

# IMPROVEMENT STRATEGIES OF THE ROMANIAN TOURISM MANAGEMENT

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## *Abstract:*

*In Romania, the business tourism represents at present one of the most important components of the tourism activity, as this sector of the economy attracts many foreign investors and businessmen.*

*Our paper analyses each of the four pillars that in our opinion sustain the continuous development of the business tourism in our country: the demand for business tourism and business travels, the business travels, the organization for events such as exhibitions, reunions, conferences, trainings, team-buildings and last but not least the incentive tourism.*

*Each of these elements has been discussed upon and we have tried to substantiate our point of view, by analyzing them in order to find solutions with respect to the development of the business tourism. To sum up, we consider that we need improvement strategies of the Romanian tourism management in order to fully exploit the high economic potential that resides in the tourism activity in our country.*

*Key words: travel manager, business tourism, business travel, incentive tourism*

In order to analyze and offer solutions in view of the development of the business tourism in Romania, the following elements are to be studied thoroughly.

## **The demand for business tourism and business travels**

### ***Business tourism purchasers and consumers***

In order to find the best solutions, a travel agency specialized in business tourism is supposed to understand that there is a clear distinction between a purchaser (the client) and a consumer. Generally speaking, the client is an employer (a firm, an organization or an institution) who decides that the employees will travel for a certain purpose, to a specific destination. The firm is practically the one which pays for instance, for its representative's or employee's business travel.

In general, the consumer is different from the client. The employee who is in fact the traveler is in the end also the consumer of these services.

There is also an obvious situation when the client and the consumer are one and the same person- for instance when participating to a scientific conference, he can be the one who is paying, but also the one who is attending.

The owner of a small firm, who is also its manager, is paying practically for his business travel.

Highlighting the difference between client-consumer plays an important role in pointing out another difference, and that is MOTIVATION.

Mainly, the client and the consumer have the same interest, but on many occasions the employee who is away on business has also personal interests, which have nothing to do with

the firm's interests or the reasons for which he was sent.

In general, there are 3 types of purchasers for the business tourism-corporate, associations and the government sector.

This classification is in its turn very important because there are differences of approach, depending on the category and the type of purchaser.

The big companies, especially the corporations, have an office (department) or even a person, responsible for the company's traveling.

This department takes over the controls inside the company, transmitting them to the company's travel manager.

The existence of this Travel Manager is extremely beneficial, as he takes over the controls inside the company, intermediates between the delegate and the travel agent the choice of the optimum travel alternative and seeks to provide high services and to deduct them.

Obviously, there is also the less pleasant side for the travel agent, and that is the Travel Managers' obsession with the cost reduction.

The Travel Managers appear generally, when there is a tendency of economic slowdown, as they are more concerned with cost and they make use of the acquisition department a lot more. The travel management is in accordance with the last line in the balance sheet that is the net incomes and loses of the company.

It is absolutely normal that the Travel Manager should choose the variant of a travel from a single fly, not from 2 or 3, especially if the price difference is low.

It is also normal that the delegate should arrive way ahead of the meeting, in order to prepare and be in good shape.

It is also important that the hotel be close to the rendezvous, in order not to waste time and money (the hotel-rendezvous transfer). A more expensive

hotel can be chosen, 50 euros/night, and a 3 minute on foot distance from the rendezvous or the exhibit, sparing time and money (a taxi would cost 30-40 euros). Obviously, all these analyses can be best done inside the companies.

Unfortunately, at the government institutions level, the only criterion that matters, in accordance with present legislation (Decree 60) is price.

Obviously, "at first sight" the cheaper alternatives are chosen, because upon close examination, a 3 segment fly and a one hour away from the destination place accommodation are more inefficient than an expensive accommodation, nearby, as we have shown above.

The Travel Managers, generally speaking, are not well thought of by certain travel agencies in Romania, because the former know very well how to reduce costs and they represent the agencies' "fear".

There is a fear of these Travel Managers and that's why the firms which don't have travel managers or they work separately, are sought after; every department organizing its own corporate activity. But this is a false advantage, for many reasons:

- It is preferable for the travel agency to have a single interlocutor, not more.
- The travel manager has good knowledge about the activity, and that's why his demands are concrete and especially possible. The manager of a department can be confronted with unfeasible requests or even impossible ones, and therefore the travel agency's refuse may give the impression that the agency is incompetent.

As matter of fact, the number of the companies which have a person responsible for the business travel is continuously growing.

An important role in buying business travel services is played by the personal assistants and secretaries, a sort of personal travel managers for their direct employers.

Although, at first sight, it may be thought that the purchase of a travel service is subjective, it's not the case.

The assistant will choose those services that he knows his boss wants, both from the point of view of the comfort during the travel and from the point of view of the achievement and the success of the whole travel.

