

# Aspects Regarding the Impact of the Current Crisis on the Economic Performances in the Tourism Companies

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**Abstract** – In almost every area of activity that we operate day by day there are concerns regarding issues that may occur within it and, therefore, we study the causes, their mode of occurrence, their manifestations and consequences. The crises are, in fact, such problems. The economists analyze the crisis according to specific criteria, assigning the characteristics to some phenomena with negative consequences on the economic performances for the companies, organizations, institutions and social groups affected which activate in tourism field.

**Keywords** – economic performances; the current crisis and the tourism companies

## 1. Introduction

In our evolution, crisis can be defined as situations marked by a pronounced instability, followed therefore by volatility and an uncertainty in increase. In a crisis (in any form this might take), we are under a permanent state of anxiety and insecurity about the future, fear or even panic. Our protection and conservation instinct impels us to act sometime irrationally and accentuate this volatility even more. Every one of us, with the cognitive capacity that we have, we filter the information and understand the phenomena in our personal way transposing it into a certain market behavior. [1] When defining these crises, it appears an issue about establishing how large the volatility or the decline of the market should be so that we could situate an evolution of this type in the category of crises. In addition, we should establish the level of inflation, the rate of unemployment, or the decrease of the GDP (Gross Domestic Product) of a country in order to estimate its entry in crisis. Conventionally, the specialists speak about recession when it registers the decrease of the GDP of a country or region after two successive quarters. National Bureau of Economic Research [2] (NBER) defines crisis as “a significant decrease of the economic activity for several months reflected in the decrease of the GDP, the decrease of the individual incomes, the reduction of employment level, the diminish of industrial production and of consumption”.

Certain specialists consider that these crises can be classified as following: social crisis (characterized by growing inflation, unemployment, poverty); financial crisis (accentuated volatility on the capital markets, market collapse followed by spectacular bounce back); political crisis (that can degenerate into wars); local or international crises; crisis caused by natural disasters; generalized economic crisis. Thereby, the economic crisis [2] represents a situation in which the economy of a country suddenly encounters a decrease of its force,

decrease usually caused by a financial crisis. An economy that faces an economic crisis will most probably experiment a GDP decrease, an evaporation of liquidity and an increase/ decrease of prices due to an inflation/ deflation. The economic crisis can take the form of a stagflation, of a recession or of an economic depression and can sometimes lead to economic collapse.

**Table 1.** The last four recessions and their duration [4]

December 2007	june 2009	18 months
march 2001	november 2001	8 months
july 1990	march 1991	8 months
july 1981	november 1982	16 months

The financial crisis is a situation in which the request of money is larger than the offer (the available). This means the liquidity evaporates rapidly because the available money is retreated from the banks, this way forcing the banks to either sell their own actives and investments to cover their necessities, either to break in. The financial crisis can lead to economic crisis [5]. We rend in figure 1 the relation between the financial crisis and the economic crisis:



**Figure. 1.** The relation between the financial crisis and the economic crisis

Despite all these, it is quite difficult to make estimations about the moment when a financial crisis becomes an economic one or whether an economic crisis generates a financial crisis and vice versa. In principle, an economic crisis is generated either by financial causes, either by politic or social causes. The financial crisis is in

fact a form of manifestation of the economic crisis and reflects distrust in the financial system, a significant decrease of the volume of market transactions, a disorder in the market mechanisms. The market is the barometer of economy and transacts business of different dimensions and from different sectors. The moment when the market of this business (real estates, oil market, labor market) faces disorders or important corrections they will be reflected in the profitability of the business listed on market and implicitly in the price of financial actives (shares or bonds) that depend directly by the expectations of the investors. The panic about economy does nothing else but emphasizes the amplitude of these corrections and induces new uncertainties in economy. From this until reducing the appetite for savings and investments there is only one step left. Unfortunately, we speak about crisis only when its effects have impact on a large number of people/ companies. The crisis can although exist in a latent state and not be so visible, slowly deteriorating our existence. It is not the first time when global economy faces recession periods. Still, we can say that is the first time after many years (The Big Depression started in 1929 and continued several years or the Breakdown of the Bretton Woods System since 1971) when an economic depression is located at the level of developed countries (not only at the level of countries in course of development).

