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UZBEK TRAVEL SERVICES INDUSTRY AND INTERNATIONAL COMPARISON

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Abstract The aim of this article is to present results of Uzbek travel companies survey focusing primarily on market research and strategy-setting while putting this in contrast to international experience in this sector. We present that many Uzbek travel companies are not used to do proper marketing research, only the biggest are. There are not rare cases of situations when management does not know how to define strategic behavior and strategy itself (as majority of companies lack long-term vision and orient themselves primarily on short run profits).

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“No matter how good basic service offering or how brilliant the marketing plan, it all comes down to null if there is a breakdown at the most critical interface: the point at which the customer comes into contact with the company’s employee” (Cina, 1993).

Introduction

In Uzbekistan, there is currently widespread support of private businesses in travel services industry. The main benefit of that support is economically efficient operation, allocation and use of resources. This support is based on Presidential decree “Services Industry Development Program” which was announced May 2007. The Program’s objective was to increase share of services on GDP from 39.5 in 2006 to 49% in 2010 provided that the main industry sectors will increase their output by 1.9 - 2.5 times. More dynamic developments on 2006-2010 were expected in communication and information services - 2.5 times, hotel services - 2.4 times and travel services - 2.3 times. In the following parts we will focus on current challenges of tourism industry in Uzbekistan based on our survey and international comparison.

Challenges for tourism industry in Uzbekistan

The main outcome should be to lower government role within the economy, reducing of transaction costs of business activities, speeding up the structural reforms and management improvement. But as this industry is evolving very rapidly, what is widely insufficient is quality information about the market and experience of the management. Companies simply lack information about the market where they do their business. Market which is one of the most complex and risky businesses due to its highly dynamic development requiring people to engage their intuition together with up to date accurate market information.

Companies doing business in travel industry require conducting market environment analysis, researching market structure considering geographical implications, identifying competitors and consumers behavior in order to offer competitive high quality travel product (e.g., see Calaveras and Vera-Hernandez, 2005; Candela and Cellini, 2006; Cardenas, 2001).

From our survey based on collecting information on 10 large tourist firms with long history we specified the position of the travel firm in its market segment, its strengths and weaknesses, analyzed indicators of the travel firm business activities comparing to its main competitors. We also specified ways how to increase effectiveness of

company activities and possibilities of neutralization and elimination of external threats. At the time of conducting analysis the market research enabled management of those travel firms to assess the company position on the market.

Our research analysis of leading foreign travel companies indicated that they prefer conducting of mixed market research. Survey conducted on national travel companies showed that 85% of them use for conducting market research external organizations while only 15 % travel firms do it themselves.

Using real data of 15 national travel firms¹ of Uzbekistan we studied their behavior in the market. The interviewed managers from those companies were asked to answer the following question: Does your firm conduct market research and if “yes” what methods do you use?”

More than 50% travel-industry companies (based on companies responses) do not exactly know what is market research. Widely spread understanding among these firms of what market research is renders answers like finding ways of increasing trade volume, advertisement or counting number of phone calls made to the firm and determining caller’s knowledge of the firm.

Many of the firms’ representatives answered affirmatively to the question but specified that their research methods or market research methods are limited to comparison of last period sales data to present data or in other words construction of dynamic line of sales volumes. Only the big travel firms (like Uzintour) holding sustainable and stable positions on the market conduct market research through their marketing departments and not external organizations. Travel firms like Sayram Tourism, Orient Voyage and CATS have their marketing departments and they also conduct market research on regular basis as Uzintour. Their managers said that special travel market analysis is the main part of the company activities necessary for successful travel business.

Statistical information analysis of 15 firms showed that each travel firm determines subject of the research by itself and that there is no common pattern how to conduct it. That also shows that everything develops in time and all companies must adapt new market environment and business conditions so as every company sees those conditions differently then also needs to research on the market for different information than another company.

¹ For example Uzintour, Mercury-Tour, Planet-Tour and others

Every market research should be backed by the company, but there is a problem that many times companies don't know what they should research for. So there are potentially two situations: (i) Company executives decide what will be researched, will define the task, its objectives and let it process it either by their own or external company. (ii) Second option is that company executives are not sure what to research so they let external company to conduct preliminary research in order to define problematic areas and find objectives of the research.

