

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Diploma Thesis

**Economic evaluation of incoming tourism in the Czech
Republic**

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DIPLOMA THESIS ASSIGNMENT

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Economics and Management

Thesis title

Economic evaluation of incoming tourism in the Czech Republic

Objectives of thesis

The goal of this research is to evaluate the incoming tourism in the Czech Republic. Particularly, to understand how competitiveness of one destination influence on the tourism flow and offer possible ways of measuring and developing competitive identity in tourism and recreation through the example of Czech Republic.

In achieving this goal, the research will address three strategic objectives:

- To understand the theoretical aspects of the tourism and recreation competitiveness;
- To analyze how tourism and recreation influence on the economy of the country;
- To analyze tourism and recreation competitiveness: indicators for measuring and main problems;
- To develop the ways of improving tourism and recreation competitiveness the case of Czech Republic.

Methodology

The research was done with use of two different groups of methodology. The first group was used for theoretical part of research: method of literature review was conducted using synthesis and extraction. Using this methods relevant information was gathered for the purpose of explanation of all terminology.

Second group of methodology was used for analytical part of research. To evaluate the place of tourism in the economy was used the SWOT – analysis and sectorial analysis. The statistical data was collected from the Czech Statistical Office and EuroStat, and to evaluate the relevant variables and relationships between them the approaches of correlation and regression analysis were used.

The proposed extent of the thesis

60 pages

Keywords

Tourism, Czech Republic, Incoming tourism, Competitiveness, Competitive identity

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Declaration

I declare that I have worked on my diploma thesis titled "Economic evaluation of incoming tourism in the Czech Republic" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on the 31st of March 2017

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Economic evaluation of incoming tourism in the Czech Republic

Abstract

Tourism is one of the key sectors in many countries and it also brings quite a large income to the GDP of countries, opens up new opportunities for job creation. Tourism also plays an important role in promoting the image of the country and its perception by other people, as well as in influencing domestic policy. This creates problems in measuring competitiveness in tourism.

Understanding the country's competitiveness in tourism is an important factor in the development of tourism and a serious challenge for providing evidence for decision-making. There is an analysis of the Czech Republic competitiveness as a tourism destination. Influence on factors of competitiveness can increase the volume of inbound tourism in the Czech Republic. The econometric model in the work shows the main factors influencing incoming tourism, and consequently, on the competitiveness of the country.

Keywords: Czech Republic, Tourism, Incoming tourism, Competitive identity, Competitiveness, Economic analysis

Ekonomické ohodnocení příjezdového cestovního ruchu v České republice

Abstrakt

Cestovní ruch je jedním z klíčových odvětví v mnoha zemích. Přináší poměrně velký příjem HDP a zároveň otevírá nové příležitosti pro vytváření pracovních míst. Cestovní ruch hraje důležitou roli v podpoře image země a její vnímání druhých, a zároveň má významný dopad na domácí politiku. To způsobuje problémy při měření konkurenceschopnosti v cestovním ruchu.

Pochopení konkurenceschopnosti země v oblasti cestovního ruchu je významným faktorem v rozvoji cestovního ruchu a jednou z hlavních překážek poskytnutí důkazů pro rozhodování. Diplomová práce je zaměřena na analýzu konkurenceschopnosti České republiky jako turistické destinace. Dopady konkurenčních faktorů mohou zvýšit objem cestovního ruchu v České republice. Ekonometrický model znázorňuje hlavní faktory, které ovlivňují příjezdový cestovní ruch, a tím i konkurenceschopnost země.

Klíčová slova: příjezdový cestovní ruch, Česká republika, konkurenceschopnost, konkurenční faktory, ekonomická analýza

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List of abbreviations

ASTA	American Association of Travel Agents
EU	Europe Union
GDP	Gross Domestic Product

ICCA	International Congress and Convention Association
LCC	Low Cost Carriers
MICE	Meetings Incentives Conferences Exhibitions
NTO	National Tourism Organization
OECD	Organisation for Economic Co-operation and Development
OPEC	The Organization of the Petroleum Exporting Countries
PPP	Purchasing Power Parity
SWOT	Strengths Weaknesses Opportunities and Threats
TSA:RMF	Tourism Satellite Account: Recommended Methodological Framework
TTCI	Travel and Tourism Competitive Index
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNWTO	United Nations World Tourism Organization
WEF	World Economic Forum
WTTC	World Travel & Tourism Concilium

1. Introduction

Tourism is one of the most dynamically developing sectors of the world economy. It plays a significant role in foreign exchange earnings of the country, formation of its gross national income and employment of the population. The increase in the flow of tourists has a significant impact on the development of such sectors of the country's economy as the hospitality industry, public catering, transport, certain branches of agriculture, construction and industry.

In turn, the development of tourism depends on a number of factors, for example, natural resources, situation of the country, socio-demographic factors, cultural-historical, economic, political, legal and other factors. In general, international tourism is one of the most profitable sectors of the Czech economy, and tourism trade has had a positive balance for several years.

Tourism in the Czech Republic is one of the main branches of the Czech economy. Czech Republic is a country, which is rich with its historical and natural attractions and famous for its cuisine and natural resorts, attracts tourists from many countries of the world.

In addition, Czech Republic is famous for its historical past: ancient castles, historical cities, preserved due to the careful attitude to monuments of architecture. Thus, it can be said with confidence that this country is very promising in terms of conducting tourism activities and has a great potential for further development of tourism. The nature of the Czech Republic is very beautiful, there is everything that can interest the tourist. The tourism industry of this country provides an excellent opportunity to get acquainted with its cultural and historical sights, many of which were preserved in their original form.

Prague is a traditional European cultural center, a place holding many famous events of world significance (international Music festivals "Prague Spring" and "Prague Autumn", the Prague International Organ Music Festival, the Prague Writers' Forum, the International Documentary Film Festival on Human Rights "One World", the Prague Festival of Experimental Art, the World Festival of Gypsy Art and others).

2. Objectives and Methodology

2.1 Objectives

The goal of this research is to evaluate the incoming tourism in the Czech Republic. Particularly, to understand how competitiveness of the destination influences on the tourism flow and offer possible ways of developing competitive identity in tourism and recreation through the example of Czech Republic.

In achieving this goal, the research will address *four* strategic objectives:

- To understand the theoretical aspects of the tourism and recreation competitiveness;
- To analyze how tourism and recreation influence on the economy of the country;
- To analyze tourism and recreation competitiveness: indicators for measuring and main problems;
- To develop the ways of improving tourism and recreation competitiveness the case of Czech Republic.

This diploma thesis aims to answer *follow research questions*: (1) what factors do influence on competitiveness of Czech Republic as a tourism destination? and (2) what are the advantages and disadvantages of incoming tourism in Czech Republic?

2.2 Methodology

This thesis can be divided on two parts: theoretical and analytical.

Qualitative analysis was used for the first part; it was conducted by use of literature review method. Synthesis and extraction were used to collect relevant information about indicators for measuring competitiveness of the country as tourism destination and data.

The economic evaluation was done by analysis of the Czech tourism sector and trends in the inbound tourism during the period from 2010 till 2015. The statistical data was collected from the Czech Statistical Office and EuroStat for top 10 tourism market-makers for incoming tourism in Czech Republic. In order to evaluate the relevant variables and relationships between factors which influence on the competitiveness of Czech Republic as a tourism destination the approaches of correlation and regression analysis were used.

3. Literature Review

3.1 Tourism

3.1.1 Definition

The definition of tourism varies from person to person and from source to source. There is no one unify definition in the world. The first one appeared in 1905 and was made by Guyer and Feuler. They defined tourism as “A phenomenon unique to modern time which is dependent on the people’s increasing need for a change and relaxing, the wish of recognizing the beauties of nature and art and the belief that nature gives happiness to human beings and which helps nations and communities’ approaching to each other thanks to the developments in commerce and industry and the communication and transportation tools’ becoming excellent”. (Esen, Uyar, 2015)

According to the UNWTO (2015) “tourism is a social, cultural and economic phenomenon which entails the movement of people to countries or places outside their usual environment for personal or business/professional purposes”. (UNWTO)

Cambridge Dictionary defines tourism as “the business of providing services such as transport, places to stay, or entertainment for people who are on holiday”. (Cambridge Dictionary)

In 1976, the Tourism Society of England defined tourism as: " the temporary, short-term movement of people to destinations outside the places where they normally live and work and their activities during the stay at each destination. It includes movements for all purposes."(Beaver,2002)

3.1.2 Types of tourism

There are a lot of classifications of tourism, which look on the types from different angles. The first classification of tourism was appeared in Poser in 1939, the paper: “Der Fremdenverkehr im Riesengebirge”. Poser distinguished several types of tourism: tourism by transit, summer relaxation, winter sports, short distance relaxation. Then Hunziker and Krampf in 1941, distinguished such types and forms of tourism as: travel for rest and treatment, pilgrimage, and scientific knowledge, etc. Finally, in 1965 Jülg, and in 1970 Ruppert and Maier, admitted the existence of six types of tourism: tourism recreation, therapy, visitation, reduced distance relaxation, transit by tourism and professional tourism. (Tureac, Turtureanu, 2008)

The United Nations (2008) identified three forms of tourism:

- domestic tourism, involving residents of the given country traveling only within this country;
- inbound tourism, involving non-residents traveling in the given country;
- outbound tourism, involving residents traveling in another country.

In general there can be distinguished such types of tourism:

Cultural and educative tourism. The movement of persons to cultural attractions away from their normal place of residence, with the intention to gather new information and experiences to satisfy their cultural needs. (Richards, 1996)

Sport tourism. This type of tourism can be divided into: active and passive. Active sport tourism is accompanied by doing some sport. Passive is one, when person visits some sport events and look on others doing sport.

Sport tourism also can be divided by type of sport activity: water tourism, winter tourism, hunting and fishing and etc. (Artemova, Kozlova, 2005)

Adventure tourism. May be defined as a leisure activity that takes place in an unusual, exotic, remote, or wilderness destination and tends to be associated with high levels of involvement and activity by the participants, most of it outdoors. (Thomson River University)

Business tourism. During business tourism (traveling), individuals are still working and being paid, but are doing so away from both their workplace and home. (Garrod, 2012)

Health tourism. The main aim of this type of tourism is treatment, people travel to foreign country to obtain medical treatment. (Artemova, Kozlova, 2005)

Rural tourism. Tourists live in the rural areas (e.g. on farms) and actively participate in the rural lifestyle. During this type of tourism people acquaint with the life of small villages, watch how farms work, do hiking tours in the surrounding area, explore the flora and fauna, travel through the mountains and lakes. It is common practice, when during such trips courses of national cuisine are organized. (Artemova, Kozlova, 2005)

Ecotourism is a form of tourism involving visiting fragile, pristine, and relatively undisturbed natural areas, intended as a low-impact and often small scale alternative to standard commercial (mass) tourism. It means responsible travel to natural areas conserving the environment and improving the well being of the local people. (Ecotourism)

Religious tourism usually involves followers of particular faiths visiting locations that some people regard as holy sites. In many instances, religious tourists journey to these sites on the anniversaries of events that are of importance to followers of specific religions. Traditionally, those involved in religious tourism were referred to as pilgrims but in modern times that term that is not as widely used since many non-religious individuals also embark on trips to holy sites because many of these sites are of cultural or historical as well as religious interest. (Wisegeek)

And this is just general types of tourism, there are much more forms of it in the world.

3.2 Competitiveness of tourism destination

3.2.1 Definition

Text Scott and Lodge (1985) defined national competitiveness as “a country’s ability to create, produce, distribute, and service products in international trade while earning rising returns on its resources”. They also said that this ability “is more and more a matter of strategies, and less and less a product of natural endowments”. The Organization for Economic Cooperation & Development (OECD) (The World Competitiveness Report, 1994) viewed competitiveness as “the ability of a country or company to, proportionally, generates more wealth than its competitors in world markets”. (OECD. 1994) Competitiveness is viewed as combining both assets and processes where assets are inherited (e.g., natural resources) or created (e.g., infrastructure) and processes transform assets into economic results (e.g., manufacturing). Ritchie and Crouch (2000) viewed a destination’s competitiveness as a country’s ability to create added value and thus increase the national wealth by managing assets and processes, attractiveness, aggressiveness and proximity, and there by integrating these relationships within an economic and social model that takes into account a destination’s natural capital and its preservation for future generations (Ritchie, Crouch, 2003).

Hong (2008, p.6) defines tourism competitiveness as the ability of a destination to create, integrate and deliver tourism experiences, including value-added goods and services considered to be important by tourists. These experiences sustain the resources of a destination, and help it maintain a good market position relative to other destinations. (Hong, 2008)

“Tourism destination competitiveness can be defined as a general concept that encompasses price differentials coupled with exchange rate movements, productivity levels of various components of the tourist industry and qualitative factors affecting the attractiveness or otherwise of a destinations” (Dwyer, Forsyth, 2000). The sources used in destination’s tourism development create comparative and competitive advantage in tourism.

“Comparative advantage would relate to climate, scenery, flora, fauna, etc., while competitive advantage would relate to such items as the tourism infrastructure (hotels, events, attractions, transportation net- works), the quality management, skills of workers, government policy, etc.” (Kim, Dwyer, 2003). “Porter groups the factors of comparative advantage into the human resources, physical resources, knowledge resources, capital resources, and infrastructure” (Ritchie, Crouch, 2003).