## 2. Economic depression in world tourism

The Economic depression can have impact over the activities from the touristic sector. Thereby, on estimates that in 2007 the number of tourists at global level has been of 903 million persons, registering an increase of 6.6% compared with 2006. Despite the financial depression, UNWTO (World Tourism Organization) has maintained and still maintains its long term forecasts, estimating another increase in the number of tourists, attaining 1.6 billion persons in 2020. The business travels have registered the largest decline, within the context when the companies, especially those from the financial-banking sector, have reduced the budgets and decreased the number of conferences and seminars. In 2008, during a seminary organized at Poiana Brasov with the occasion of World Tourism Day [6] (September 2007), the regional representative of UNWTO for Europe, Eduardo Fayos-Solá has mentioned that "The tourism will be affected in the next years by the world economic and financial depression that has first started in the United States of America. This, because everything will become more expansive and people will have to watch the way they are going to spend their money. There will be economic and financial restraints and definitely there will a decrease of tourism. At the same time, the climate changes and the prices of oil barrel represent other factors that will affect the world tourism". According with the dates of UNWT, in 2009, at international level, the tourists arrives have decreased with 8% in the first two months of the year, compared with the same period of 2008. The most affected regions have been Northern and Eastern Europe, the Mediterranean area, as well as Middle East and the north-east and southern part of Asia. Also in 2009, the world

tourism has been affected by the swine flu. The world economic depression aggravated by the incertitude regarding the pandemic of H1N1 flu has caused the year 2009 to be one of the most difficult for the tourism sector.[7] In 2010 the word tourism has bounced back, the tourist arrivals being more than 2011 with almost 7%, up to 935 million, after a decline of 4% in the previous year. The number of foreign tourists in the world wide has been of 935 million, with 58 million more than in the year crisis 2009 and with 22 million compared with the peak level registered before the crisis, in 2008, when 913 million have travelled. This growing tendency has continued to dominate the world tourism in 2011 as well, according with the report presented by UNWTO.[8] In this context, Asia has been the first region that has recovered from the depression, registering an increase of 13% up to a new record of 204 million foreign tourist arrivals. The tourism in Africa has increased with 6%, this also being the only region with positive results in 2009. In the Middle East, the tourism has registered an increase of 14%, while North and South America had with 8% more foreign tourists. The worst results were registered by Europe, with an increase in the number of tourists of only 3%. Its results have been affected by the eruption of the volcano from Island and the uncertainties caused by the Euro currency. Having in sight the positive evolution of the industry of tourism within an economic context far from encouraging in the last few years, the UNWTO representatives have refreshed their message towards the governments of the countries from the wide world, considering the tourism as a national priority. "*The tourism can play an essential role in economic growth for the most of the Europe and North America countries, which are struggling to recover from the depression and find new jobs for their populations*" (Taleb Rifai - UNWTO). The UNWTO specialists believe that in the second half of the year 2011 the growth will not be that pronounced due to the adverse events from many countries of the world that have lead to the increase of the uncertainty and insecurity amongst the tourists. Another indicator that shows the tourism performance refers to the sales from tourism. These have significantly decreased in 2008 and have recovered much harder than the international tourism arrivals. The year 2009 has registered an increase of this indicator. In 2010 the revenues from tourism increased by 5% compared with 2009 from 610 million to 693 million Euro. Much better results for the first half of the Year 2011 occurred in Europe (+6%), boosted by the return of tourism growth in Northern Europe and in Central and Eastern Europe. The good results achieved in European tourism is due to a temporary redistribution of the tourists from North Africa. Remarkable results were registered in South America as well, with a 15% increase in the number of tourist arrivals in the first 6 months of the Year 2011, compared with the same period of the Year 2010. According to UNWTO, the demand for destinations such as Egypt, Tunisia and Japan is back on an upward trend. [9] Also with the economic depression as background, there were increases in the tariffs for plane tickets (due especially to the increase in fuel prices), as well as and fusions of some airline companies or bankruptcy of others. In addition, tourists have shown an increased

interest in the low cost companies, compared to pre-crisis years.

### 3. The effects of the economic depression at Romanian Tourism Companies level

The world economic depression has inevitably extended over the economy of Romania. Our country has been affected by the country on several channels: commercial channel – due to a slowdown in the increase of exports or even to their reduction; financial channel – especially by reducing or even stopping the credit; exchange channel – the devaluation of national currency; confidence channel – the retreat of investors from the European countries.