Best efficient choice to find out about market developments (especially during preliminary research) is to use customer questioning and through that obtaining customer preferences. To find out about company's position on the market every company should make a SWOT analysis (Strengths, Weaknesses, Opportunities and Threats Analysis). Results of that analysis are crucial for choosing and closer specification of market research objectives. To consider experience of Uzbek travel companies we will compare that situation to international experience in the following part and we will present tips on improvement attractiveness of tourism and how to attract customers.

International tourism industry management and comparison

In this part we would like to focus on tips for improving competitiveness and to improve strategy setting by travel and tourism companies based on international experience.

In a wide research (Yuksel and Yuksel, 2000) based on detailed survey questioning 265 respondents that visited one of the following destinations: Spain or Greece, Grand Canary, France and Cyprus 16 areas¹ were identified as very important. Authors conclude: "Among the factors emerged significant in this study, the hospitality factor, consisting of local people and service employee attitudes towards tourists, ranked the highest in significance. The influence of hospitality on satisfaction is justifiable as tourist satisfaction does not only come from beautiful scenery, but also from tourist-local people encounters." The service quality emerged as the second most important factor influencing tourist satisfaction. This factor relates to service courtesy, friendliness, efficiency, and responsiveness of service personnel to tourist requests and complaints. The emergence of accommodation and its facilities as another significant factor affecting tourist satisfaction suggests that provision of both physically and psychologically comforting accommodation facility is instrumental to the generation of quality holiday experiences. The findings also indicated that tourists' foodservice experience, an inseparable part of the holiday experience, might be instrumental and important in engendering tourist satisfaction. Tourists' foodservice experiences may lay the foundation for and shape the nature of holiday experience. One could say that as far as tourists are concerned, the quality of their trip, their mental health and fitness, and hence their ability to adapt, learn and enjoy depends primarily on what they eat".

The challenge of providing high quality tourist experiences becomes less difficult when managers know what tourist needs are and correctly assess the importance

that tourists attach to individual elements that make up the total tourist experience. Here comes very important task for the government and that is state's involvement in propagation of specific region or cultural place. Government should be involved in the promotion, regulation, presentation, planning, monitoring, co-ordination and organization of tourism resources. Ensuring a healthy investment climate is an essential ingredient of longer-term competitiveness. In today's highly competitive market, the destination's survival depends greatly on its ability to provide superior tourist experience, which generates tourist satisfaction and not all aspects can be covered by private company. In other words, if there is unstable economic and regulatory environment, then small and middle companies that are crucial to tourism struggle specifying their strategy for their investment but without investment no industry can develop and attract customers. The government must focus on motivating foreigners not to be afraid to come to the country. This is crucial as according to a study about Mexican tourism (Valdez et al., 2010)² foreign tourists prefer living their tourist experience along the routes/circuits or in tourist regions. In general, tourist competitiveness in the territories is directly related to the arrival of tourists, making that the most important factor to national tourism. In other words, companies can be ready to provide perfect world-class services but if government won't help the companies to attract foreign tourists, the companies can do nothing about that.

The following Figure 1 summarizes all important factors that travel industry companies should focus on to improve their competitiveness.

The authors (Enright and Newton, 2005) researching competitiveness³ between Hong Kong, Singapore and Bangkok concluded that "The results provide strong empirical support for the inclusion of both industry-level and destination attributes in studies of tourism competitiveness. The results also question approaches to competitiveness that assume that the relative importance of attributes is common across locations, suggesting, rather, that the importance of competitiveness attributes may vary across locations, depending on product mix and target market segments, especially in complex, multifaceted industries such as tourism."