3.2.2 Concept of tourism destination

According to Buhalis (1999, p. 97), “destinations could be explained as amalgams of tourism product, offering an integrated experience to consumers”. “Traditionally, destinations are regarded as well-defined geographical areas, such as a country, and island or a town (Hall, 2000; Davidson, Maitland, 1997).

Tourist destination is different in its nature, and it is depends on perception of the tourist motives, his/her opinion and marketing strategy. What is important is how the destination is marked in the world. Destination may include more than one country or only one country, province, countryside, town or city, as well as some unique place, such as national parks, river and mountains).

Porter (1998) defined these destinations as clusters or “geographic concentrations of interconnected companies and institutions”. Vanhove (2006) added that clusters could be understood as “a group of tourism attractions, enterprises, and institutions directly or indirectly related to tourism”. A synergy of different attractions, services in tourism, infrastructure, businesses, directly or indirectly related to tourism, is the typical feature of clusters. Competition in tourism is mainly between clusters and not so much between countries (Bordas, 1994).

Tourists are motivated to achieve expected travel experience offered by a destination. (Cooper, Fletcher, Gilbert, Shepperd and Wanhill,1988). They also defined destinations as

the “focus of facilities and services designed to meet the needs of the tourists. “ Attractiveness (natural, man-made, artificial, purpose built, heritage, special events), accessibility (the entire transportation system comprising of routes, terminals and vehicles), availability of packages (prearranged packages by term diaries and principals), activities, and ability to use the ancillary services (banks, telecommunications, post, newsagents, hospitals) are the precondition of a destination’s competence to become a tourism destination. The expectations and desires of tourists have changed dramatically during the last decades, and many tastes and desires are embedded in the choice of destinations.(Mazurek, 2014)

In the middle of the last century were the most popular destinations called as “first-generation destinations” with the typical high-societal atmosphere, fragmented tourism product offered by the individual tourism service providers. A location of these destinations was pre- dominantly along the northern European coastline (England, France). The second generation of destinations with a label “sand, sea, and sun” still survives and exists; however their ability to compete is behind a zenith. As the cited authors stated (Poon, 1993; Claver-Corte’s, Molina-Azorin, Pereira-Moliner, 2007), these types of destinations are typical for the mass tourism and pursue a lack of product differentiation. This means that in the process of marketing segmentation, they offer the same product to all segments of tourists (undifferentiated product segmentation). .(Mazurek, 2014)

Mass marketing concepts, based on the price advantages and the large market share, do not cope with the new philosophy of success in tourism. Psychographic variables of the segmentation process, especially “life style, consumer preferences, and personality character” have gained more importance. Psychology and social psychology, applied in the concepts of tourism marketing, are visible in this explanation (multidisciplinary approach to tourism). Behavior segmentation is another example of looking at the differences among customers, and one of the concepts is a loyalty building.

Destinations labeled as the “second generation” types, have embedded the traditional model of the Ford mass production. The diversification and differentiation are foreign elements in this concept; typical is the rigid product or service offer packaged and sold by the tour operators. High product standardization simplifies the service provision; however, the effect and especially experience of tourists is not identical as if the product would be “tailored” to their needs. (Dwyer, Forsyth, 2000)

In order to be competitive and fulfill the new desires of visitors, as the cited authors claimed above, “Neo-Fordist destination” had to be accepted. crucial is the rapid interrelation of such destination with the outside world through the informative channels, strategic marketing approach, visionary attitude, and opening to the new ideas and concepts (based on new tourism perspectives and innovation techniques and devices, e. g. the use of new information technologies and information systems).(Bordas, 1994)

“Fundamental turning point in a research (and epistemology on tourism), conducted on resort (destination) cycles, was Butler’s model of lifecycle” (Wall, 2006, p. 197). As the author continued “the model was based on the product life cycle, tracing the evolution of the tourist market as manifested in the changing physical facilities and infrastructures of the destination. (Ibid, 2006). ”

The concept is based on the chronological array of stages of exploration, involvement, development, consolidation, stagnation, and decline or rejuvenation. The last stages and their development depend on different factors, but Wall developed this idea based on Butler (2006, p. 198), and stated “as the area enters the stagnation phase, the peak number of visitors will have been reached natural and genuine cultural attractions will probably have been superseded by artificial ones capacity levels will have been exceeded, with attendant environmental, social and economic problems. The area will have a well-established image, but it will no longer be in fashion”. (Dwyer, Forsyth, 2000)

The Kotler’s product life cycle model and his application in tourism means that probably the same innovations, improvements in market-ing strategies in the stage of maturity (in Butler’s model probably development or consolidation stage) have to be taken into consideration. This model has been used in the academic discourses of many academics as Agarwal (1997), Shaw and Williams (1991), Tooman (1997), Douglas (1997), Choy (1992), Getz (1992), Ahmed and Krohn (1990), Cooper & Jackson (1989). The concept of destination life cycle contains the influence of cultural and environmental sustainability in order to be able to undergo a change. The deployment of all tools and strategies, also marketing and visioning, leads to the destination’s rejuvenation. destinations in tourism compete, as Ritchie and Crouch (2010) pointed out, and that “competition between destinations plays a critical role in shaping the global tourism industry. Competitiveness is becoming even more important as tourism transition from old industry practice of mass marketing, standardization, limited choice and inflexible holidays

to a greener, more individual, flexible and segmented approach” (Ritchie, Crouch, 2003).

3.2.3 The destination competitive model

3.2.3.1 Porter’s five forces analysis

The five forces model, that was developed by Michael Porter in 1979, is the most well-known and used tool for analysis. It is very useful instrument in case of examining the competitiveness of industry. Through Porter (1980), in any industry, domestic or international, whether it produces products or services, the rules of competition are reduced to take into account the action of five competitive factors, or forces. Porter regarded understanding both the competitive forces and the overall industry structure as crucial for effective strategic decision-making. In Porter's model, the five forces that shape industry competition are:

Competitive rivalry. This force examines how intense the competition currently is in the marketplace, which is determined by the number of existing competitors and what each is capable of doing. Rivalry competition is high when there are just a few businesses equally selling a product or service, when the industry is growing and when consumers can easily switch to a competitors offering for little cost. When rivalry competition is high, advertising and price wars can ensue, which can hurt a business's bottom line. Rivalry is quantitatively measured by the Concentration Ratio (CR), which is the percentage of market share owned by the four largest firms in an industry. (Business News Daily, 2015)

Bargaining power of suppliers. Suppliers may have an impact on the goods’ competitiveness in the market, as they are owners of the resources, which use for the production of the goods. Increase in price for raw materials and transactions on unfavorable conditions for the company lead to increase in the cost of finished products and production costs. If there is no opportunity to increase retail prices for finished goods at a comparable level with the growth of the raw material, the industry's profitability from the sale of goods or services is decreased.

Bargaining power of customers. Buyers may have an impact on the competitiveness of company’s goods in the market, as they are consumers of finished goods. Customers may toughen competition in the market by demanding higher quality of the goods, higher level of service, putting pressure on the price level. Higher requirements

for the finished product make industry manufacturers improve the quality of the product produced by increasing the costs (higher-quality raw materials, additional conditions of service, etc.), and therefore to reduce its level of profit. (PowerBranding, 2010)

Threat of new entrants. “New entrants to an industry bring new capacity, the desire to gain market share, and often substantial resources.” (Porter, 1979, p. 138) The existence of entry barriers limit the number of companies in the industry and therefore influences the ‘Rivalry Among Existing Competitors’ (Johnson et al., 2008). Furthermore companies who enter an existing market directly affect the competitive advantages. The additional supply for the same demand decreases the profit of the market participants. The lower the barriers to entry are, the higher the threat of new entrants is. (Dälken, 2014) “The height of barriers to entry has been found consistently to be the most significant predictor of industry profitability” (Rothaermel, 2008, p. 215). Porter (1979) distinguishes between six significant barriers to enter the market: (1) Economic of Scale (2) Product Differentiation, (3) Capital Requirements (4) Cost Disadvantages (5) Access to Distribution Channels (6) Government Policy

Threat of substitute products or services. In the broadest sense all competitors within an industry compete with industries that produce substitutes. Substitutes products and services limit the potential profit of an industry by defining a cap for the prices of their products or services (Porter, 1979). The identification of substitutes is a search for products or services that can fulfil the same function as products of the industry of the considered industry. According to Hubbard and Beamish (2011) there are several factors that influence the Threat of Substitutes, e.g. switching costs between substitute products/services and industry product, or buyers’ addiction to buy substitutes. (Klemperer, 1995),

Porter's framework has been challenged by other academics and strategists such as Stewart Neill. Similarly, the likes of ABC, Kevin P. Coyne and Somu Subramaniam have stated that three dubious assumptions underlie the five forces:

- That buyers, competitors, and suppliers are unrelated and do not interact and collude.
- That the source of value is structural advantage (creating barriers to entry).
- That uncertainty is low, allowing participants in a market to plan for and respond to competitive behavior. (Coyne, Subramaniam, 1996)

3.2.3.2 Porter's Diamond of National Competitiveness

Michael Porter's Diamond Model of the national competitiveness offers a model that can help understand the comparative position of countries in the global competition. The model can also be used for major geographic regions, it is rather useful in the destination competitiveness. The Porter Diamond Model suggests that the national home base of an organization plays an important role in the creation of advantages on a global scale. (Toolshero, 2016)

The Porter Diamond model bases its assessment on six elements:

Factor conditions. Factor conditions are the first element of the Porter Diamond model. They refer to different types of resources that may or may not be present in the home country: human resources, physical resources, knowledge resources, capital resources and infrastructure. (Marketing insider, 2016)

Demand conditions. Demand conditions, located in the right-hand box of the Porter Diamond model, involve such factors as early home demand, market size, market growth and sophistication. These characteristics can help companies create competitive advantage, for instance when sophisticated home market buyers pressure firms to innovate faster and to create more advanced products than those of foreign competitors. (Marketing insider, 2016)

Related and supporting industries. The success of a market also depends on the presence of suppliers and related industries within a region. Competitive suppliers reinforce innovation and internationalization. Besides suppliers, related organizations are of importance too. If an organization is successful this could be beneficial for related or supporting organizations. They can benefit from each other's know-how and encourage each other by producing complementary products. (Toolshero, 2016/)

Firm strategy, structure and rivalry. The main emphasis here is that the strategies and structures of firms depend heavily on the national environment and that there are systematic differences in the business sectors in different countries that determine the way in which firms compete in each country and ultimately their competitive advantage. Porter (1990a) identifies rivalry as the most critical driver of competitive advantage of a country's firms. He believes that domestic rivalry forces firms to be cost competitive, to improve quality and to be innovative. (Smit, 2010)

Chance. Events are occurrences that are outside of control of a firm. They are important because they create discontinuities in which some gain competitive positions and some lose. (Porter,1990)

Government. The government can have strong influence on the international competitiveness of a firm. In addition, it can influence each of the five other forces in the Porter Diamond model. The government of a country can either promote or hinder export. It can influence the supply conditions of key production factors. It can shape the demand conditions in the home market, as well as the competition between firms. These interventions can occur at local, regional, national, or even supranational level. (Marketing insider, 2016)

3.2.3.3 Ritchie and Crouch Model

Ritchie and Crouch model of destination competitiveness was appeared in 2003, it is based on the Porter's diamond model, however, this model was adopted for tourism industry. According to Ritchie and Crouch (2003), this model contains seven (7) components which we have found to play a major role, from a policy perspective, in determining the competitiveness/sustainability of a tourism destination. This model emphasizes that any country is seeking to achieve success by means of creating and/or benefiting from two principal types of strategic advantage.

Firstly, *comparative advantages* (based on resource endowments) are those with which the country has been blessed, as well as those which the country and its society have developed and accumulated over time. This includes the nation's historical and cultural resources, its economy, its human and physical resources, its knowledge and conceptual resources, the cumulative basic infrastructure which visitors expect to be available even though it probably does little to attract them - and finally, the elements of the tourism superstructure which have been put in place specifically to attract and satisfy the interests of visitors. (Ritchie, Crouch, 2010)

Next, the *effectiveness and efficiency* with which country deploys its resource endowments (or resource deployment) leads to growth and development in its tourism sector, thus contributing to the creation of competitive advantages. Together the nation's comparative advantages plus its competitive advantages in tourism create country's overall

ability to compete in the tourism marketplace - and ultimately the levels and types of success that it realizes in the tourism field. (Ritchie, Crouch, 2010).