All these has as effects the decrease of production, the decrease of turnover from trade and services, the bankruptcy of the companies and the increase of unemployment, the decrease of the population's incomes and the decrease of the consumption and the purchasing power, the decrease of the companies' profit. As integrated part of the global economy, the touristic industry is also affected by the economic decline. Thereby, the purchasing power of the tourists has decreased, these being under necessity to modify their behavior and the modality of taking decisions regarding travels. In addition, the increase in the price of fuel has attracted the increase in the price for plane tickets. This has attracted on its turn the decrease in sales of flight companies (TAROM) and the increase in the sales of low cost companies (Blue Air), especially in the peak period of the economic depression. This has also applied for vacations, where the destinations and the low cost hotels have been in advantage towards the destinations and luxury hotels. This means that, *in the depression period, tourists have been willing to give up their comfort in behalf of a lower price.* In addition, in the period of crisis the tourism agencies have had problems on what concerns the collect and the bills payments. In the context of financial depression, there have been registered delays about bills payments, increase of charges and decrease of profit. Because of this, many of the tourism agencies from Romania have been forced to suspend their activity or even become bankrupt. According with the estimations of ANAT [10] (National Association of Tourism Agencies - Asociația Națională a Agențiilor de Turism), approximately 10% from the almost 850 tourism agencies members of the association have been closed in the year of 2010, because of the economic depression.[11] Many of the tourism agencies have merged or made alliances with other agencies (as example, Happy Tour took over some of the shares of several tourism agencies). Another effect of economic depression resides as well in the reduction of business tourism. In Romania there were organized less congresses, shops, business meetings than in the pre – depression period. In addition, within the large companies whose employees have to travel in the country and abroad, the budgets allocated for plane tickets and accommodation. The tourism agencies have reduced the reward holidays for employees, as well as the info – trips.

The tourism has been affected by the global depression as the prices four touristic services have increased, and the consumers became more abstinent and careful on which concerns spending money. Thereby, the tourists have modified their buying criteria and ask for more quality, being willing to pay smaller amounts of money compared with the period before the crisis. However, amongst all these negative aspects of the depression regarding the tourism there also is a positive part. During the period of depression, people pay for better quality services, so that the players from the tourism market are forced to align to the requests of the market. Therefore, during the economic depression only the operators that know how to maintain their clients and promote their products will resist. The tourism in Romania suffered an impact from the economic depression regarding the tourism within the country. In addition, the touristic services have lost ground because of the reduced quality compared with the bigger prices. The number of tourists that have chosen to spend their vacation on the seaside of the Black Sea, as well as the number of tourists that have chosen mountain holidays have registered major decreases for this period. The number of tourists that have stayed overnight in the hotels has also decreased in favour of check-ins to pensions. In the same time, the pensions that have practice exaggerated tariffs or did not have proper knowledge about how to treat their clients have become bankrupt. The numbers of foreign tourists that have visited Romani have registered a decrease starting with the year of 2008, according with the data from the National Institute of Statistics.[12] We rend in table 2 (a), tables 2 (b) and table 2 (c), the foreign visitors' arrivals in Romania grouped by continents and origin countries as following:

**Table 2. (a)** the foreign visitors' arrivals in Romania grouped by continents and countries of origin

Continents, origin countries for foreign tourists	Thousand persons			
	Year 2007	Year 2008	Year 2009	Year 2010
Europe	7289	8410	7203	7098
European Union	4811	5566	4799	4456
France	184	183	150	131
Austria	218	210	180	177
Belgium	43	44	37	42
Bulgaria	818	1115	877	786
Cyprus	13	11	8	8
Denmark	18	17	13	11
Estonia	4	6	4	4
Finland	10	10	9	8
Germany	473	522	443	395
Greece	104	118	90	71

Source: <http://www.insse.ro> 2011

**Table 2. (b)** the foreign visitors' arrivals in Romania grouped by continents and countries of origin

- Thousand persons -

Continents, origin countries for foreign tourists	Year 2007	Year 2008	Year 2009	Year 2010
Ireland	14	15	11	10
Italy	398	433	375	331
Latvia	3	4	4	4
Lithuania	7	10	10	9
Luxemburg	2	1	1	1
Malta	1	1	1	2
Holland	79	80	67	66
Poland	191	277	223	238
Portugal	16	16	20	47
United Kingdom	118	128	104	92
Czech Republic	110	135	101	80
Slovakia	120	148	114	98
Slovenia	29	37	35	23
Spain	70	71	67	63
Sweden	25	24	19	24
Hungary	1743	1950	1836	1735
Belarus	47	37	43	57
Federation of Russia	54	63	73	92
Yugoslavia	171	184	170	244