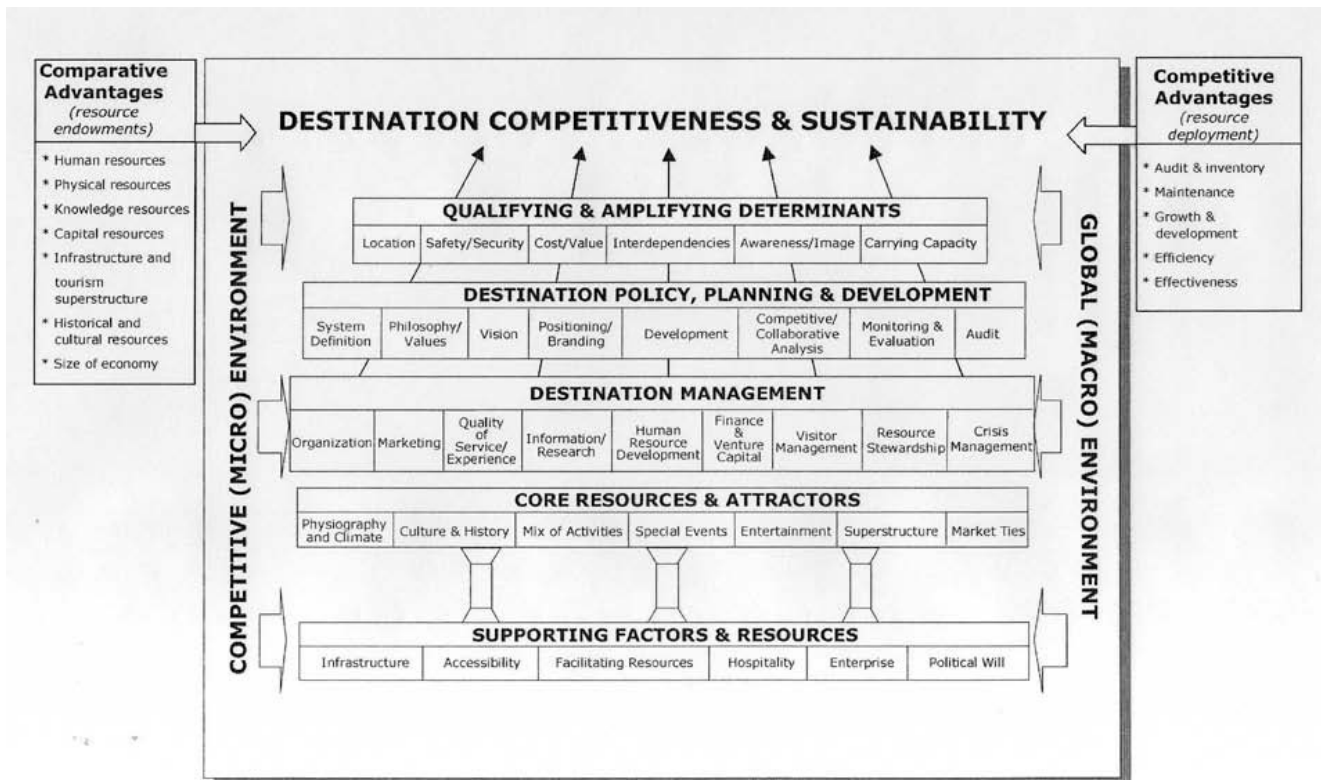
We understand that tourism can be crucial to country's economy development and we see what smart governments like Tunisia, Turkey, Thailand, Mexico and many other countries are doing with all that historical and natural assets supporting by all possible means development of tourism. To realize how important tourism can be to a country's economy, one can refer to EU experience.

² The authors used these areas of interest for their analysis: Tourist attractions, Quality in service, Prices of services, Accessibility, Tourist Hotels Offers, Promotion, Financing, Size of the economy of specific state (like Veracruz in Mexico).

³ They analyzed the following areas: Safety, Cuisine, Dedicated tourism attractions, Visual appeal, Well-known landmarks, Nightlife, Different culture, Special events, Interesting architecture, Interesting festivals, Climate, Local way of life, Notable history, Museums and galleries and Music and performances. Among other factors they analyzed separately from the former ones were also: Political stability, International access, Internal transportation facilities, Government policy, Free port status, Communication facilities, Cleanliness of government, Overall economic condition, Staff skills, Good retail sector / shopping, Access to information

¹ Weather, Airport services, Transportation, Water Sports, Safety, Communication (with local people and hotel staff), Convenience (location of hotel and/or restaurants), Noise, Entertainment, Price/value, Beach and Environment, Tourist Facilities, Hospitality, Accommodation, Service Quality, Food Quality.

FIGURE 1. CONCEPTUAL MODEL OF DESTINATION COMPETITIVENESS



Source: Ritchie and Crouch (2000).