Ritchie and Crouch (2010) emphasize several components in this model:

The global (macro) environment. It consists of a vast array of phenomena which broadly impact all human activities and which are therefore not specific to the travel and tourism industry in their effects. The macro environment is global in its scope. Events in one part of the world today can produce an array of consequences for country. Global forces can alter the country's attractiveness to tourists, shift the pattern of wealth to create new emerging origin markets, adjust the relative costs of travel to country, and disrupt relations between other cultures and most of country. These forces present the country with a number of special concerns, problems, or issues that Brazil must either adapt to, or overcome. (Ritchie, Crouch, 2010)

The competitive (micro) environment. A destination's competitive (micro) environment is made up of organizations, influences, and forces that lie within the destination's immediate arena of tourism activities and competition. These close-in elements of the environment tend to have a more direct and immediate impact than do elements of the global (macro) environment, as a general rule. The microenvironment, because of its proximity and greater sense of immediacy, often occupies the attention of managers due to the ramifications for the destination's ability to serve visitors and remain competitive. This is about so called tourism system, which include suppliers, intermediaries and facilitators, customers, competitors, destination's internal environment or internal culture, publics. (Ritchie, Crouch, 2010)

Core resources and attractors. This component of the model describes the primary elements of destination appeal. It is these factors that are the key motivators for visitation to a destination. While other components are essential for success and profitability, it is the core resources and attractors that are the fundamental reasons that prospective visitors choose one destination over another. These factors fall into seven categories; physiography and climate, culture and history, market ties, mix of activities, special events, entertainment, and the tourism superstructure. (Ritchie, 1984)

Supporting factors and resources. They support or provide a foundation upon which a successful tourism industry can be established. A destination with an abundance of core resources and attractors but a dearth of supporting factors and resources, may find it

very difficult to develop its tourism industry, at least in the short term, until some attention is paid to those things that are lacking. This may not be easy in a location or region which is poor, undeveloped or under populated. The question then becomes, how can the destination begin to use, albeit in a modest way, its abundant attractions to build gradually a tourism industry which will create the wealth, taxes, employment, and investment necessary for the provision of the missing supporting elements. Important supporting factors include destination's general infrastructure; facilitating resources; health, vitality, and sense of enterprise; accessibility of the destination; hospitality; degree of political will. (Ritchie, Crouch, 2010)

Destination policy, planning and development. A strategic or policy-driven framework for the planning and development of the destination with particular economic, social, and other societal goals as the intended outcome can provide a guiding hand to the direction, form and structure of tourism development. The main component here is the destination vision (Ritchie, 1993) is a statement or understanding of what such a philosophy logically suggests makes most sense as to what the destination should be like in 10, 20, or 50 years. A tourism development policy, if grounded in reality, ought to be based upon an audit of the destination and its attributes, strengths and weaknesses, problems and challenges, past and current strategies etc. Similarly, competitive/collaborative analysis is an evaluation of how the destination relates and compares to other destinations and the international tourism system. A similar issue involves the marketing concept of positioning. An athletic sprint event is a one-dimensional race from a starting point to a finish line. But destination competitiveness is not one-dimensional, and positioning is all about where, in cognitive rather than physical space, a destination is positioned vis-à-vis its competitors. (Ritchie, Crouch, 2010)

Destination management. The destination management component of the model focuses on those activities which implement, on a daily basis, the policy and planning framework established under destination policy, planning and development, enhance the appeal of the core resources and attractors, strengthen the quality and effectiveness of the supporting factors and resources, and adapt best to the constraints or opportunities imposed or presented by the qualifying and amplifying determinants. (Crouch, Ritchie, 1995)

Qualifying and amplifying determinants. These qualifiers and amplifiers moderate or magnify destination competitiveness by filtering the influence of the other groups of

factors. They may be so important as to represent a ceiling to tourism demand and potential, but are largely beyond the control or influence of the tourism sector alone to do anything about. This group include destination's location, interdependencies, safety and security, awareness and image, cost/value, carrying capacity. (Ritchie, Crouch, 2010)

3.2.3.4 A. Poon Competitiveness Concept

Concept (Poon, 1993) is: "innovation - introduction of new products - is far more Important than low cost, differentiation or focus." The Poon's concept of competitive strategy has two factors: a micro- and a macrolevel. It deals with competitive strategies for industry players and strategies for tourism destinations.

Competitive strategies for industry players. The author identified three key principles of competitive success, and for each four are a number of strategies.

First principle is named as "put the environment first". Strategies that should be implemented are (Poon, 1993):

- build responsible tourism;
- foster a culture conservation;
- develop an environmental focus.

Second principle is "make tourism a lead sector" which include (Poon, 1993):

- develop tourism's "axial" potential;
- adapt strategies of development;
- develop the service sector.

Third principle is "strengthen distribution channels in the market place" and include (Poon, 1993):

- ensure adequate air access;
- transform the role of NTOs in the market place;
- focus on the product development at home.

Fourthly, public-private partnership at destination level is a necessity if an effective tourism policy is to be achieved, to encourage all efforts in the same direction and gather together the necessary financial means to implement a strategic marketing plan. These strategies are (Poon, 1993):

- don't be afraid of new tourism;

- let quality be the guide;
- build public/private sector cooperation.

3.2.3.5 OECD Approach

The OECD (2013) approach “is to create a limited set of meaningful and robust indicators useful for governments to evaluate and measure tourism competitiveness in their country over time and to guide them in their policy choices”.

The indicators are organised around four categories, which are, so called “core indicators” (OECD, 2013):

Indicators measuring the tourism performance and impacts. An indirect measurement of these issues could be provided by traditional tourism indicators assessing change and trends in jobs, income and revenues. This group includes: Tourism Direct Gross Domestic Product, inbound tourism revenues per visitor by source market, overnights in all types of accommodation, exports of tourism services.

Indicators monitoring the ability of a destination to deliver quality and competitive tourism services. This group of indicators relates to the supply side of the tourism economy: labour productivity in tourism services, Purchasing Power Parity (PPPs) and tourism prices, country entry visa requirements.

Indicators monitoring the attractiveness of a destination. The tourism experience is about connecting people and visitors to what represents the identity of a destination, notably its natural and cultural resources and its way of life. To monitor the competitiveness of a destination, it is therefore appropriate to introduce a group of indicators dealing with the notion of attractiveness. This group includes: natural resources and biodiversity, cultural and creative resources, visitor satisfaction.

Indicators describing policy responses and economic opportunities. Incentives to become more competitive and more attractive are provided by a dynamic institutional framework able to foster well-designed support policies in areas that impinge on competitive and sustainable tourism environment. The main indicator in this group is National Tourism Action Plan. (OECD, 2013)

However the core indicators are not the only big group of indicators. There are two more groups, first is supplementary indicators (OECD, 2014):

Tourism performance and impacts. It use the market diversification and growth markets.

Ability of a destination to deliver quality and competitive tourism services. This group include such indicators as employment in tourism by age, education levels and type of contracts; Consumer Price Index for tourism; air connectivity and inter-modality.

Attractiveness of a destination. The only indicator in this group is OECD Better Life Index, it reflects current material living conditions and quality of life, sustainability of well-being over time.

The third group of indicators is future development indicators:

Ability of a destination to deliver quality and competitive tourism. This group includes such indicators as government budget appropriations for tourism and company mortality rate.

Policy responses and economic opportunities. This group look at the use of e-tourism and other innovative services, and structure of tourism supply chains

3.2.3.6 WES Approach

Within the WES model (Schumpeter, 2004) not only the indicators measuring performance were constructed, but also the indicators driving force behind the performance. Typical of the WES approach pays attention to macro-economic factors. Application of multiple regression analysis shows the impact of the income factor on the generating markets and the real exchange rate.

The WES approach reveals a number of decisive factors of competitiveness (Schumpeter, 2004):

Macro-economic factors include these variables:

- income-generating countries;
- real exchange rate;
- availability and cost of capital;
- fiscal policy(import taxes, cost price increasing taxes, taxes on profit, tourism tax, cruise tax).

Supply factors:

- tourist product (attractions, accommodation, price level);

- labour (availability, cost, quality and training);
- infrastructure (transport, public utilities).

Transport factors:

- availability of regular services;
- availability of charter services;
- availability of cruise services.

Demand factors:

- market dependence;
- penetration in distribution channels;
- marketing efforts;
- presence in future growth product markets.

Tourism policy:

- institutional framework;
- policy formulation;
- planning capacity;
- commercialization;
- government budgetary support.

3.2.3.7 Bordas Model

Bordas Model (Schumpeter, 2004, p. 126-127) accentuates the perception of factors on the side of the demand. Long-term demand for the destination is a function of preference in the source market, the perceived cost and performance of sales system. Thus, for long-term competitiveness are two elements essential: the perceived value / destination image and perceived costs. The advantage of this concept certainly is - in some models underestimated - customer access. Disadvantage is precisely this bias, incomplete list of evaluation criteria and unconfirmed validity (correlation of drivers and power).

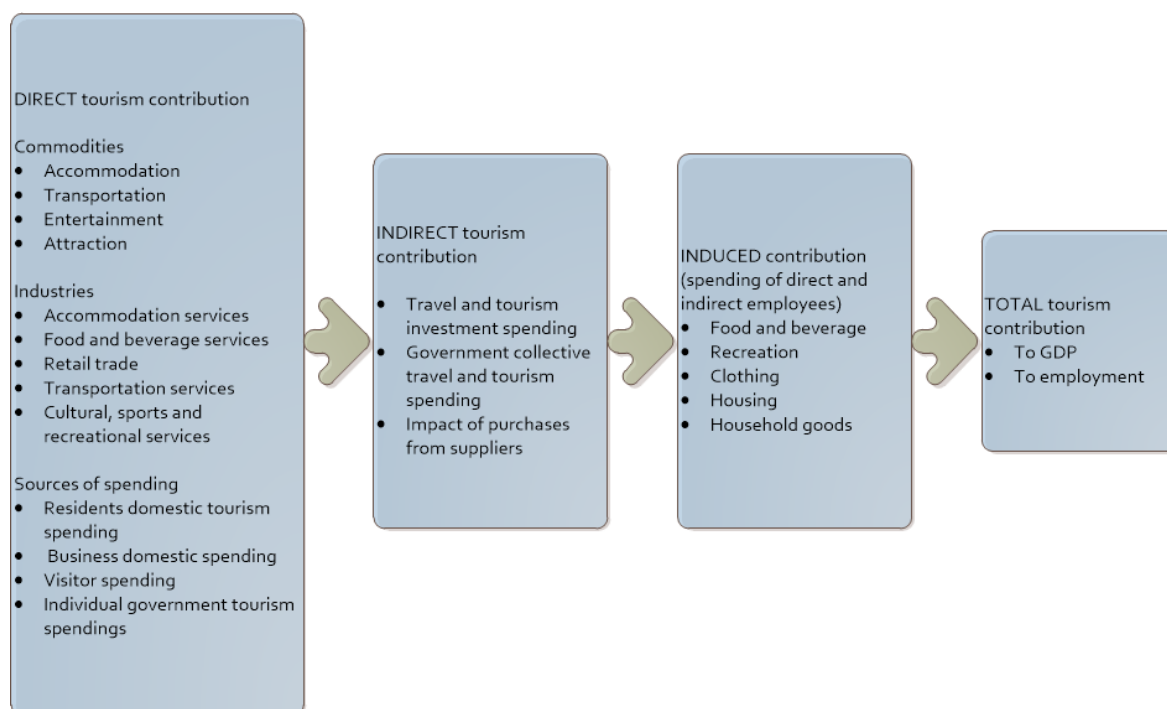
The only institution currently engaged in evaluating competitiveness in the international tourism is the World Economic Forum, monitoring the competitiveness in tourism through the Travel and tourism competitiveness index. The TTCI is based on three subindexes - regulatory framework, business environment and infrastructure and human, cultural, and natural resources. Each of them is composed in turn by a number of pillars, of

which there are 14 in all (WEF, 2013). As all previously mentioned models, even this one does not include indicators evaluating the performance of tourism. In addition, the model does not take into sufficient ability the use of conditions and resources - the ability to respond flexibly to changing market conditions and provides innovative solutions. (WEF, 2013)

3.3 Tourism contribution to GDP

Travel & Tourism is an important economic activity in most countries around the world. As well as its direct economic impact, the sector has significant indirect and induced impacts. The UN Statistics Division-approved Tourism Satellite Accounting methodology (TSA:RMF 2008) quantifies only the direct contribution of Travel & Tourism. WTTC recognises that Travel & Tourism's total contribution is much greater however, and aims to capture its indirect and induced impacts through its annual research. (WTTC, 2015)

Picture 1 Tourism contribution to GDP



Source: WTTC Travel & Tourism economic impact

According to the World Travel and Tourism Concilium direct contribution to the GDP includes (WTTC, 2015):

- **Visitor exports:** it is spending within the country by international tourists for both business and leisure trips, including spending on transport, but excluding international spending on education.

- **Domestic tourism spending:** it is spending within a country by that country's residents for both business and leisure trips.

- **Government individual spending:** it is spending by government on tourism services directly linked to visitors, such as cultural (e.g. museums) or recreational (e.g. national parks).

- **Internal tourism consumption:** it is total revenue generated within a country by industries that deal directly with tourists including visitor exports, domestic spending and government individual spending.

- **Business tourism spending:** it is spending on business travel within a country by residents and international visitors.

- **Leisure tourism spending:** it is spending on leisure travel within a country by residents and international visitors.

Indirect impacts, impacts which accrue due to the activities undertaken by the sector, and are a function of three different factors (WTTC, 2012):

- **Capital investment** in tourism: it includes capital investment within all sectors that are directly involved in the tourism industry as well as spending by enterprises in other sectors on tourism assets such as transport or accommodation.

- **Government spending for tourism:** it is government spending to support the tourism sector, which can include both national and local spending. Activities include tourism promotion, visitor services, administration etc.

- **Supply chain effects:** these represent the purchase of domestic goods and services, as inputs to the production of their final outputs, by enterprises within the tourism sector.