Source: <http://www.insse.ro> 2011

**Table 2. (c)** the foreign visitors' arrivals in Romania grouped by continents and countries of origin

- Thousand persons -

Continents, origin countries for foreign tourists	Year 2007	Year 2008	Year 2009	Year 2010
Former Yugoslavian Republic of Macedonia	9	13	12	18
Moldavian Republic	1110	1429	1043	1216
Turkey	284	303	258	265
Ukraine	720	730	724	672
Africa	16	18	17	21
Egypt	5	6	4	6
America	189	192	169	171
USA	139	137	119	117
Asia	212	224	171	195
Israel	105	96	76	81
Australia and Oceania	14	16	14	13
Unspecified countries	2	2	1	:

Source: <http://www.insse.ro> 2011

This matter might have as main cause the fact that the whole world has been affected by the economic depression and therefore the purchasing power has decreased, and the tourism represents no longer a priority

in people's life. At the same time, another cause of this decrease is that the tourists became more exigent and are no longer willing to spend large amounts for facilities below their expectations. Unfortunately, in our country this is still an often-encountered situation. Although there are many attractive places for the foreign tourists, the touristic infrastructure is different and the practiced tariffs are quite high compared with the quality of offered services. Under the presented circumstances there is obvious that Romania will be strongly affected by the world economic depression and its effects will also reflect in tourism. In the attempt of counteract the effect of the economic depression that has affected the Romanian tourism, ANAT has launch and promoted several programs to maintain the Romanian tourism in a constant line. These programs had and still have as goals to promote some branches of Romanian tourism that were successful in the past, including the attract of new tourists, both national and foreign. One of the most important programs suggested and promoted by ANAT was that of Early Booking, that is successfully running abroad from several years and has started to run in Romania as well. This program refers to discounts applied for the persons that book vacations on the Romanian seaside and pay integrally, generally March 31. The discounts offered within this program can go up to 30%. As in the case of the Early Booking discounts applied abroad, the packages sold in Romania within these programs are submitted to certain sales rules as well. Other two programs launched by ANAT together with the Patron Organisation of SPA Tourism from Romania [13] were "The Seaside for Everyone" and "The SPA Decade". These two programs are social programs that run especially in the periods that are less profitable for tourism, namely in extra-season. "The Seaside for Everyone" promotes holidays at reduced prices until the date of June 15 when the summery season opens, and "The SPA Decade" program promotes holidays within the spa resorts from Romania (Herculane, Felix, Sovata, etc.) with duration of 10 days in which there are included the accommodation, the meals, medical consultancies and treatment. The two programs were successful especially amongst the tourists of second and third age tourists interested in SPA and marine cures at reduced prices. On what concerns external tourism, this registers a depression due to the political conflicts from the North Africa area. Therefore, the Romanians that have caught the taste for holidays in the Arabic countries (Morocco, Tunis, Egypt) had to give up the long dreamed vacations. Speculating the fall of the touristic market from Tunis, Egypt and Morocco, the hotel managers from Turkey and Greece have increased the prices for a holiday, this matter having direct consequences for the tourists from all over the world, especially for the Romanian ones. Thereby, the sales of tourism agencies from Romania have been affected, especially the sales of the agencies specialised on these destinations Tunisiana Travel, Kartago Tours, Calibra Travel). Under these circumstances, the above mentioned agencies have seen themselves forced to rethink their marketing strategy and address more client segments.[14] We appreciate that, although the economic depression is still present in Romania, the number of touristic receptions with functions of touristic

accommodations has registered an increase starting with the Year 2008 until the Year 2011, according with the data from the National Institute of Statistic.[15] There also are some exceptions, respectively the touristic mansions and the agro touristic boarding houses that register a decrease for the Year of 2011 (Table 3).