European Commission in its official materials (European Commission, 2008) stresses out that in its narrow definition (traditional travel and tourism providers - hotels, restaurants, cafés, travel agencies, car rentals, airlines, etc. - that supply goods and services directly to visitors), tourism currently contributes to 4% of the EU's gross domestic product (GDP), varying from about 2% in several new EU Member States to 12% in Malta. When related sectors are taken into account, the contribution of tourism to GDP creation is much higher - tourism indirectly generates about 11% of the EU's GDP and provides about 12% of the labor force. In the EU there is also a Toureg platform to exchange tourism knowledge between all tourism industry participants. Since 2008 there is Toureg project. The strategic objective of Toureg is to establish a platform for developing a competitive tourist industry, based on the generation and application of knowledge revolving around a new international research-driven cluster in the tourist industry. In the EU there is also another very interesting project supporting tourism and that is iTACITUS which aims to provide a bespoke experience for the individual cultural traveler, based upon a dispersed repository of cultural (e.g. historical, scientific and archaeological) resources, enabling both location-based and context-based interfaces paired with location-independent services. The services provided will include audiovisual, mixed reality and virtual reality (VR) organizational components. It will allow the customization of personalized walking and public transport tours in urban areas, archaeological sites and museums, providing a specialized interface for each, depending on the network available in each site.

Management and marketing in travel industry

Zhang (2009) in a study of Approaches of Constructing Travel Agencies' Sustained Competitive Advantage by Knowledge Management analyzes several paths that lead to increased productivity and competitiveness. Knowledge Management (KM) is an emerging concept in the field of management and widely adopted in organizations of the developed countries for enhancing organizational performance. Nowadays, the competition among the travel agencies has been intensive, and all of them are struggling to find methods to improve their comprehensive competitive power. Moreover, under the situation that "knowledge management" has turned out to be the global management upsurge and only the best knowledge management approaches can make them keep up with the step of the time and get victories ceaselessly in the fierce market competition.

The outstanding performance travel agencies have business learning ability which is all about to develop a new competitive advantage. Travel the competitive advantage derived from the core competencies that demonstrate some knowledge and skills. The training of these knowledge and skills and the organizational learning are inseparable.

Employees are main bodies of knowledge-intensive applications, communication and innovation. Only when employees actively participate in the process of knowledge-intensive, application, communication and innovation, it is possible to achieve effective result of knowledge management, and the efforts of travel agents to promote the knowledge management are not to be wasted.

Zhang stresses out few factors that are extremely important in improving productivity: (1) Strengthening the

system for exchanging knowledge among the staff. The staff will exchange knowledge through learning exchanges, brainstorming, etc. (2) Regular training. Regular training will not only help create the environment, but also is an important way of cultivating talent; it can give employees timely access to the latest information on the industry. (3) Actively collecting external information. This information includes: policy information, economic information, legal information, social and cultural information, scientific and technical information, the natural environment information, market supply and demand information, consumer feedback information. (4) Establishing travel agencies corporate knowledge base

and implementing an open-style management. Knowledge base, as a collection of knowledge, is beneficial to conduct a systematic focus on knowledge management, and avoid the sporadic distribution of knowledge to lower the efficiency of overall management of the company.

Rose (2008) focuses on increasing productivity of travel company management through technologies and metrics of company finances. He states: "Procurement or finance generalists need to understand some of the industry-specific metrics and business practices within the travel industry and go beyond a simple price evaluation of vendors' offerings." The author specifies Travel management's role evolution as on the following Figure.

FIGURE 2. EVOLUTION OF PROCUREMENT FINANCE ANALYSIS

Step 1: Define the travel management role within procurement or finance context	Step 2: Identify synergies and differences between travel management, procurement and finance	Step 3: Leverage best-in-class purchasing or finance techniques for the travel management process	Step 4: Evaluate the value of technology	Step 5: Understand the role of outsourcing	Step 6: Constant re-evaluation
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Source: Rose (2008)

Some of the findings his paper includes:

- Influence of corporate procurement and finance continues to change the role of travel management. Travel departments need to translate cost savings and avoidance into standard finance measurements (earnings per share, EBITDA) to accurately reflect the value of these savings in corporate measurement terms;
- Travel departments should understand and integrate standard procurement metrics such as total cost of ownership (TCO), scorecards, service level agreements (SLAs) and benchmarking, and tailor these metrics to reflect corporate standards.