Induced impacts represents the wider contribution of tourism through the expenditures of those who are directly or indirectly employed by the tourism sector (Lemma, 2014)

Such an approach does not take into account other effects that can cross borders. For example, this can be direct, indirect and induced depending on what is the source of it. For example, state taxes paid by enterprises in the tourism sector will directly affect the sector; Nevertheless, taxes paid by employees who work in tourism enterprise will be the induced

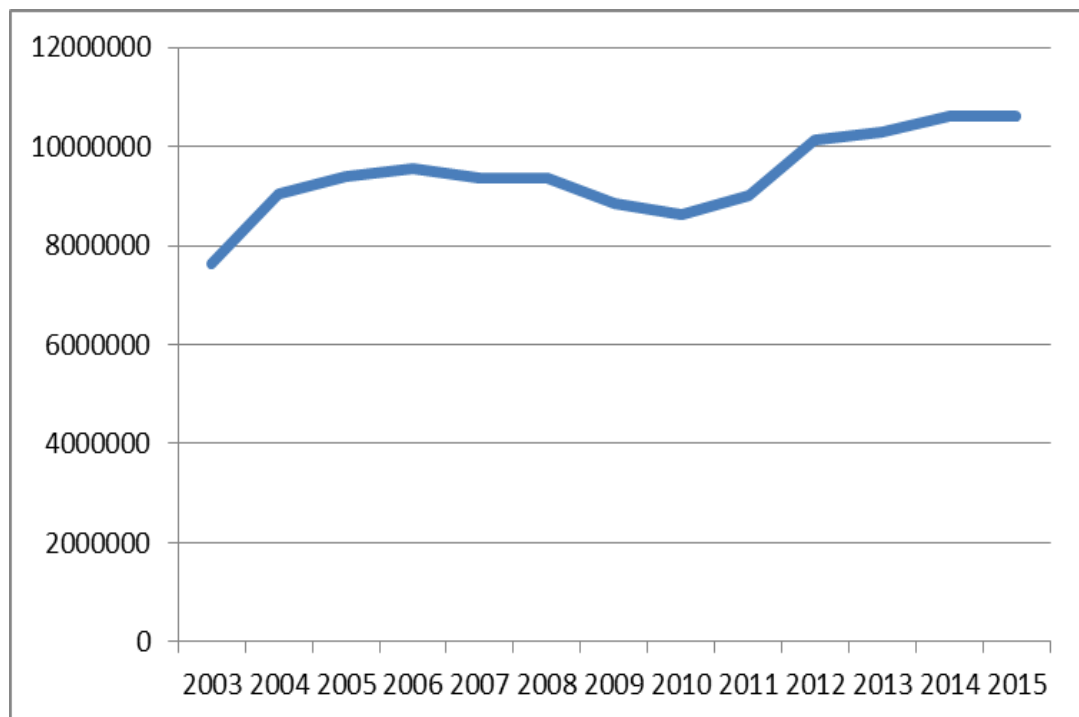
impact. In addition, the tourist spendings in the country will have as direct as indirect effects, because money following the supply chain of tourism. The contribution of tourism to GDP and the economy of the country well-being depends on the quality and the revenues of the tourism offer.

4. Tourism industry performance in the Czech Republic

4.1 Tourism in the economy of Czech Republic

Tourism is an important sector in the Czech Republic's economy. The tourism sector showed rather strong growth in 2014, especially in terms of inbound tourism and inbound tourist expenditure. According to the TSA inbound tourist arrivals grew by 7.1% in 2015, with 10.4 million while expenditure risen by 2.9% reaching CZK148.2 billion. Increase in arrivals from key source countries, especially Germany and Russia, has been a key driver of this growth.

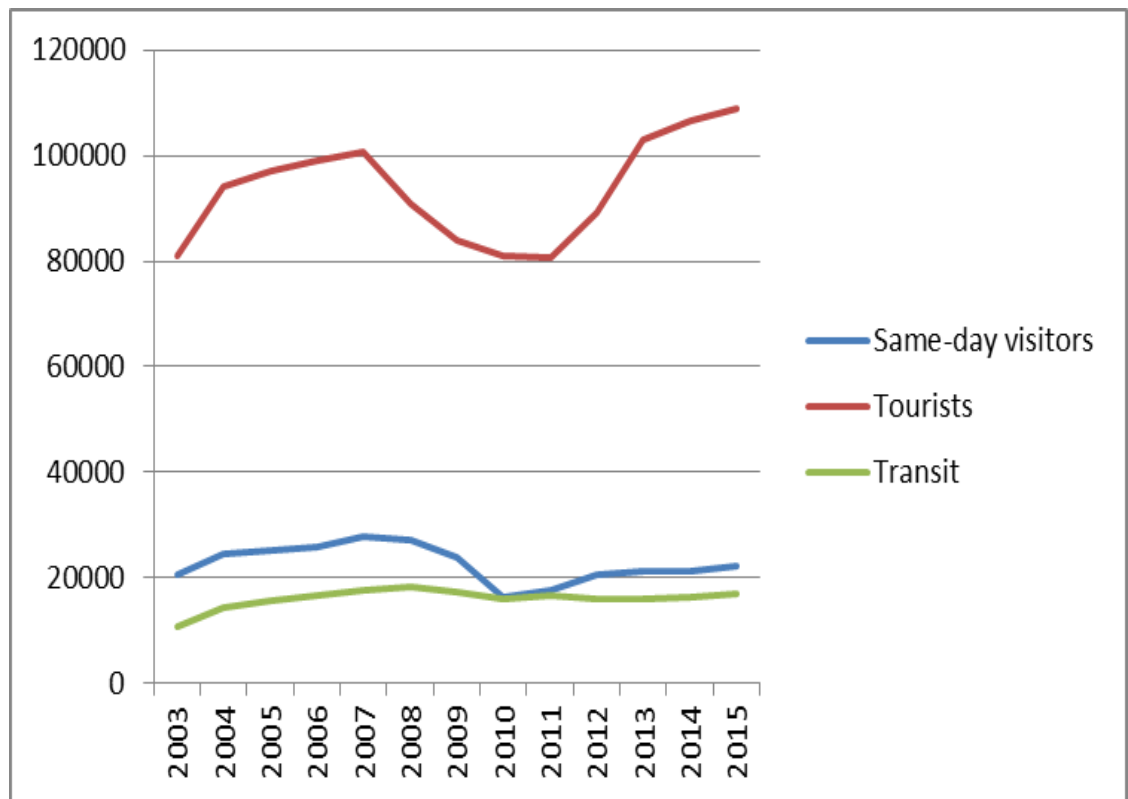
Picture 2 International visitor arrivals in Czech Republic 2003-2015 (number of people)



Source: The World Bank

In line with the long term growth in visitor arrivals (Picture 2) tourism export earnings also increased considerably. Decrease in number of incoming tourist started in 2009, and it could be caused by the Global Financial Crisis in 2009. The decrease was continuing during 2009 and 2010 years, however, than the number of incoming tourists started to increase slightly.

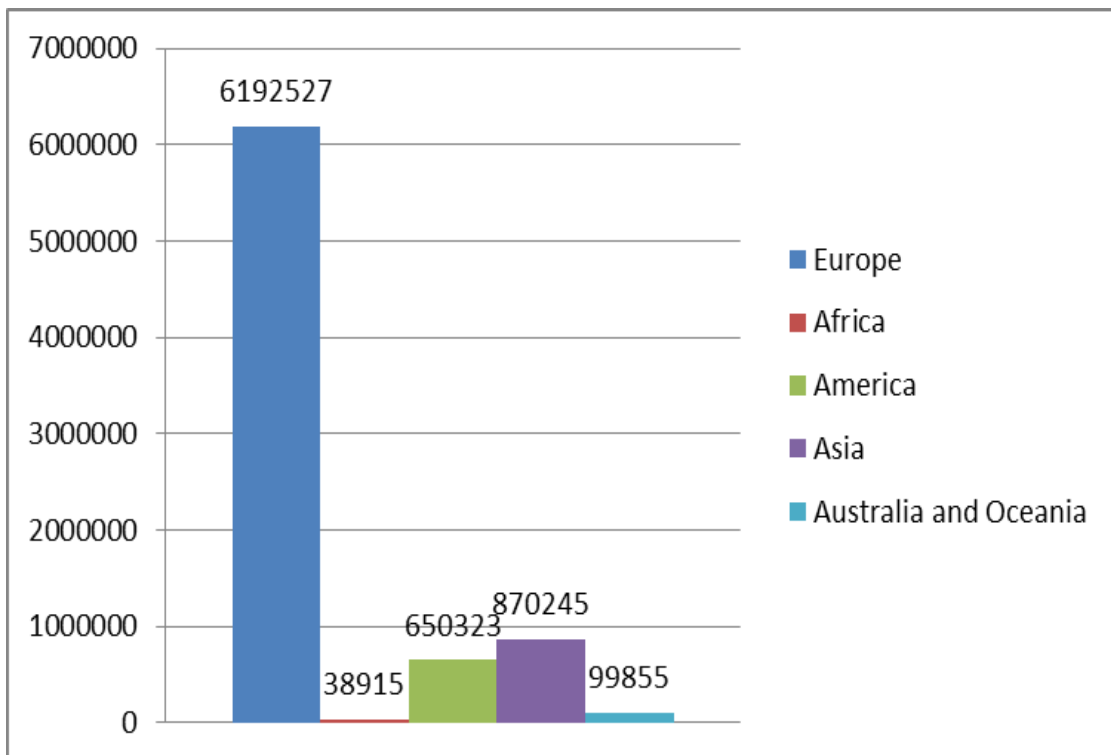
Picture 3 Inbound tourism consumption in the Czech Republic in 2003-2015 (in CZK mil.)



Source: Czech Statistical Office, TSA

The consumption (Picture 3) was changing with the changes in the incoming tourists. The decrease started in 2009 with the Global Financial Crisis; however, it almost did not touch the transit tourists, because Czech Republic is one of the most popular countries for transitions. Significant decrease was in number of same-day visitors, this was caused mostly because the decrease of visitors from EU countries, as they are the significant number of those, who does not spend the night in the Czech Republic.

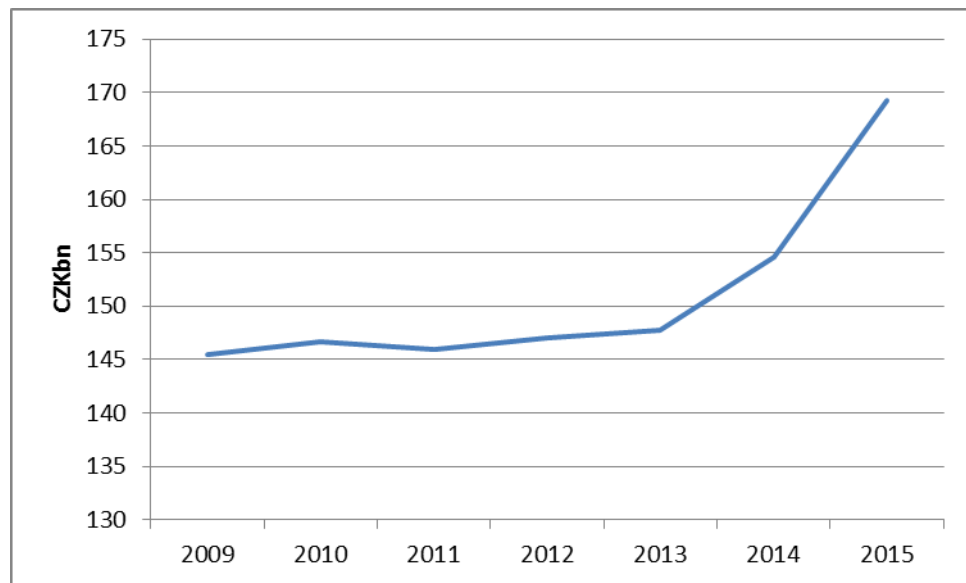
Picture 4 Number of visitors by regions in 2014



Source: Czech Statistical Office

The main source of tourists for Czech Republic (Picture 4) is European market, especially Germany. The obvious reason for it is the distance and visa requirements. The Schengen Area plus low-cost carriers and rather low costs make the Czech Republic very attractive for international visitors. However, for other markets it also rather attractive as a touristic destination. The number of visitors from Africa and Australia an Oceania is significantly lower than from other regions; it is caused by two reasons: (1) the distance, and (2) rather high prices on the flights. There is one more reason for African region; it is the low income of people who live there.