Regarding courses, trainings, professional meetings, the human resources department can also be involved, especially when it is required a solid grounding on the part of the employees.

Generally, the corporate buyers are particularly involved in the organization of Administration Council meetings, annual general meetings, exhibits, travel incentives, product launches, sale conferences, team-buildings or trainings.

Practically, there are many companies which organize through their specialized department events-fares, conferences, seminars.

There is also the "mixed situation", the most correct one, which represents the majority of the cases, in which the travel department of a company, collaborates closely with the travel agent, whom the department has a contract with, in order to make more efficient the costs and to create a product of good quality.

Few characteristics of the corporate clients (Rogers, 1998):

- In general, the planning for the time allocated to the events is done days or weeks before, rather than months and years.
- 71% of the corporate clients will return to a location, if they have been satisfied with it.
- 55% of the buyers want to see a classification or a system of evaluation for locations, before organizing an event in that location.
- Over 80% of the buyers have been satisfied with the location they had last time.

- The corporate clients use very little fares and publications to obtain information.

All these characteristics must be taken into account when working with a company, especially when the offers are made for a company.

Depending on the activity of a company, the level of demand for business tourism is variable.

In a classification of the American market, these levels are:

- Information Technology-80%; Pharmaceutical Industry-75%;
- Automobile Industry-72%; Financial Services-insurances-70%;
- Telecommunications-60%.

The organizations (associations) which organize events (in general, non-profit ones) have to cover their costs. They have, in general, a well defined budget, that mustn't be overrun.

Associations, like buyers, organize the biggest conferences (even more than 10.000 participants), employing specialists for the organization of such events.

On many occasions, volunteers are used, and the decisions are made by a committee.

The decision regarding the way and the place of the organization of an event, in the case of associations, must take into consideration the needs of every member.

In general, the public sector, in its capacity of purchaser of business tourism, is not specialized in organizing events. The largest part of the current activity is represented by business travels (delegations), where the most important role in buying services, is played by price.

Generally speaking, many events are organized by clients, but in the last few years, private companies, associations and the public sector, have been requiring more and more the specialists' assistance, in order to plan, to make and coordinate events.

The oncoming integration of Romania into the European Union has

determined in the last 2 years the organization of numerous events-meetings, seminars, conferences, on European theme.

The holder of the event is in general, a Ministry that is logistically and financially supported by organizations and European funds.

### **Business Travels**

Of all the components of the Business Tourism, business travels are the oldest.

In general, a business travel is a travel that is necessary, from the point of view of the followed profession and that generally goes beyond the circle of "normal transportation" of 50 kilometers.

The difference in terms, between business travels and professional travels is divided, depending on the character of legal regulations of the author.

Freelancers, entrepreneurs and employers go on business travels, while the employees of the companies travel for professional purpose. Generically, we are going to call them business travels.

It is obvious that this tendency will increase more and more in Romania, in the upcoming years. There are on the other hand concrete elements that determine a specificity of the market in Romania. Among these elements, very important is the small number (around 20) of the air companies that operate at present in Romania, and that doesn't have generous offers and travel solutions.

Shortly, the commission on air transportation, at present 7%, will become "0", and the travel agencies will apply a commission (the issue fee). It is still unknown what the volume and especially the impact of this tax will be in the ticketing activity.

Another aspect is the unfair competition, sometimes in a silly way, of the travel agencies in Romania. Instead of directing the client's preoccupation and the activity towards the quality of

the services, the main competition "weapon" was the reduction of the commission to "0", in favor of the client, in the hope of an overcommission.

At the auctions for the public institutions, the terms and conditions imposed individually by each institution, according to its aims and to the motivation of the auctioneer (!), generated once again unfair competition and corruption.

None of the ways of working and of competition presented above are not healthy and mustn't be applied.

In short time, there will unique terms and conditions at the level of each public institution, which will eliminate a large amount of subjectivism. Soon, the commission on plane tickets will be zero, the competition will be open.

Only the quality of the service and the professionalism of the travel agency will be the winning cards in front of the competition and the future clients.

An important role in the future politics of the companies, regarding business travels, is the emergence of low-cost airlines, which has led to many changes in the system with respect to travels.

The competition of the low-cost airlines has brought a significant benefit to the companies, by reducing the transportation tariffs of the majority of airlines.

*Examples: When SAS met in 2003 a stiff competition of these companies, the tariffs dropped immediately by 30%. In Norway the tariffs dropped dramatically by more than 45%. And in the other European countries, the tariffs dropped by 15% in Great Britain, 25% in Switzerland, 35% in Ireland and 25% in Germany.*

Even when a company is negotiating directly with a supplier, in order to contract the reservation, an authorized agency will be the intermediary.