We have discussed different managerial techniques for general travel agency, but there are also not travel agencies but travel agents selling products of travel agencies. Dolnicar and Laesser (2007) discuss in their paper alternative strategies for travel agencies in a matured travel market with a high internet penetration. They write that two possible roles for travel agents can be derived from theory and prior studies in the field: travel agents can survive if they focus on specific specialized services, such as travel consultation (specialization; hypothesizing that systematic differences exist between the usage of travel agents for different travel contexts), and travel agents can survive if they focus on specific segments of the market, such as older travelers (segmentation; hypothesizing that systematic differences exist between the usage of travel agents depending on the personal characteristics of travelers).

Their results indicate that the use of travel agencies is indeed associated with specific services related to package holidays, transport services, beach or city holidays, as well as destinations travelers are not familiar with. In contrast, no clear association between travel agent use and socio-demographic characteristics of travelers exists. Hence, the findings from this study support the notion that the most promising future for travel agents will lie in specializing in travel contexts and travel components where other booking channels and media are unlikely to be able to offer a full substitute for travel agent services.

To finish our paper with actual insight and suggestions for travel companies managers we will present advice from Mael (2009) how to market travel company products during global recession which are actually very good advices also for the expansionary phase of the global economy, not only for recessions. He states: "The fundamentals of business apply now more than ever. Without marketing, your sales will wither. And without sales, your travel business is finished. Slashing marketing expenditures in tough times could be a costly - and potentially fatal - move". His advice can be summarized in the following points:

- Instead of cutting your promotional spending, focus your marketing firepower where it matters most: on your current customers. Studies by the research firm TARP have shown that it costs as much as twenty times as much to acquire a new customer than it does to keep an old one. So brush off your customer list and start marketing like you mean it;
- Co-market with other businesses. Reach out to other small business owners in your community who target the same demographic, but don't compete with you. Combine your lists and market together - you can both profit from the energy of a joint venture;
- Be persistent. A study by SMEI showed that 81% of sales are made after the fifth contact. That means that you need to choose your target and hit it again and again. Instead of a single mass campaign to a "cold" list, send a multi-step series to the same list. Keep building trust and awareness, and when they are ready to take that trip, you'll get the sale;
- Build online content. Your website must have real value; an „online brochure" is not enough. Provide travel news and links to resources they'll want to use. Forget about the impersonal, pompous „our level of service is unmatched..." fluff. Create a connection by putting your picture on your website, talking about why you got into the adventure travel business, and making it easy to contact you. Start blogging. Add video. Be creative!
- Say thank you. Your clients know that there are other tour operators out there. So let them know that you appreciate their loyalty. Mail a fun gift when they sign

on for a trip. Send a personal thank-you card upon their return. Remember, it's all about the relationship.

Conclusion

Based on our survey we can make conclusion that national travel firms currently conduct market research very rarely. On a regular basis market research is conducted only by large travel firms. As to the small and middle firms they mainly work on the market by following the large firms' strategies, copying competitors and, as one of the managers said, based on their intuition. Reason for that is first of all instability and hard predictability of the travel business environment all over the world, in a particular country thus forcing many travel firms to orient only to short term profit gains. Also, another important reason is that market research is costly and many local businesses severely underrate its usefulness.

We should emphasize that in any case success of the research group in this phase mainly depends on attracting the firm executives and specialists to the research. Depending on time limit and resources, selection of internal or external sources of information and its collection can be done gradually (internal research first, external afterwards) or at the same time. One of difficult stages of conducting market research is planning and organization of primary information collection. Primary information will be collected within the framework of market research by taking special actions (questioning, observation, testing and imitation modeling) directed at solving an actual problem. Choice of concrete method will be determined by research objectives.

Based on international tourism issues discussion, it is clear that destinations which fail to pay attention to the management of tourist satisfaction, and which are oblivious of their product weaknesses relative to other destinations in the same category, are likely to loose their market share and revenue. In short, it is clear that hospitality and tourism managers need to undertake periodic tourist satisfaction assessment, as satisfaction cannot be improved without measuring it. However, they also need to incorporate relative performance measurement into their investigations, as any information without relative performance is incomplete.

We can see that world competition among countries as tourist destinations is fierce, the tourist industry in Uzbekistan can build on silk road historical places, beautiful and diverse nature of Uzbekistan regions and that the main hurdles are the government (which is doing everything possible to support national tourist industry) and approach of individual companies. One thing is to attract domestic tourists and second thing is to attract foreign tourists. To increase GDP of the economy through tourism, attracting the foreign tourists is crucial.

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