. 2010. Macedonia in Numbers: 49

<sup>2</sup> Economic impact (EI) and tourism satellite accounting (TSA) are the two primary methodologies for measuring the impact of tourism on an economy. A separate methodology for measuring tourism is necessary because tourism is not an industry, but rather is made up of many industries including lodging, retail, and many others. There are several differences between the two methodologies. The TSA is a more comprehensive measure of tourism and includes not only visitor spending but also investment (construction) and government spending in support of tourism. Economic impact captures only visitor spending.

<sup>3</sup> State Statistical Office of Republic of Macedonia. 2010. Macedonia in Numbers: 48

of annual occupancies. In the last period the investment cycle in smaller accommodation capacities (apartments, boarding houses, family hotels) was unsuccessful.

- The activity in the food facilities sector are classified among the worst paid occupations<sup>4</sup>, which results in low-quality services and disinterest of younger people in this work. The categorisation of food facilities represents a major problem and no specific development initiatives were implemented in this sector in previous years. Among other, different laws and regulations restrict its development and there is insufficient investment in the education and training of employees. More should be done for the authenticity of the Macedonian gastronomic offer as well.
- The situation in the transport sector shows that it is necessary to modernise road, railway and air connections, it is necessary to improve and arrange the accessibility of public passenger transport to tourists, to improve connections between individual types of public passenger transport, particularly via transfers, the designing of a common information system and the implementation of a common ticket for the whole transport system. Tourist signposting in certain segments is poor and it must convey its content in a foreign language understandable to tourists. It is necessary to promote the development of tourism along main roads, airport and railway stations, bus stops and border crossing points. Our business opportunity is to attract foreign tourists in transit.
- The sector of travel agencies shows that Macedonian travel organisations are mainly engaged in selling travel arrangements to Macedonians and that there are not many specialised receptive agencies, however, most of them are specialised only in individual markets.

#### 1.2.2. Analysis of the external environment

The analysis of demand, competition and trends also includes the study of the business environment. There is a great lack of quality information about guests (their expectations, motives for arrival, satisfaction, characteristics, expenditures etc.). The following conclusions result from this enquiry:<sup>5</sup>

- Domestic tourists (56%: 44% in 2005) predominate in the structure of guests and tourist overnight stays.
- The number of tourists in the period January- December 2010, compared to the same period of the previous year, decreased by 0.3%: the number of domestic tourists decreased by 1.2%, while that of foreign tourists increased by 1.0%.
- The number of nights spent in the period January- December 2010, compared to the same period of the previous year, decreased by 3.9%: the number of nights spent by domestic tourists decreased by 3.7%, while those by foreign tourists decreased by 4.2%.
- Most of the foreign tourists come from the neighbor countries, decreasing as follows: Serbia, Bulgaria, Greece, Albania, Turkey, Croatia, etc.
- The most visited places (decreasing as follows) are: Mountain resorts, Skopje, other tourist resorts, spa resorts etc.

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<sup>4</sup> State Statistical Office of Republic of Macedonia. 2010. Macedonia in Numbers: 33

<sup>5</sup> Source: State Statistical Office, <http://www.stat.gov.mk/pdf/2011/8.1.11.02.pdf>

- In analysing the competition we can determine that Macedonia is not among the most popular destinations, except for Serbians. Similar tourism products are provided by the majority of Macedonia's competitors and it is difficult to be competitive in the global market. Tourists coming to Macedonia mostly go to France, Italy, Germany, Croatia, Spain, Austria, Greece, i.e. to destinations focusing on the main high season. Consequently, the analysis indicates that we should focus on smaller segments outside the main high season and become more specialised in our offer if we want to attract new visitors.
- The analysis of the social environment shows that tourism is significant for the country because it is an area of opportunity for Macedonian companies and the main instrument of national and regional development. It supports a wide spectrum of various small and medium-sized companies. It is crucial to harmonise the operation and integration of the public and private sectors, national sectors, national and local authorities into the economy and organisations of civil society. It is necessary to pursue, within the next strategic period, the improvement of existing and new legislative and implementing regulations, particularly to reduce unnecessary administrative burdens and create a more favourable environment for competitiveness and the development of tourism.
- It is characteristic of the last strategic period that the financial and business environment (unfavourable long-term bank loans and a number of administrative barriers and inappropriate and insufficient support for tourism entrepreneurs) was generally negative. The hostile business environment is also the main reason for a lack of foreign investment in the Macedonian tourism sector over the past strategic period.
- The development of information technology has a positive impact on the operation and marketing of tourist activities. It speeds up information flow and reduces the possibility of human errors. It facilitates marketing and promotion at the best price, on the one hand, and rapid communication on the other. It also requires new approaches, which Macedonia will have to adapt to. Information technology is present in all branches of tourism; however, it is most relevant in the reservation area. It is necessary to set up a reservation system in Macedonia that will facilitate an easy integration of individual suppliers and compatibility with global suppliers.
- The analysis of human resources in the present strategic period shows that education programmes exist; however, demand is decreasing (except in higher education). The main disadvantages in this area are: inferior education level in tourism, the gap between education programmes and limited practical training in tourist companies, the gap between education and training programmes and the needs of the economy and decreasing interest of young people in catering vocations. In taking into consideration the significance of personnel for the purposes of ensuring quality and thus the competitiveness of the tourism, it is necessary to emphasise the development of human resources in this strategic period.