There is the possibility of negotiating the commission with the

travel agency, especially under big contracts with suppliers, which can bring supplementary gains through overcommission.

As a matter of fact, a way of contracting the services of a travel agency is the zero commission. The services rendered are invoiced at the net value, and for each service (issued ticket) a fixed commission stipulated in the contract, will be paid.

As a matter of fact, taking into account that the commission on air transportation will disappear soon, it's probable that this will be the most widespread way of contracting services between travel agencies and corporate clients.

Another way of developing the business travel activity is the "implant".

The implant represents the setting up of a point of sale of the agency right inside the client-company. This way of working increases the rapidity of the service, the "implant" agent is much closer to the client and is capable of giving assistance on the spot and he can do the reservation.

The technical development allows even the introduction of a printer-satellite at the head office of the company, which can issue plane tickets on-line, under the surveillance of the travel agency.

As for hotel reservations, and rent-a-car services, it is compulsory for corporations that they have on-line reservation systems, which allow the performance of a reservation and even a payment, in just a few minutes.

The use of on-line reservation systems has risen to point h. Nearly half of the companies that deal with traveling possess such systems. The big instruments of on-line generation and the on-line reservation instruments of the companies and the management companies of traveling have influenced more and more the software based on Internet, in order to improve the report of data, in accordance with the politics

of the company, the electronic operation and the easiness of utility.

In 2007 the business travel market in the U.S. administered on-line rose to \$12 billion, or to 16% of the total revenues obtained from the business travels in 2007. Starting from the year 2000, the airlines' internet sites started their activity, and in order to lure passengers, they initiated the "web tariffs".

The solution is clear-the travel agencies have to use these systems so that they will gain commission (overcommission), and their activity will move in the area of assistance and analysis/management.

Practically, in the near future there will be a mixture of the so-called traditional participants and new participants, within the framework of new boundaries of travel agencies for companies.

The involvement of all these niches will be necessary, in order to assure complete services, together with on-line reservations and other technical solutions.

The differences between agencies on the market will be given by the way in which each will know how to use these techniques and methods.

### ***The role of the destination in the business tourism***

A destination is the place where the main attention of the business travel will be focused on a conference, a sale mission or an incentive package.

Depending on the level, destinations can be at the level of countries, regions, a rural area, a city, a coast area etc.

### ***The difference between destination and location***

While a destination provides theoretically all the services that the traveler needs, a location provides one or more of these services. The definition has exceptions-major attractions and important complexes have emerged, and they have become destinations

themselves, providing practically all the necessary services to the business tourist.

### ***The product of the destination***

The product of the destination within the business tourism is not really a product, but rather a mixture of individual products, available for the one who travels on business.

The destination is practically like a kit of "build yourself" type from which the business tourist builds his own product.

The destination, like all the tourist products is a mix between tangible and intangible elements.

### ***The link with the vacation tourism***

Many decisions regarding the choice of a destination for a conference are influenced a lot by the fact if the delegates will perceive the destination as a vacation destination. There are practically 3 links between business tourism and vacation tourism, which have implications that affect the destinations:

1. The businessman becomes a tourist when the working day ends.

2. Many conferences have social programs or relaxation programs for the delegates. The programs can take place in the evening, or even during the day. Post conference tours can also be organized and they start once the conference is over.

3. Life companions accompany businessmen in their travels, and when the companion is working, the former can relax.

### **Events, professional organizers of exhibitions, conferences, reunions, trainings, team-buildings**

Rob Davidson in "Business Travel" divides events into the "meeting industry" and the "exhibit industry". No matter how we group them, we can define them generically "Events".

From the point of view of the business tourism, a meeting is an

organized event that brings people together, to discuss subjects of common interest.

The goal of this meeting can be commercial or noncommercial; at this meeting dozens or hundreds of people can take part; as length, a meeting can take up to a few hours or a week.

The most defining part of an organized meeting, as a part of the business tourism, is the fact that it uses the majority of the services in the tourist industry, and in general it means that the meeting takes place outside the head office of the company organizing the meeting.

The meetings of greater importance, such as those that last a few days and that request the delegates to travel, resort to the majority of the services in the tourist industry: transportation, accommodation, tours, and even tourist attractions.

Organized meetings take many shapes and they appear in different forms and under different denominations: conferences, seminars and congresses.

In general, the terminology used is very transparent.

Professional meeting organizers (conferences) offer in principal the following services:

- Assistance regarding the details of the conference;
- Help with the setting up of goals;
- Assistance for the conference participation fee;
- Preliminary action plan;
- Financial adviser-pre-financing, sponsorships, exhibitors, loans, registered expenses;
- Reservations;
- Negotiation for the location;
- Organizational structure;
- Organization committee meetings;
- Secretary ship facilities, including mailing;
- Registration systems;
- Exhibition and photo sessions;
- Organization of the conferences;

- Marketing and P.R;
- Press conferences;
- Social events;
- Plane ticket reservations;
- Hotel bookings;
- Delegate transportation;
- Financial closing of the conference;
- Event post evaluation.