Picture 5 Visitor exports 2009-2015 (in CZK bn)

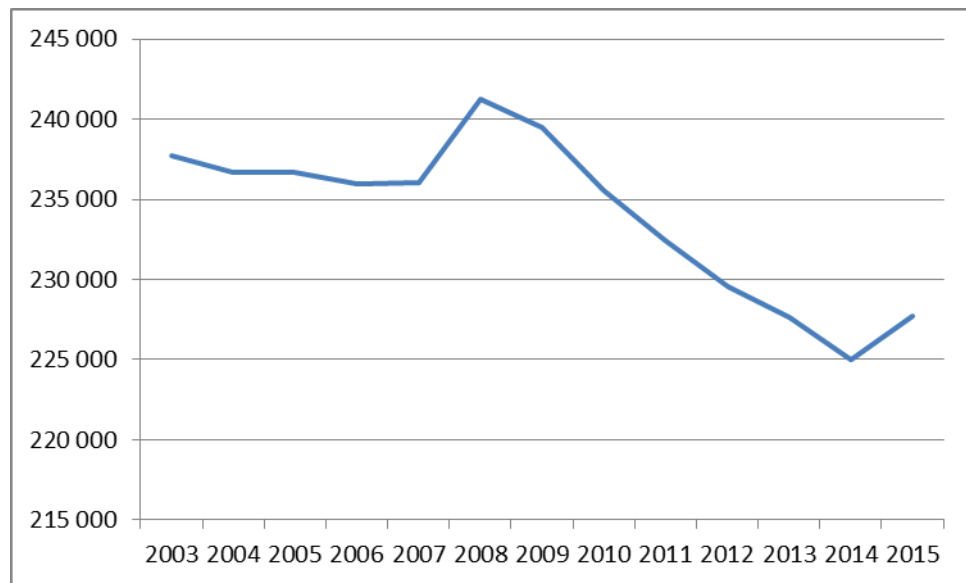


Source: WTTC Economic Impact 2015 Czech Republic

Money spent by foreign visitors in Czech Republic (or visitor exports) is a key component of the contribution of tourism sector. In 2014 Czech Republic gained CZK 154.6bn in visitor exports. In 2015 it grew by 8.4% (Picture 5), and the country is expected to increase it in the future.

Tourism is an economically important part in the Czech Republic because it represents almost 3 % contribution to country's GDP. The tourism sector may be defined as a multi-sector because it consists of direct and indirect economic activities, each of its sectors has its own share on the GDP. So that this multi-sector character of tourism permits the separate measurement and specification of individual sub-sectors. The accommodation sector is one of the fastest growing sectors among all tourism sector parts. Since 2011 a fast growth of accommodation expenditures pushes the Czech Republic's need for sustainability. Such fast growth can make social, economic and environmental problems afterward.

Picture 6 Number of people employed in tourism 2003-2015



Source: Czech Statistical Office

By its nature, tourism is the sector for people – visitors are people, things to changes in their demands, behavior, and decision-making. Such changes are difficult to predict and evaluate. Tourism products and services are also for people. The tourism industries are very dependent on the human factor (and also from other factors such as natural resources, infrastructure) to provide quality of its products and services.

Tourism industries are focused on the employment because tourism sector mature into a consumer market trough growing global and national competition,

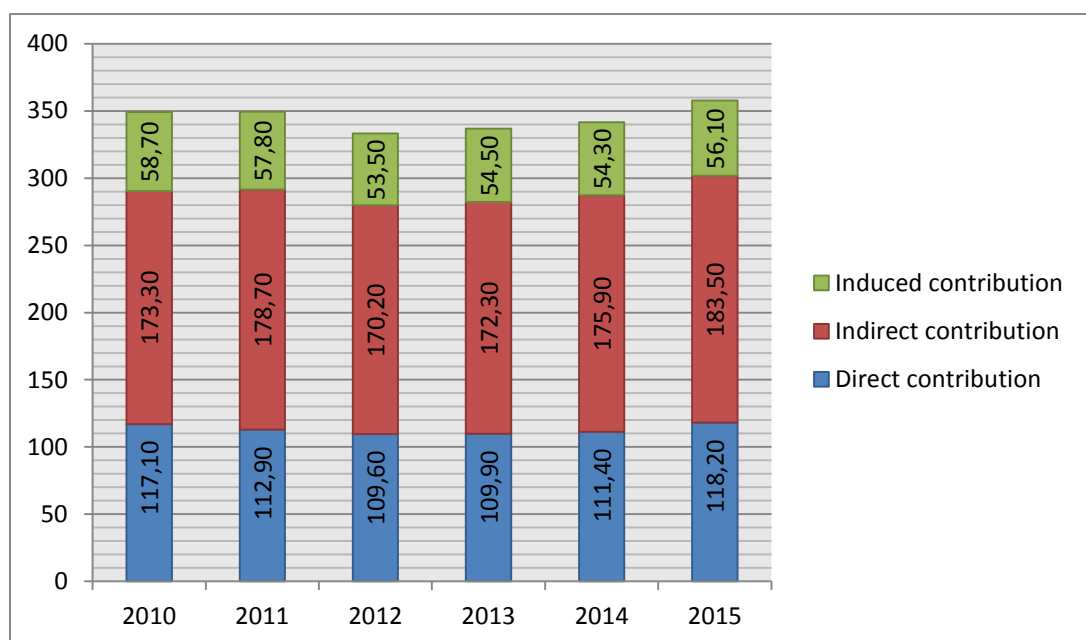
The focus on employment in the tourism industries is also reinforced by the fact that the tourism sector has matured into a consumer market through increasing global and national competition, market turbulence and changes in consumer demand. This asks paying bigger attention to quality in products and services, and also to quality in human resources – one of the major assets of the tourism sector.

The decline in labor market started in 2008 (Picture 6) with the Global Financial Crisis, and then was continuing till 2014. The demographic situation in the Czech Republic, the decline in natural population growth result in decrease of people employed in tourism, because the main source for tourism labor is young people.

4.2 Contribution of tourism to the GDP of Czech Republic

Tourism sector is an important economic activity in most countries around the world. The Czech Republic is not an exception. As well as its direct economic impact, the tourism sector has significant indirect and induced impacts. Tourism Satellite Accounting (TSA) approach, which is approved by the UN Statistics Division, quantifies only the direct contribution of tourism sector to the GDP of the country. However, the WTTC recognizes tourism sector total contribution is much greater and aims to capture its indirect and induced impacts.

Picture 7 Contribution of tourism sector to Czech GDP 2010-2015 (in CZKbn)



Source: WTTC, (2015). Economic Impact of Tourism

The indirect effects of tourism (Picture 7) are particularly higher than direct. This means that a high degree of specialisation in tourism can represent a very significant proportion of total national output, provided that support policies can be implemented to develop the indirect effects of tourism. This is the case where there is a particularly strong link between tourism demand and the agrifood sector, which also stimulates agrifood exports to international tourists' home countries.

Table 1 Share of tourism in Czech Republic GDP 2003-2015 (in %)

Year	Share of tourism in GDP
2003	3,4
2004	3,3
2005	3
2006	2,9
2007	2,7
2008	2,6
2009	2,7
2010	2,6
2011	2,6
2012	2,6
2013	2,8
2014	2,7
2015	2,7

Source: Czech Statistical Office

Despite of the fact that tourists' expenditures was growing during last few years, the share of tourism in Czech GDP hasn't change significantly (Table 1). Czech Republic is not among the countries which has the high share of tourism in their GDP, however, this sector still plays very important role in it and continuous to be the the huge supplier of jobs and incomes.

4.3 Impacts of external factors

The performance of incoming Czech tourism is affected by a number of external factors including world economic conditions, especially, Global Economic Crisis, the exchange rate, cost of jet fuel and the growth of low cost air carriers as well as tourism marketing programs carried by other destinations. It is difficult to measure the precise impact of these factors, however, they have all played big role in the overall performance of the sector in the last ten years. Over the last year there have been little increases in fuel

surcharges by airlines in response to escalating fuel prices. Increases in fuel surcharges give rather large impact on the cost of travel, especially in case of far destinations.

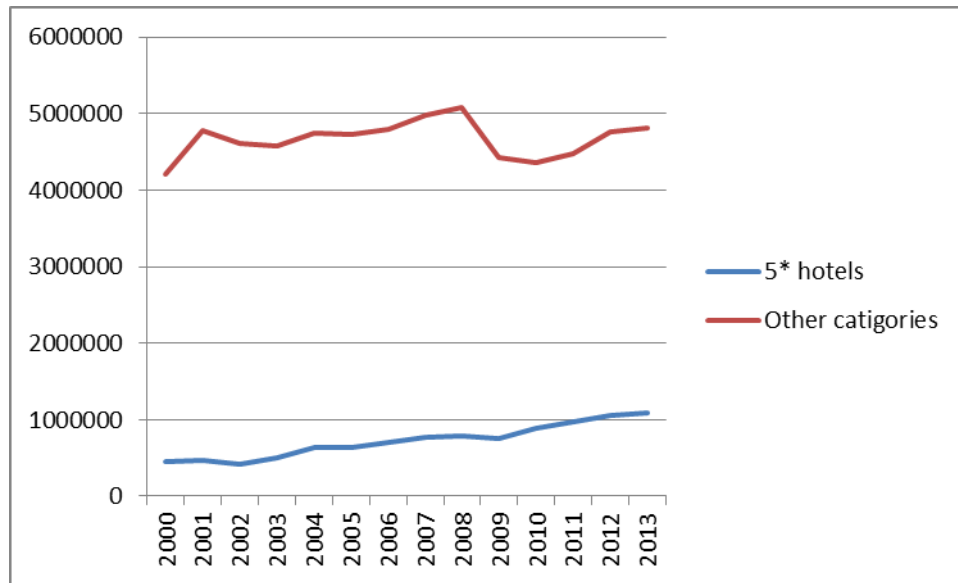
The significant increase in Low Cost Carriers (LCCs) particularly in Asia has presented a challenge for Czech incoming tourism as Low Cost Airlines tend to focus on short intra-regional travel not on long destination travels. However, not only in Asia was a growth in number of LCC, the European Low Cost Carriers influence in positive way on economic performance of tourism in Czech Republic.

During the last 15 years, the tourism industry has suffered from exogenous problems that provided significant declines in tourist flows, but was able to recover repeatedly. As this industry depends on people's financial ability, it is very sensitive to all economic and financial crises. According to the World Bank (Picture 1) during the period 2008-2010 the international arrivals in Czech Republic dropped by 8,6%. The main reason for this effect is consumers' financial inability, however, the significant impact also cause job uncertainty and companies' saving measures on business travel. Furthermore, Czech Republic's economic stimulus packages do not address investments in travel. So that, many traditional business models in tourism industry are put under pressure.

The most affected part of tourism was accommodations, because demand for luxury accommodation is very sensitive to the crisis, as they have lost a huge part of their market: high end business travellers. Due to very high operating costs, decline in occupancy strongly influence effect the bottom line.

Prices for hotels were globally decreasing during the crisis, however, it provided hoteliers with difficulties as they need to keep up standard and club hotels' occupancy rates. Average room rates and revenue per available room declined significantly. Worldwide recovery took rather long period, the crisis led to a market adjustment during which organizations with an unfavorable price policy or without growth strategies were put out of the market. In that case Czech Republic has rather good position, as it offers an alternative to expansive hotels.

Picture 8 Occupancy in hotels 2000-2013 in Czech Republic (number of guests)



Source: Czech Statistical Office

As it is seen from the graph above (Picture 8) the drop in occupancy in other categories was much more significant, than in 5-star hotels. During the period 2008-2010 the number of guests in hotels less than 5-star declined by 14%, while occupancy in 5-star hotels slightly declined by 2% only in 2008-2009 period. This phenomena may be caused by the fact that Czech Republic is not the destination for luxury tourism.

Changes in the exchange rates may be a significant factor influencing the choice of destination. A weakness of the Czech koruna makes the cost of a holiday in Czech Republic cheaper and so increase the price competitiveness of Czech Republic as a tourist destination. Due to the fact that the Czech Republic is not part of the euro zone, the strengthening of its currency affects incoming tourism.

Table 2 Czech koruna exchange rate development compared to key world currencies 2005-2015

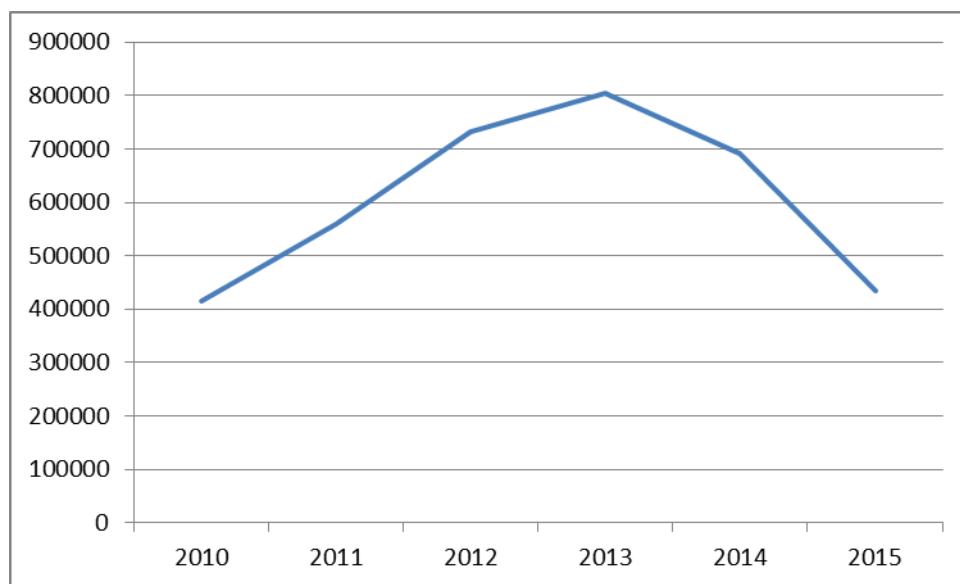
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CZK/EUR	29,78	28,34	27,76	24,94	26,44	25,29	24,58	25,14	25,97	27,53	27,7
CZK/USD	23,94	22,60	20,30	17,03	19,057	19,11	17,68	19,58	19,56	20,74	23,24

Source: Czech Statistical Office

During last 5 years the Czech koruna become the competitive factor for Czech Republic, as it provide tourists with cheaper prices on quality touristic goods. However, in terms of euro it was more attractive in 2005. In the period 2005-2008 (Table 2) the Czech koruna was the real problem for tourism industry, as it was the strengthen of koruna. For example, tourists from EU countries who visited the Czech Republic in 2005 for the first time found their purchasing power reduced by around 20% in 2010 and all this because of inflation that increased prices in the meantime on the tourism products. In case of visitors using dollars, their purchasing power reduced more significant, be 21%.