### 1.2.3. The sector of attractions in Macedonian tourism

Among the elements of tourism, the following should all - ways rank high: preserved natural sites, opportunities for trips, opportunities for recreational activities, suitability

for family holidays, tranquillity and silence, quality of the environment, quality of catering services, hospitality of the people, possibility of communication in foreign languages, personal safety and level of cleanliness, opportunities for entertainment and amusement, shopping opportunities, road and service quality along roads, and choice of cultural events. Theme parks in Macedonia are an unexploited opportunity; however, it is necessary to follow the principles of uniqueness, specialty and innovation in any further development. Gambling and entertainment is one of the most important segments of Macedonian tourism, yet despite the elimination of certain legal impediments in past years, its development activity is still restricted by legislation, thus reducing its competitive advantage. It is necessary to follow the guidelines for granting concessions to casinos in tourist resorts and not in other places in the further development of gambling activity. In this strategic period, wellness health resorts represent one of the most important tourism products in Macedonia in the light of the integrated tourism product (ITP) development. In this area, it is necessary to integrate more intensively the cultural heritage, modern culture, natural assets and authentic products and services (performances, customs). It is important for health resorts to meet the specialised needs of various segments. Areas for the conservation of nature, both the ecologically important areas, and the protected areas, Macedonian National Parks and forests, rivers and lakes, provide a source for the development of tourism products, while at the same time tourism represents a tool for nature conservation. Protected areas and natural assets have not been sufficiently integrated into tourism (biotic diversity). Legislation concerning the protection of natural assets has not been fully implemented yet (which affects the promotion for tourist purposes). Neither natural assets nor cultural heritage have been adequately integrated into tourism. In protected areas and so-called areas of national recognisability, it is necessary to take into account the principle of sustainable use of natural heritage and overall preservation of these areas, implying that the use of cultural heritage is only possible with a strategy that does not cause any long-term loss of cultural characteristics nor the capability of satisfying the cultural needs and expectations of present and future generations. There is no central register of sports tourism. The majority of sports tourism infrastructure is publicly owned, and the planned cycle of investment in sports tourism infrastructure in the public investment sector has not been implemented. It is necessary to increase investments and development initiatives in the construction of sports tourism infrastructure. Festivals and cultural events and other offers in the area of culture are poorly integrated into tourism. With rare exceptions, they do not achieve mass international recognisability, thus representing a missed opportunity. Business tourism is one of the most important segments of tourism where there is still a number of development opportunities for Macedonia. It is necessary to invest in the modernisation of congress and other centres and in the construction of high-standard accommodation facilities, as well as in the development of human resources. Wine tourism provides a basis for authentic Macedonian tourism in the future. Wine tourist roads have already been a developed segment of the tourist offer, but should be more intensively integrated into tourist destinations.

## **2. FORMULATION OF MARKETING STRATEGY FOR TOURISM GROWTH AND DEVELOPMENT**

In developing the vision, we proceed from the comprehension of the future and the fact that Macedonia's vision should differ from the visions of large and established tourist destinations due to the relative smallness and still-undiscovered character. In the future, on the increase will be that segment of people who in choosing the destination will primarily be guided by the search for authenticity and connection with their (self-) image. The vision that should be set as a long – term path for Macedonian tourism can state the following: Macedonia will become a developed tourist destination with diversified and quality tourism focused on shorter holidays. Furthermore, Macedonia will also become a desired destination for longer vacations with its attractive and diversified integrated tourism products. Macedonia can be positioned as a small-scale version of the Balkan, in the very heart of Europe - as one of the last, not yet sufficiently discovered authentic destinations in Europe where all Balkan elements can be found and as an ideal starting point for visiting all major sites of interest. The values that can be offered are: hospitality and well-being, protection of natural and cultural heritage, healthy and active life and mysteriousness.