**Table 3.** Touristic structures with functions of touristic accommodation

Types of touristic reception structures	Year 2008	Year 2009	Year 2010	Year 2011
Hotels	1104	1159	1233	1308
Touristic mansions	718	747	768	548
Touristic lodges	116	123	134	147
Touristic boarding houses	783	878	949	1050
Agro touristic boarding houses	1348	1412	1354	1210

Source: <http://www.insse.ro> 2011

The tourist arrivals in the touristic structures with functions of touristic accommodation have registered a decrease, according with the data from the National Institute of statistics.

The capacity of touristic accommodation grouped by types of touristic reception structures has registered an increase starting with the Year 2008 until the Year 2010, according with the dates of the National Institute of Statistics. The number of places for accommodation rendered in Table 4 has the same trend with the statistic data presented in Table 3. We notice the exception for Touristic mansions where there is registered a decrease in the accommodation capacity, while for the agro-touristic mansions the trend is reversed.

**Table 4.** Capacity of touristic accommodation depending on the types of touristic reception structures

Types of touristic reception structures	Year 2007	Year 2008	Year 2009	Year 2010
Hotels	38432650	39889848	40586883	42551627
Touristic mansions	2622088	2631049	2835143	2740132
Touristic lodges	1389062	1382449	1425688	1449465
Touristic boarding houses	4152362	4390719	4903077	5490842
Agro touristic boarding houses	3625647	4038887	4735468	4891862

Source: <http://www.insse.ro> 2011

The index of usage of the touristic capacity of accommodation grouped by types of touristic reception structures is rendered in Table 5. We may appreciate that this has registered in the Year of 2010 a decrease, following to the diminish in the capacity of touristic accommodation grouped by types of touristic reception structures.

**Table 5.** Index of usage of the touristic capacity of accommodation grouped by types of touristic reception structures

Types of touristic reception structures	Year 2007	Year 2008	Year 2009	Year 2010
Hotels	43,2	41,1	33,6	29,9
Touristic mansions	27,1	29,2	23	19,9
Touristic lodges	12,4	14,4	10,8	9,2
Touristic boarding houses	22,3	21,9	16,6	14,6
Agro touristic boarding houses	16,3	18,4	14,2	12,4

The number of overnight stays in the touristic reception structures grouped by types of structures, for this period of crisis, registers a decrease in the Year of 2010 compared with the previous periods (Table 6).

**Table 6.** Number of over-night stays within touristic reception structures grouped by types of structures

Types of touristic reception structures	Year 2007	Year 2008	Year 2009	Year 2010
Hotels	16603404	16394394	13625294	12732272
Touristic mansions	709604	769408	652994	544239
Touristic lodges	171560	198546	154227	133951
Touristic boarding houses	927604	959391	813281	802222
Agro touristic boarding houses	592327	743444	673188	604606

Source: <http://www.insse.ro> 2011

The negative effects of the world depression have been inevitably felt in the Romanian tourism as well, for both the "recreational" tourism and the business one. However, beyond these effects it is important to take the realities from the economy of our country into account: presently, the Romanian tourism represents only 2% from the Romania GDP, while in Bulgaria or Greece the percentage gets to 15% from GDP; according with the market research, more than half of the 1.100 Hotels from Romania operate below the European standards, and 45% from these are opened only in the summer season.

#### 4. Conclusions

The tourism can be considered the main industry on what concerns the contribution to the gross world product; number one on what concerns the absorption of the employed force of labour and the most important investor of capital. Its importance became greater, greater, at global level, as well as at regional, national, and local and the predictions are extremely optimistic for the future. Having in sight the above mentioned aspects,

and taking into account the impact that the economic depression has had and continues to have over tourism, we could make some recommendations, such as: adapting the offer to the new requests of the market; the reorganization of the aimed market segments; investments in marketing campaigns; implementation of some fidelity programs (for example, fidelity cards); the trade of special offers – touristic packages conceived according with the budget and the duration of stays and other entertainment activities included, familial packages or other packages including babysitting, ski field, access to the museums and traditional meals. Following the recommendations we consider that the companies that activate within the tourism area could be successful even in the period of economic depression. A matter of highlighted importance that should be taken into account is the adjustment of the offers to the international trends and prices. The experience of several countries of the world has proven that, on long term, a planned approach of the touristic development can bring benefits for both those that perform the services, as well as for the beneficiaries, respectively for the tourists. The lack of planning leads to the appearance of social and ecological problems, to the degradation of the natural and anthropogenic touristic resources, briefly to diminish of international competitiveness for the touristic services of that specific country.

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