As Russia is one of the key tourist source market for Czech Republic, it is important to mention about Russian ruble exchange rate.

Picture 9 Incoming tourism in Czech Republic from Russia 2010-2015 (number of tourists)



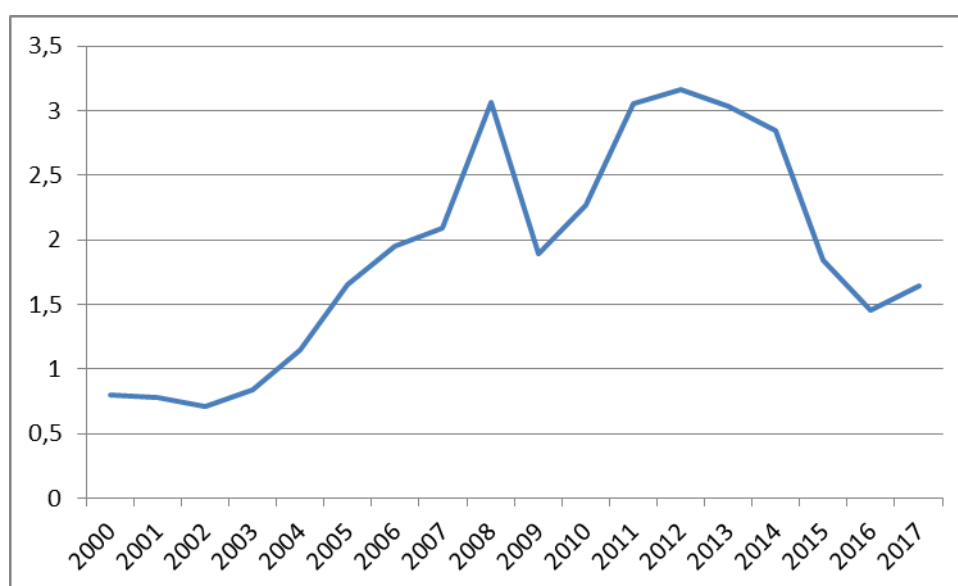
Source: Czech Statistical Office

On the graph above (Picture 9) it is seen the significant decline in incoming tourism from Russia to Czech Republic which started in 2014. The main cause for this was the Russian financial crisis which started in the 2014. Decline in the value of the Russian ruble resulted in the decrease in number of incoming tourists by almost 50%, which a significant number. The cause of decline in incoming tourism from Russia is not only the weakness of Russian ruble, but also the decline in all tourism industry in Russia. In fact,

Russian tourists are very depended on the tour operators, the self-booking is not very popular among Russians who choose international tours. However, as tour operators were increasingly facing solvency problems, mainly resulted in the business failure. For example, in 2014 one of the biggest Russian tour operators declared bankruptcy, as a result over 25.000 tourists stayed in Russia.

Fuel prices are also have impact on the incoming tourism, as there are a continue to be high and to exert a negative force on incoming tourism.

Picture 10 Airline fuel cost per gallon 2000-2017 (in US dollars)



Source: Bureau of Transportation Statistics

Airlines inevitably had to raise tariffs through the introduction of fuel surcharges to compensate for the increase in fuel prices. Since 2000 jet fuel prices have grown rapidly (Picture 10), getting its peak in 2008. Along with the prices for airline fuel the tariffs for air transportation also increased, the escalation in the price for air transportation result in the decrease in tourist traffic. For the Czech Republic the increase in tariffs for air travel affects the decrease in tourist inflow from Russia, Asia and America, in other words from distant regions. The sharp drop in the price for aviation fuel in 2009 was due to the global financial crisis, and then, together with the strengthening of the dollar, price returned to normal by the end of 2011. Since mid-2014, due to the surplus of raw materials in the market caused, in particular, by weak growth in global consumption and growth in shale

oil production in the US, oil prices fell twofold and reached a five-year low by the end of the year.

An additional reason for the decline was OPEC's refusal to reduce production quotas in November 2014. The average price of Brent crude in 2014 was \$ 99.3, and in 2015 - \$ 52 per barrel. In January 2016, the price of Brent crude oil fell to \$ 27.72 per barrel amid the lifting of sanctions against Iran, thus renewing the 13-year minimum. With the fall in oil prices, airline fuel prices also fell, but this contributed to a reduction in tariffs for air transportation, which led to a positive effect.

5. Analysis of the Czech Republic as a competitive destination

5.1 SWOT analysis of Czech Republic as a competitive destination

The application of SWOT analysis enables the entities which are responsible for management of local or regional tourism policies in destinations, to position tourism in the overall and general strategic planning in a methodical and orderly way. The identification of objectives and methods to be employed in the development of tourism, i.e. functional planning, should always be preceded by SWOT strategic positioning as an integrated tool which can be used to carry out such activities as planning, coordination, monitoring, control and promotion. (Goranczewski, Puciato, 2010)

Table 3 SWOT analysis of contemporary trends in Czech Republic tourism development

Strength	Weaknesses
<ul style="list-style-type: none"> • Rather wide range of offers, relatively high satisfaction with recreation and increase in attractiveness of active tourism • Czech Republic is situated in safe area • High cultural, historical and natural potential. Big number of UNESCO World Heritage Sites • Growing interest to the market from non-European countries (Russia, Ukraine, China, Australia) • Traditions in Czech cuisine, brewing, winemaking • Well-marked network of unique hiking trails and tracks • Prague is a phenomenon of world significance • From the geographical point of view the Czech Republic has an ideal place in Central Europe to develop congress tourism • Increase in quality of tourism accommodation infrastructure 	<ul style="list-style-type: none"> • Lagging behind the dynamic development of tourism in competing destinations (Austria, Germany, etc.) • Stagnation in the volume of domestic and inbound demand • Shortening the length of stay of domestic and foreign tourists • Low quality of tourism services • Very strong concentration of foreign tourists in Prague • Seasonality of tourism

<ul style="list-style-type: none"> • A wide range of traditional cultural and social and sports events on regional and national levels 	
Opportunities	Threats
<ul style="list-style-type: none"> • The ability to create and develop innovative tourism products, in accordance with current trends in tourism • Improvement in the quality of services as a key factor for increasing visitor satisfaction • A stronger culture of human capital in the field of tourism • Developing of cooperation between the actors in the field of tourism • Developing of IT in field of tourism • Appearance such phenomena as golf and SPA 	<ul style="list-style-type: none"> • Growth of the tax burden on the population, a significant decrease in the incomes • Significant fluctuations in incoming tourism under the influence of current trends and the economic crisis • The deterioration in the foreign policy situation, the introduction of restrictions on the arrivals of foreign visitors • Widening the gap between Prague and the regions of the Czech Republic in number of visitors • Lack of financial capital further development of tourism • Overload of individual tourist centers with a growing number of visitors • Deterioration in the image of the Czech Republic as a tourist destination

Source: Author

The content and structure of the SWOT analysis clearly shows that tourism development in the Czech Republic is still below its potential. Foreign visitors are sent mainly to Prague regions remain not very popular. The development of demand does not exert a significant influence of external circumstances (the impact of global trends), but a significant role is played by slow and inflexible development responses and innovation offers competitive directions. In addition, due to historical reasons, it is necessary to consider the reasons for such a low level of cooperation between actors in tourism and the lack of coordination of activities at the national and regional levels.

The search for suitable interaction between institutions and interested parties in developing tourism is the basis for improving the quality of services, creating innovative tourism products, developing human resources and sustainable tourism development. The purpose of tourism development for the Czech Republic is to improve the competitiveness

of the entire tourism industry at the national and regional levels, and also to maintain its economic efficiency as a result of achieving a balance between economic, socio-cultural, environmental and regional development.

The Czech Republic needs to pay more attention to the development of the regions in order to attract interest to them. As the regions already have a certain potential for the development of tourism, it is only necessary to promote them as a tourist destination and to improve the level of the tourist infrastructure.

5.2 Promotion of Czech Republic as tourist destination

The Czech Republic is an example of how it is possible to waste the potential of tourism development with a direct impact on the economy and employment. The country has not implemented any tourism development strategy, and this situation is redoubled by not respecting the product-market matrix since new markets were not looked for and the old ones, stabilized, were let tumble. The central European countries benefited significantly from that situation, and they focused their efforts on attracting visitors from the surrounding countries.(Kiralova, Malachovsky, 2014)

For example, the Czech Republic and Germany have rather similar tourism goods connected with a wide range of primary and secondary offers provided by the geographic location. These are mainly exhibition holidays, wellness and SPA holidays, cultural tourism, business tourism, and city weekends.

Table 4 Number of overnight stays in Austria and Czech Republic 2005-2013 (in thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013
CR	19 595	20 090	20 610	19 987	17 747	18 366	19 425	21 794	22 145
Germany	87 741	87 238	88 400	92 840	89 864	89 857	90 706	95 052	96 874

Source: Czech Statistical Office; The World Bank

It is seen from the table above (Table 4), that during the Global Financial Crisis it was rather slight decrease in number of overnight stays in Germany, approximately by 3%, when in Czech Republic this number fall down by more than 11%. Moreover, the number of overnight says in Germany is significantly bigger than in Czech Republic.

Successful implementation of market strategies, long-term product development strategies, and different market development strategies is the way that brought German

tourism to such a high point of success. German tourism market development aimed at the existing products and services, which were gradually developing and getting innovative in order to become more suitable for changing needs of the target groups. However, it should be said that domestic tourism also plays very important role in German tourism marketing strategy. In case of Germany, their tourism development strategy is mainly aimed on the surrounding markets, not on the overseas markets. This decision to concentrate on the Central and Eastern European markets was made to compensate for declining in number of incoming tourists from West Europe.

Germany successfully applied the growing strategy, as well as the differentiation strategy in the regional level. Some regions of Germany are brands themselves and they are sold well and have a rather high demand. Germany has paid attention on its good reputation, the proximity of the target markets and the lack of competitors' destination promotion. The German strategy in the development of the tourism market has brought a positive result, this is indicated by the increase in the number of tourists from Slovakia, the Czech Republic, Poland and Hungary in recent years; together with tourists from West Europe, these markets account for about 60% of all visitors, and 55% of the total overnight stays.

Czech Republic also has its own development strategy, which was prepared by Ministry of Regional Development and then adopted by the Government of the Czech Republic in March 2013. It calls "The State Tourism Policy Concept in the Czech Republic for the period of 2014 – 2020". This strategy defines strategic goal, vision, main priorities and set of instruments for their achievement. The concept takes into consideration the previous and current trends in tourism development all around the world and locally, as well as related strategic documents that were adopted. The increase of competitiveness of the whole tourism sector at national and regional level, sustaining its economic performance and positive impact on social and cultural and environmental development of Czech Republic are the main goals of this strategy.

The strategy is concentrated on the developing the tourism using products of tourism that are based on social and cultural specification of the country, historical, cultural and technical heritage and the richness of nature. This strategy is aimed to contribute to socio-economic development and be friendly with natural resources, which are very important

for tourism. This strategy encourages Czech Republic to apply principles of sustainable development.

The document emphasizes 4 priority areas of tourism development for years 2014 – 2020:

- Enhancement of tourism supply;
- Tourism Management;
- Destination Marketing;
- Tourism policy and economic development.

All these priorities, according to the document, should take into account sustainability.

The strategy defines the main weak sides of current situation in Czech tourism. According to the document one of the main weak sides is a lack of offers to compete with other neighboring countries (e.g. like Austria). The another one is the importance of evaluation of how tourism influences on the environment and the underestimation of sustainable development.

One of the main problems is also considered the excessive seasonality of tourism and the decline in the quality of tourism services, which leads to a reduction in the volume of external demand and decrease in the stay of foreign citizens in the Czech Republic. There is also a significant concentration of foreign tourists in Prague, which indicates a lack of attention in the promotion of other regions of the Czech Republic.

There is also a deterioration of the legal environment for the development of tourism in the Czech Republic and a decline in financial support. The strategy outlines the problems which should be solved.

Overall, the Czech Tourism Concept contains vision that is aimed to sustainable tourism development; however, there is lack of description of precise steps ensuring their fulfilling. Despite of analysis of current situation in tourism the actual concept was missing some factual data and different indicators that want to be achieved. The strategy contains a brief estimation of costs for the government, however, no targets, criteria and deadlines for monitoring are set which should be to ensure successful implementation of the strategy.

Actually, The Czech Republic has a very significant growth potential considering not only the numbers of visitors and overnight stays from Germany, but also the historical, cultural and natural heritage. There is a big opportunity in developing in the direction of markets such as Russia, Ukraine, Italy, and the United Kingdom. These markets may play

a significant role in developing the tourism in the Czech Republic. Without proper and precise tourism marketing strategy at the national level the Czech Republic will not be able to use all its market opportunities.