The quantitative objectives can be: increase in tourism volume (number of tourists, overnight stays and tourist receipts); increase in tourist expenditure (growth of receipts); improvement of recognisability – not recognisability of the total population, but within target groups (in terms of demography, geography and/or motives) where marketing activities should take place.

The qualitative objectives can be: decentralisation (to design basic thematic tourism products and to incorporate the natural and cultural attractions of other touristically still undeveloped places into the offer of traditional and developed tourist centres); deseasonalisation (to create motives for the arrival of tourists out of high season and contribute to a stable and sustainable development of destinations and to a higher quality of services, a better annual utilisation of tourist capacities, improved working conditions, a better attitude of the local population towards tourism, etc.); promotion of changes (the tourist offer should become connected, of high quality, specialized, innovative, authentic, based on knowledge and information).

The basic strategy for Macedonian tourism should be focused on strengthening links and cooperation in the common planning, designing and marketing of the tourism according to the principles of public-private partnership at all levels, from the local to the national, and at strengthening excellence in all fields and at all levels. The basic strategy can be implemented by internationalising Macedonian tourism and tourism providers; designing tourist destinations and key tourism policies and developing new forms of tourist sector management through accelerated development of destination management according to the principle of public-private partnership along with civil sector partnership; development of human resources management at all levels; development of tourist education management at all levels; development of the management of the quality of tourism products and services at destination, regional and national level; development of coordinated investment management at the local, regional and national level; developmental approach towards the awareness-raising of the local population relating to the importance of tourist activities at the local level; development of common promotion and marketing of Macedonian tourism based on advanced information technology and communications at the destination and national level; development of management of research and development activities in tourism at the national level; and development of the strategy for the internationalisation of

Macedonian tourism providers. In designing tourist destinations, it should be our objective to develop recognisable destinations along with their stories. For the purposes of designing and designating tourist destinations, it is necessary to make an analysis, which will include a review of the situation of existing, geographically identified destinations and linking existing destinations with the aim of designing the desired tourist destinations. Only those tourist destinations, which are designed in this way, will provide the basis for working out a development plan and marketing policies, as well as promotion at the national level. Based on the analysis of the tourist environment, the basic areas of tourism can be as follows: active holidays (winter and summer sports), culture, tourism in the countryside and ecotourism, nature, food and beverages (wine tourism), health and well-being, Meetings, Incentives, Conventions and Exhibitions (MICE) tourism, entertainment and gambling, offers for more demanding tourists, offers for young people. The main reason for seeking above-average and long-term sustainability of tourist development lies in its competitive advantage, which is possible to achieve through one of the winning strategies (Michael E. Porter 1980): cost-effective management, product differentiation, and developing a market niche.

Figure 2. Characteristics and advantages of the winning strategies

	Differentiation (S1)	Cost-effective Management (S2)	Market niche Development
<b>Objective</b>	Possibility of sales at premium Prices	Provide low prices	Choice of s1 or s2 for the specific market segments
<b>How?</b>	Cutting edge product/service	Wide range of sales	Choice of s1 or s2 for the specific market segments
	Advertising/Promotion	Economy of scale	
	Branding	New technologies	
	Distribution channels	High productivity	
	Different locations	Low input costs	
	Taking care of guests	Low distribution costs	
	Technology	Low location costs	
	Permits/regulation		
<b>Effects</b>	Changed perception	Price equal to or lower Than the competitor's	Identifies segments and consumer needs
	Price higher than the Competitor's	Acceptable quality	Choice of s1 or s2 for the segment or niche
	Quality		
<b>When to use?</b>	Price resistance	Price sensitivity	Providers too small to cover the entire market
	Established service providers	Market entry	Service providers with special skills