### **Exhibitions**

Exhibitions are also called fares.

In general, the exhibitions represent a three-dimensional form of publicity, where in most of the cases the product can be seen, controlled, used in demonstrations, smelled many times and touched.

As a way of promotion, the exhibitions have an extremely important role in goods and services marketing.

As a sector of the business tourism, the exhibitions contribute to the luring of foreign visitors and generate a positive economy in the areas where they take place.

The exhibitions are considered to be a component of the business tourism, as they stimulate travels for 2 classes of people: exhibitors, who travel to the exhibition place to present and sell their products or services, and visitors, who come to these manifestations.

Both exhibitors and visitors give rise to a big demand for tourist services, catering and accommodation.

As a volume, in 1991, in Great Britain, total revenue of the exhibitions rose to 1.31 billion pounds; in 2004 was almost 2 billion pounds.

There is a strong connection between exhibitions and meetings, as at the majority of the exhibitions conferences and seminars are organized, as ways of promotion of a good or service.

Certain fares, having a technical character, offer a structured program of workshops, seminars and demonstrative courses.

Vice versa, the services used for the organization of events (organized

meetings, exhibitions) are those used in the classic tourism-accommodation, meals, transportation, as other auxiliary services.

The essential difference is the existence of some halls (in the case of some meetings), conference centers, congress palaces, or exhibition halls.

It is obvious that a travel agency specialized in events is supposed to know perfectly all the possible locations in Romania.

The conference organization MARKET in Romania is rather vast, and People Solutions Conferences have identified a niche they want to exploit further on.

### **Event types:**

- Congresses
- Conferences
- Seminars
- Specialized exhibitions
- National and International Fares
- Festivals
- Destination management
- Business and motivational tourism

### **Incentive tourism**

The incentive tourism is both a management technique and a sector of the business tourism.

As a very alluring motivation for the increase in performances, these incentive travels have developed over the years.

In general, it's about special travels that are offered to employees or business partners, through "performance competitions", within a company.

From the business travel point of view, incentive vacations are a distinct form, being not only planned, organized and promoted by the "tourism employer", but also financed by the latter, for economic motivations.

Just because it appears to be vacation tourism, the incentive travel is the most "invisible" sector of the business tourism, a lot more difficult to be characterized.

It's hard to define, somewhere between vacation and business travel.

It's a travel that contains elements that don't exist in the typical tourist offers on the market. The motivational tourism has led to the flourishing of many travel agencies.

This fact is illustrated by the 1999 report of the Annual Conference and Incentive Travel Survey, published in February 2000.

A few conclusions with respect to this report:

1. Over 30% of these travel agencies had a turnover over 8 million euros;

2. Under 25% of the travel agencies had a profit less than 200.000 euros;

3. 50% of the travel agencies use less than 20 employees;

4. Over 80% of these travel agencies consider that the incentive travel market, during the period of the survey, was in a very healthy condition.

## **Conclusions**

In Romania the business tourism activity is growing continuously.

**a. Business travels** (ticketing and hotel reservations), are the most developed ones, meeting today the high European standards, from a commercial point of view.

The main issue identified in Romania, especially in the public sector, is auctions, since they must become bona fide and correct.

The Ministry of Finance is to intervene, as well as the employers' associations in the field.

### **b. Organization of events.**

The Romanian market is in a continuous development.

Over the last year many reunions, seminars and trainings have been organized, both by the public sector and

the private one and even by associations.

Many Romanian companies, small and middle ones have understood the importance of such actions and especially the direct advantages and they start organizing more and more meetings, especially team-buildings.

In practice there is a mix between team-building, seminar and reunion, the aim is the analysis of results, the presentation of new products and services, as well as team games.

Incentive vacations are still used as a niche, but they are in an asymptotic growth.

This kind of vacations is offered especially by pharmaceutical producers and importers to pharmacists, in order to increase the sales volume.

Brand producers/importers (Whirlpool) or insurance companies organize also this kind of vacations (Nederland ING Romania, Omiasig).

It's a rising field that only companies with high financial resources can practice.

In the near future, the business tourism must be approached by any means, traditional and modern ones (internet, one-line reservations etc.).

As regards "events", the tendency towards their approach is through "project management".

As a matter of fact it is a frequent way that is supported even by the subcontractors for these manifestations (ex. The hotels agree to negotiate special tariffs on accommodation for a specific event, without taking into account the contract signed with the travel agencies).

The general tendency is to transform the tourist agency in a "Travel Management Company", laying emphasis in the future on consultancy and less on the executive side.

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