Based on detailed survey, OECD published key elements to be considered in a tourism competitiveness assessment of different countries.

Table 5 Key elements defining competitiveness in tourism

Key elements identified	Comments	Country responses
Governance of tourism	Government support and tourism as a priority, Regulations, a whole of government approach, a tourism strategy, safety and security, public/private partnerships, vertical cooperation, statistics and data, multilateral cooperation, institutions (e.g. national tourism board), budget allocated to tourism support	Belgium, Canada, Chile, Egypt, Greece, Italy, Poland, Portugal, Spain, Turkey, United Kingdom
Product development	Product differentiation, innovation, investments, market share, provide unique experiences, Increase the added value of tourism, develop high value segments, marketplace perspective (including prospective travellers, tourism operators and small businesses)	Australia, Austria, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hungary, Israel, Mexico, New Zealand, Norway, Poland, Spain, Turkey, United Kingdom
Quality of tourism services	Improve quality, welcome of visitors, quality of life, social equity and cohesion, services to consumers	Austria, Belgium, Brazil, Czech Republic, Denmark, Finland, France, Germany, Hungary, Portugal, Slovenia, Spain
Price competitiveness	Prices, exchange rates, ratio price/quality “value for money”, taxation	Australia, Belgium, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Norway, Poland, United Kingdom

Accessibility/connectivity	Infrastructure development, geo-strategic position of the destination, proximity	Australia, Belgium, Brazil, Chile, Czech Republic, Finland, Greece, Italy, New Zealand, Norway, Poland, Portugal, Slovenia, Spain, Turkey, United Kingdom
Branding of the destination	Promotion and marketing, identity, image, awareness of the destination, breadth of appeal, market diversification	Australia, Austria, Brazil, Canada, France, United Kingdom
Natural and cultural resources	Sustainability, gastronomy, climate, biodiversity	Belgium, Brazil, Chile, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Israel, Italy, Poland, Portugal, Slovenia, Spain, Turkey
Human resources development	Skills, education and training, labour productivity, tourism training centres	Belgium, Chile, Estonia, Greece, Spain, Turkey

Source: OECD, Indicators for Measuring Competitiveness in Tourism

As it is seen from the table above (Table 5), Czech Republic considers quality of tourism services, price competitiveness, accessibility/connectivity and natural and cultural resources, when they measure the competitiveness of their tourism and recreation complex.

A major problem, underlying all attempts to establish indices of competitiveness, involves the integration of objective indicators of competitiveness (eg. changes in market share, foreign exchange earnings, employment generated), and subjective measures (eg. richness of culture, quality of service, scenic grandeur).

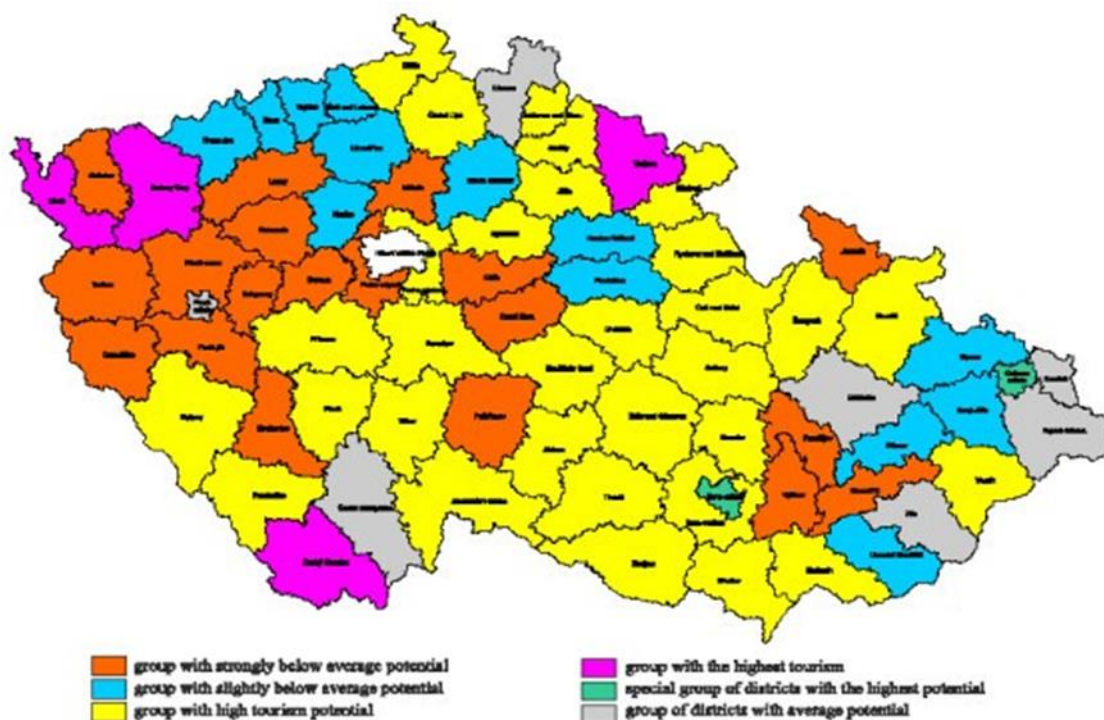
5.3 The analysis of the competitive advantage

The quality of the destination depends on many different factors resulting from the definition of tourist destinations and their key attributes. The primary focus is customers' satisfaction based on the evaluation of partial factors (or components) of quality of the

destination. The partial factors, determining the quality of a destination, are based on the previous researches made by Bulhalis, Middleton – Clarke and Grönroos, who also included technical factors. (Bulhalis, 2003; Grönroos, 2007; Middleton, Clarke, 2001) .One sided predicates are e.g. size of the area, number of workers in tourism, precipitation, and/or temperature. Two sided predicates are spatial interactions between territorial units. Different regions can be abstracted from a specific very complex geographical spatial object by different experts, not only if they approach the issue from different perspectives but even if they define it in the same perspective. (Mician, 1982)

In the Czech Republic there is no territory without tourism potential. However, there are considerable differences in its type, size, and utilization.

Picture 11 Tourism Potential in the Czech Republic



Source: Chalupa P., Prokop M., Rux J. 2013. Use of Cluster Analysis for Classification of Tourism Potential

Characteristics of defined groups (Chalupa, Prokop, Rux, 2013):

- **Strongly below average** type of potential in this group is the regions with the low number of monuments attractions and also not so interesting landscape. There are low

level of infrastructure and low level of accommodation facilities. The group has the lowest visit rate of tourists. Even these territories have tourism potential which must be utilized by perfect work of destination management.

- A group with **slightly below average** potential which is based (as in the first group) by small number of attractions, low attraction of landscape, and weak infrastructure. However, there are regions with a larger number of inhabitants, population density twice as high, and higher air pollution. Visit rate is also below average but higher than in the first group.

- A group with **high tourism potential** includes most of the territory of the Czech Republic, proving that the country as a whole has really high potential which has not been sufficiently utilized yet.

- A group with the **highest tourism potential** has the highest attractions potential, the biggest number of sights, highest landscape potential, and the best infrastructure facilities. Number of accommodation facilities is more than three times higher than national average. This group includes such worldwide well known places as Trutnov District, Český Krumlov, Lipno Dam and Vltava River, Karlovy Vary and Cheb Districts (Františkovy Lázně).

- A **special group of districts with the highest potential** are the urban districts of Brno and Ostrava. These regions are specialized in Business Tourists. These are the participants of congresses, fairs, workshops, etc. These regions are characterized by tourist expenditures above average (three times greater than expenditures of ordinary tourists). The problem in these regions is the highest crime rate in the Czech Republic and high air pollution.

- A group of districts with **average potential** is characterized as the previous group by high air pollution (almost twice the national average) and high crime rate. However, regions in this group have a lower level of infrastructure.

This analysis of the Picture 11 shows that Czech Republic has rather significant competitive potential, every region may play its own role in the tourism and contribute in the rather high way to the Czech economy. However, there is a need to develop the regions with the low potential. There is also a need to develop business tourism not only in some cities, but spread it through the whole country, as this type of tourism may contribute a lot.

Congress and incentive tourism (also known as the abbreviation M.I.C.E.) refers to economically most profitable forms of tourism. According to the statistics of the International Association of ICCA (International Congress and Convention Association), the total expenses of the participant of the congress are on average more than 2 600 US dollars, which is three times higher than the expenses of an ordinary tourist. Prague has traditionally been placed on the leading positions in the world ranking of congress cities. However, from the map (Graph 11) above it is seen that not only Prague has potential to develop this type of tourism in other cities. The Czech Republic includes 37 first-class resorts and more than 2.000 attractions, 12 of which have been recognized internationally and included in the UNESCO World Heritage List.

Every average tourist during his six-day stay in the Czech Republic usually spends 10.000 CZK (400 USD). However, according to statistics and calculations of the Czech Main Tourist Office if Czech Republic offered a wider range of quality services, this could double the revenue and give an additional 130 billion CZK.

5.4 Econometric modeling of incoming tourism in the Czech Republic

To evaluate the incoming tourism in the Czech Republic it is very important to take into account several factors. The problem is that these all factors are different and vary among countries which make the tourism flow. Panel regression model is a statistical method, which is suitable, as it deals with two and "n"-dimensional panel data. In case of incoming tourism the data were collected over time and over countries and then a regression is run over these two dimensions. In this diploma thesis collected data represents time period since 2010 till 2015. The second dimension is countries; in case of this diploma thesis countries were chosen from the statistics of incoming tourism in Czech Republic. The ten most significant countries for incoming tourism in Czech Republic are: Germany, Russia, France, Italy, Netherlands, Poland, Slovak Republic, United Kingdom, Spain, United States of America.

Table 6 Sample of data for econometric model (full table in Appendix 1)

Country	Year	Number of incoming tourists	Number of accommodation	Number of people employed in	GDP/cap in PPP (for	GDP/cap in PPP (for

				tourism	country)	Czech Republic
Germany	2010	1348482	4300	235568,7638	39263	27659
	2011	1386976	4612	232463,3851	42692	28797
	2012	1521246	6350	229550,75	43564	29047
	2013	1484169	6301	227630,4171	45273	30513
	2014	1553370	5833	224905,5197	47099	32386
	2015	1766539	5992	227675,6291	48041	33770

Source: Czech Statistical Office

As a dependent variable was taken the number of incoming people from ten countries, as it is one of the most important factors, which shows how popular the country among tourists. The independent variables are number of accommodations in Czech Republic, because hotels are crucial in the decision making process, wide range of different hotels attracts tourists. Low number of accommodations may cause decrease in number of incoming tourists during the season peak. The second independent variable is number of people employed in tourism, this variable may refers to quality of services. The two last independent variables are GDP per capita in PPP for Czech Republic and top ten countries which are made the significant tourist flow in Czech Republic. These two indicators show the relative performance of the countries. At the start of analysis there was one more independent variable the rates of exchange. However, after correlation analysis this variable was excluded as it correlated too much with other independent variable.

Table 7 Parameters for model

Parameter	Estimate	Sig.	R ²
Intercept	-287172.150348	.026	.724
GDP/cap in PPP for counries (x ₁)	24.677893	.015	
GDP/cap in PPP in CR (x ₂)	-6.190951	.029	
Employment in tourism (x ₃)	.097221	.	
Number of accomodation (x ₄)	17.923644	.008	
a Dependent Variable: incoming tourism.			

Source: Self estimation in SPSS

The table above (Table 7) shows the estimation of the parameters. All parameters are significant as the probability of the mistake (Sig.) is lower than 0.05 in all cases. The R² is

rather high, in case of this model it indicates that the model explains 72% of the variability of the response data around its mean.

$$Y_{it} = -287172.150348 + 24.677893X_{1it} - 6.190951X_{2t} + 0.097221X_{3t} + 17.923644X_{4t}, \quad (1)$$

The regression model looks like the equation (1). It can be interpreted as Y for year t and country i is equal to - 287172.150348 plus 24.677893 multiplied by X₁ for time t and country i minus 6.190951 multiplied by X₂ for time t plus 0.097221 multiplied by X₃ for time t and plus 17.923644 multiplied by X₄ for time t.

In this regression model the coefficient for X₁ is positive it means that the higher GDP/cap in PPP will be in country, the bigger amount of tourists come from it. The higher GDP/cap may refer to the higher standard of life, in this case there are more people in country who may afford the travel.

The coefficient for X₂ is negative, as this parameter refers to GDP/cap in PPP in Czech Republic, it also says that the higher standards of living in Czech Republic affects negatively on the number of incoming tourists. From the one side, it is nonsense because people like countries with the higher standards of living as people's psychology says that in such countries is more safety. However, when it comes to travel, higher living standards means higher prices in hotels, restaurants and etc. As Czech Republic is mostly for natural and cultural tourism, the majority of people who travels with such purpose is rather sensitive to price changing.

The last two parameters are with positive coefficients. X₃ and X₄ refer for number of accommodation and employment in tourism sector respectively. These parameters represent the level of services in tourism and opportunities to choose. The increase in these parameters will result in increase in the incoming tourism.

6. Results and Discussion

6.1 Main problems and perspectives in Czech tourism development

High concentration of tourists in Prague

One of the main problems of regional development in the Czech Republic is the excessive concentration of foreign tourists in Prague. Other areas are not so popular among, despite the fact they have a rich natural potential. The regions are rather popular in domestic trips. In order to attract foreign tourists to other areas of the Czech Republic, it should promote them and develop hospitality infrastructure to offer the quality tourism product.