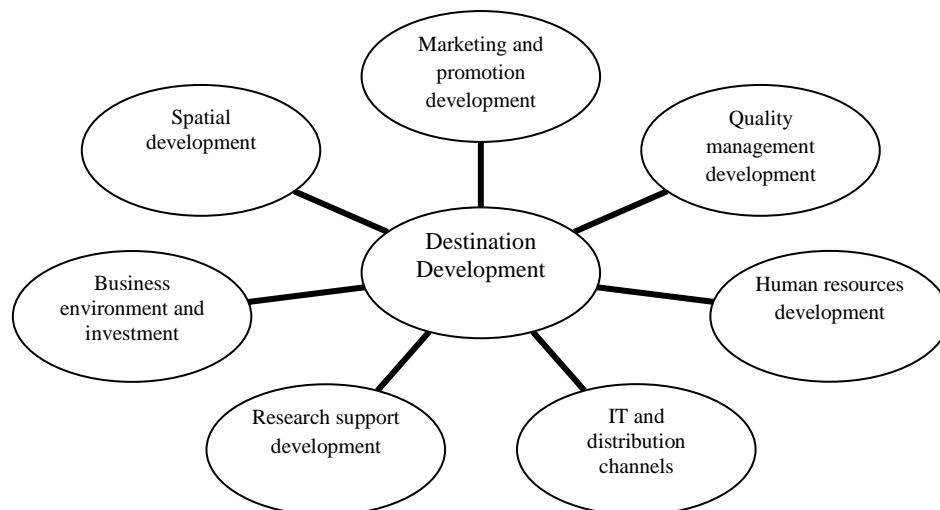
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Strategic differentiation cannot be applied because we are not an established and recognisable service provider in tourism, we lack recognisable trademark, there is insufficient investment in promotional activities, compared to the competition, we do not offer top-quality tourism products, distribution channels are not developed and



quality programmes are not implemented. The strategy of cost-effective management can also not be applied because our capacity is insufficient and the tourism volume is too small, we should not want to become a cheap or low-cost tourist destination, compared to the competition, production costs are high and price reductions would generate losses. Given the stated drawbacks, the most appropriate choice seems to be the strategy of focusing on market niches. An essential feature of this strategy is to create a tourist offer focusing on a smaller segment. The fact is that the Macedonian tourist offer on our primary markets does not rank Macedonia among the most popular destinations and that our share on these markets is insignificant. Therefore, it would be more appropriate to focus on detailed segmentation of markets, in particular by taking into account the value criterion that our tourist offer is supposed to represent for the targeted tourist, on specialisation of the offer and dispersion of markets. The main advantages of choosing this business strategy for Macedonian tourism are: the strategy itself requires small-scale investments in resources (primarily into promotion) when compared with strategies which aim at the entire market; and the strategy permits specialisation and a higher level of understanding and knowledge of a targeted tourist segment. For the successful implementation of this strategy, certain activities can be carried out: developing destinations, continuous collection of information on tourists and the use of this information in further business operations, concern for quality, concern for human resources. Policies should be based on the strategy and include a wide range of guidelines to promote growth and development of Macedonian tourism (Figure 3).

**Figure 3. Guidelines for promotion of the growth and development of Macedonian tourism**



## CONCLUSION

Globalisation implies opportunities, challenges and competition as well as uncertainty and turbulence. Tourist activity is characterized with high number of people employed.

Globally organised tourist activity has to be created under new conditions, i.e. it has to be reorganised and structured in a new way. This implies a new approach (digital economy) and new ideas about people and organisations in a creative system creating new services. In order to successfully compete in the new, global and growing market, tourist activity (whether at the international, national, regional or local level) has to be integrated into “symbolic networks” and to cooperate in the network of organisations with others in such a way as to optimise the overall tourist services/offer/products. This relationship takes in account an elaboration of upgraded approaches that will provide new benefits to tourist activity (organisational and environmental) so that they will be recognised, on the one hand, and succeed in the international global arena on the other. The fact is that the current strategy is focused particularly on the setting up of system conditions and the appropriate level of development was not achieved during the first period of the introduction of the concept of partnership in attaining strategic objectives. This is also the reason that Macedonian tourism in the last strategic period has not managed to spur a planned development breakthrough and revive the national economy in Macedonia. Essential disadvantages which are to be avoided in the next strategic period are the insufficient governmental and political support of tourism development; poor understanding and interest of tourist operators in joint partnership and strategic planning of tourism development; unfocused strategic orientations and objectives and, too broad a scope of measures regarding the personnel, financial and other conditions; lack of a mechanism for monitoring the implementation of the strategy and possibilities for the ongoing adjustment of strategic objectives to the actual situation. From this point of view, it is necessary to formulate a solid marketing strategy and evaluate the effectiveness of the implementation of the strategic objectives.

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