Conservation of natural resources

The beauty of nature attracts many tourists and the Czech Republic is rich in natural resources, so natural complexes need protection. Protected areas in the Czech Republic are represented by 24% of landscapes and there are also four national parks. Together with national wildlife reserves and national nature monuments they occupy more than 15% of the country's area. The most important landscapes were included in the World Network of Protected Biosphere Reserves. It is necessary to develop a new program for the protection of these zones for the benefit of further development of tourism.

Ecotourism development

The Czech Republic is rich in tourist resources, that is why various types of tourism are popular in the country. However, in light of global economic problems, only one of the tourism sectors has significant increase. According to the British server Responsible travel, sales of so-called non-traditional environmental trips rose by 37% during the first six months of the last year. It is about ecological and cognitive individual tourism, through which tourists get acquainted with the new culture and its origins, without violating the traditional course of life in places of visiting and without harming the environment. According to the top-list of the best-selling destinations, the most popular country for ecotourism is Great Britain. This happened mostly because of the decision of the British to spend vacations at home due to a weak rate of exchange. However, the Czech Republic also has a lot to offer for this type of tourism. Currently there are a number of proposals on agro- and ecotourism, as well as a small network of ecological or so-called green hotels that fulfill all the requirements of the Ministry of the Environment of the Czech Republic. There are 9

such hotels in the Czech Republic, although only one of them (Chateau Mceley) has not only a Czech, but also a European certificate of an ecological hotel. According to a study conducted by the agency CzechTourism, most (69%) of tourists in the Czech Republic do not know about the existence of ecological tourism in the country. So there is a strong need in developing and promotion of ecotourism in regional and national levels.

The development of ecological tourism can be a solution to the problem of tourists concentration in Prague. The development of such green hotels in Czech regions can be the main factor of their attractiveness for foreign tourists and may become the competitive advantage of Czech Republic in national level.

Congress tourism development

The Czech Republic has great potential in congress tourism, as it offers world-class services and at the same time is among the safest countries in the world. It is important to take this opportunity into account when preparing a tourism development plan for the Czech Republic. Presentations of the Czech Republic as a country with ideal conditions for congresses and incentive tourism may include thematic presentations and working meetings in selected destinations, as well as participation in specialized tourism fairs that are aimed specifically at business tourism (MICE-business). The high potential and real possibilities of the Czech Republic in the field of congress and incentive tourism are confirmed by the fact that in Prague was the venue for the jubilee meeting of the International Monetary Fund and the World Bank in 2000, and the Congress of the American Association of Travel Agents - ASTA) in 2006. Congress tourism may contribute a lot in the GDP, as it is connected with high expenditures of the tourists.

Lack of financing in tourism

The development of tourism requires investment (especially in the development of hospitality) on the environmental and restoration programs aimed at preserving and enhancing the attractiveness of resources. Since 2016 subsidies from EU funds to support and develop tourism in the Czech Republic have been sharply reduced. This happened due to the fact that from the funds of this program (starting from 2007, 20 billion kroons was spent in the development of tourism), the construction of, for example, golf clubs, orchals to unnecessary water parks and private hotels, which are almost not used . Exclusions (with reservations and limits) are national monuments and monuments from UNESCO lists. In

the conditions of the current economic situation, the development of tourism without corresponding investments is rather difficult.

The Ministry of Regional Development, through which European money went to develop tourism, is now looking for alternative funding for at least reasonable projects and is discussing a creation of national tourism support fund.

Partial solution of the financing problem may be crowdfunding platforms, which also show how attractive is this project. Green hotel can be the project, which may rise funds in crowdfunding platform. For example, there is the special crowdfunding platform for tourism projects (TravelStarter) but there is no any projects from Czech Republic, while its closest competitors (e.g. Slovenia) have several projects there.

6.2 Factors which influence on competitiveness of the Czech Republic as a tourism destination

The competitiveness of tourism destination is affected by socio-economic and economic-geographical factors, such as high level of general economic development, growing incomes of the population, high urbanization, availability of necessary transport and social infrastructure, and relative proximity to other major tourist regions of the world. In case of Czech Republic most significant factors of competitiveness are price, accessibility and natural and cultural resources.

Price

Changes in the exchange rates may be a significant factor influencing the choice of destination. A weakness of the Czech koruna makes the cost of a holiday in Czech Republic cheaper and so increase the price competitiveness of Czech Republic as a tourist destination.

During last 5 years the Czech koruna become the competitive factor for Czech Republic, as it provide tourists with cheaper prices on quality touristic goods.

Accessibility/connectivity

The Czech Republic has a very advantageous geographic position as a tourist destination. It is situated in the center of Europe and connected with other popular destinations among tourists, such as Germany, Hungary and Austria. Because of its geographical location the Czech Republic it is often included in the Europe bus tours. There are also a lot of possibilities for individual traveling as the Czech Republic

connected with other destinations through developed bus lines (e.g. RegioJet), railway network and etc.

Natural and cultural resources

The Czech Republic has favorable climate conditions, varied terrain and good ecology.

In addition, the Czech Republic is famous for its historical past: ancient castles, historical cities, preserved due to careful attitude to monuments of architecture. Thus, it can be said with confidence that this country is very promising in terms of conducting tourism activities and has a great potential for further development of tourism.

The Czech Republic tops the list of European countries for tourist arrivals for SPA treatment. The largest Czech health resort is Karlovy Vary. Recently in the Czech Republic started to promote the health resorts on the European market of medical and health tourism. The resorts open chamber theatrical stages, galleries and exhibition halls, dance cafes. They expand opportunities for active recreation, creating conditions for playing golf and tennis, swimming, horse riding, hiking and cycling. Medical and wellness programs are successfully combined with cultural, entertainment and educational activities.

6.3 Advantages and disadvantages of incoming tourism in the Czech Republic

The development of incoming tourism affects the Czech Republic, however, this influence have not only a positive but also a negative effect.

The development of tourism, including inbound tourism, stimulates the development of the economy, provides a multiplier effect, especially noticeable in employment.

Tourism is a consumer of natural and recreational resources so it is interested in their preservation. However, the growth in demand for a tourist product in the Czech Republic leads to an increase in anthropogenic pressure on territorial recreational systems, especially traditional. This puts at once a whole series of issues of preserving the world and national natural, cultural and historical heritage. At the same time, expansion and intensification of tourism activities contribute to the technical development of the country's territories.

Inbound tourism can cause not only environmental, but also social problems, since in during the development of some regions in terms of international tourism the usual order of things of local residents can be changed or even destroyed. Traditional crafts become the

objects of sale and move to a faster production, in the course of which they may lose their identity.

The development of inbound tourism contributes to the country's interest in improving the competitiveness of its tourist products. Competition stimulates the production, the harder it is, the higher the quality of output. The interest in increasing competitiveness of the destination at the international level contributes not only to the development of the country as a whole, but also to its separate regions.

7. Conclusion

The economic component of tourism activity is displayed not only in commercial orientation, but also in strengthening the social and ecological role of tourism (restoration of historical and cultural monuments, nature protection measures, reconstruction of material and technical base, educational work), that shows the humanistic focus of tourism. Therefore, the current stage of tourism development can be characterized as a stage of rethinking of its role and significance in human life. Complexity can be considered as a characteristic feature of tourism, as well as the basis for meeting the social needs of society. Tourism as a phenomenon of social life is a complex, multifaceted object for scientific knowledge.

In this scientific work incoming tourism and competitiveness in tourism were identified from the theoretical point of view. This thesis also provides the analysis of the impact of tourism and recreation on the Czech economy, as well as analysis of the competitiveness of the Czech Republic as a tourist destination.

This thesis highlights the main problems and prospects for the development of incoming tourism in the Czech Republic. The econometric model in this thesis shows the influence of various factors on incoming tourism in the Czech Republic from the perspective of ten countries. There are also the main factors that influence on the development of incoming tourism in the Czech Republic, as well as its problems and perspectives for development in this paper.

A circumspect strategy for the development of tourism may help to avoid losses due to economic and financial problems. Currently, the Czech Republic needs to create the right tourism development strategy, which will take into account all factors affecting the competitiveness of the Czech Republic as a tourist destination. It is important to concentrate on growing markets and attract tourists from there, especially, from China.

Competition in the tourism market is increasingly based on differentiation, innovation, diversification, individualization and integration. The Czech Republic as a destination that faces with global competition must offer sustainable and high quality tourism products, playing on its competitive advantages.

To conclude, the Czech Republic has wide range of tourism goods, high potential in developing the tourism. Czech Republic is already a tourism brand and has loyal tourists.

The country needs policy set up by government to improve its attractiveness and competitiveness on national level as well as on regional.

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9. Appendix

9.1 Appendix 1 Dataset for econometric modeling

Year	Capacity of accomodation	Employment in tourism	GDP/cap in PPP in CR	Country	Number of incoming tourists	GDP/cap in PPP estimated countries
1	4300.00	235568.00	27659.00	1	414671.00	20497.00
1	4300.00	235568.00	27659.00	2	1348482.00	39263.00
1	4300.00	235568.00	27659.00	3	251126.00	36026.00
1	4300.00	235568.00	27659.00	4	329957.00	35075.00
1	4300.00	235568.00	27659.00	5	159400.00	44585.00
1	4300.00	235568.00	27659.00	6	350637.00	21089.00
1	4300.00	235568.00	27659.00	7	307192.00	25010.00
1	4300.00	235568.00	27659.00	8	367017.00	35740.00
1	4300.00	235568.00	27659.00	9	166298.00	31984.00
1	4300.00	235568.00	27659.00	10	312883.00	48374.00
2	4612.00	232463.00	28797.00	1	559021.00	24074.00
2	4612.00	232463.00	28797.00	2	1386976.00	42692.00
2	4612.00	232463.00	28797.00	3	289397.00	37457.00
2	4612.00	232463.00	28797.00	4	343762.00	36347.00
2	4612.00	232463.00	28797.00	5	188144.00	46066.00
2	4612.00	232463.00	28797.00	6	371127.00	22850.00
2	4612.00	232463.00	28797.00	7	344101.00	25835.00
2	4612.00	232463.00	28797.00	8	336613.00	36456.00
2	4612.00	232463.00	28797.00	9	228841.00	32067.00
2	4612.00	232463.00	28797.00	10	314950.00	49781.00
3	6350.00	229550.00	29047.00	1	731835.00	25316.00
3	6350.00	229550.00	29047.00	2	1521246.00	43564.00
3	6350.00	229550.00	29047.00	3	296298.00	37645.00
3	6350.00	229550.00	29047.00	4	374651.00	36237.00
3	6350.00	229550.00	29047.00	5	210742.00	46707.00

3	6350.00	229550.00	29047.00	6	401997.00	23832.00
3	6350.00	229550.00	29047.00	7	435595.00	26647.00
3	6350.00	229550.00	29047.00	8	368005.00	37477.00
3	6350.00	229550.00	29047.00	9	211770.00	32082.00
3	6350.00	229550.00	29047.00	10	390635.00	51433.00
4	6301.00	227630.00	30513.00	1	803152.00	24165.00
4	6301.00	227630.00	30513.00	2	1484169.00	45273.00
4	6301.00	227630.00	30513.00	3	292623.00	39539.00
4	6301.00	227630.00	30513.00	4	357099.00	36163.00
4	6301.00	227630.00	30513.00	5	198728.00	48710.00
4	6301.00	227630.00	30513.00	6	424402.00	24740.00
4	6301.00	227630.00	30513.00	7	452421.00	27922.00
4	6301.00	227630.00	30513.00	8	379373.00	39052.00
4	6301.00	227630.00	30513.00	9	187424.00	32810.00
4	6301.00	227630.00	30513.00	10	413085.00	52749.00
5	5833.00	224905.00	32386.00	1	691198.00	25094.00
5	5833.00	224905.00	32386.00	2	1553370.00	47099.00
5	5833.00	224905.00	32386.00	3	272650.00	40151.00
5	5833.00	224905.00	32386.00	4	369268.00	36293.00
5	5833.00	224905.00	32386.00	5	204425.00	49055.00
5	5833.00	224905.00	32386.00	6	448736.00	25730.00
5	5833.00	224905.00	32386.00	7	492550.00	29045.00
5	5833.00	224905.00	32386.00	8	397431.00	40745.00
5	5833.00	224905.00	32386.00	9	194495.00	33822.00
5	5833.00	224905.00	32386.00	10	441457.00	54539.00
6	5992.00	227675.00	33770.00	1	434852.00	24451.00
6	5992.00	227675.00	33770.00	2	1766539.00	48041.00
6	5992.00	227675.00	33770.00	3	268877.00	41016.00
6	5992.00	227675.00	33770.00	4	372832.00	37217.00
6	5992.00	227675.00	33770.00	5	204145.00	49587.00
6	5992.00	227675.00	33770.00	6	484573.00	26862.00
6	5992.00	227675.00	33770.00	7	578216.00	29931.00
6	5992.00	227675.00	33770.00	8	442718.00	41755.00

6	5992.00	227675.00	33770.00	9	208305.00	34906.00
6	5992.00	227675.00	33770.00	10	508951.00	56115.00