

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



Bachelor Thesis

Economic analysis of tourism in the Czech Republic

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CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

BACHELOR THESIS ASSIGNMENT

Assel Zhalgaspayeva

Business Administration

Thesis title

Economic analysis of tourism in the Czech Republic

Objectives of thesis

Due to the fact, that in many countries, the tourism industry represents an engine of the economy. The Czech Republic is not an exception. And the country has a big potential in the future.

The main purpose of this work is a comprehensive assessment and characterization of geographical, natural-climatic, cultural, historical, economic and other factors and conditions for the development of tourism in the Czech Republic. As well as was analyzed the importance of tourism in the Czech Republic. The statistical data was used to identify how the tourism in the Czech Republic was increased. Problems and prospects of tourism development in the Czech Republic were studied by the SWOT analysis.

Methodology

The beginning of the theoretical part consists of all basic definitions and terms. Overview of the Czech Republic was described. Furthermore, there was examined information about incoming economic tourism, categories of tourism, and then the importance of the tourism. Also, there was added information about the counties competitors, and the visa requirements.

The second part of the bachelor thesis is an analytical part. In the analytical part was chosen the SWOT analysis. The use of SWOT analysis allows maximize their strengths minimizes their weakness, take advantage of their opportunities and overcome their weaknesses. Additionally, the practical section contains some statistical data, to identify how numbers of tourists are increasing every year in the Czech Republic.

The whole numerical data were collected, evaluated and summarized. Information was got by interviews, surveys, experiments and by SWOT method.

The proposed extent of the thesis

40 pages

Keywords

tourism, Czech Republic, Prague, tourists, SWOT analysis

Recommended information sources

Allan M. Williams , Edited by Professor Gareth Shaw, Tourism and Economic Development : European Experience, 1999, Publisher John Wiley and Sons Ltd.
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UNWTO Annual Report 2016, 2017, Published by the World Tourism Organization (UNWTO), Madrid, Spain.

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Declaration

I declare that I have worked on my bachelor thesis titled " Economic analysis of 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 bachelor thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on _____

Acknowledgement

I would like to thank my supervisor Ing. Petr Procházka, MSc, Ph.D. for his valuable advices, patience and support during my work on this thesis.

Ekonomická analýza cestovního ruchu v České Republice.

Souhrn

Cílem této bakalářské práce je zhodnotit oblast cestovního ruchu v České Republice. Identifikovat slabé, silné stránky ekonomiky cestovního ruchu. První část obsahuje základní pojmy cestovního ruchu a jeho vliv na ekonomiku cestovního ruchu. V druhé části, se používá SWOT metoda k identifikaci výhod a nevýhod cestovního ruchu v České Republice. Zde jsou také uvedeny výsledky založené na kvalitativním, kvantitativním výzkumu a prostřednictvím regresní analýzy je určena míra závislosti mezi vybranými ukazateli cestovního ruchu.

Klíčová slova: cestovní ruch, příjezdový cestovní ruch, Česká Republika, statistická data, SWOT analýza, regresní analýza.

Economic analysis of tourism in the Czech Republic

Summary

The goal of the bachelor thesis is to evaluate the tourism in the Czech Republic. To identify weaknesses and strengths in the economics of the tourism in the country. The first part includes basic terms about tourism, impact of tourism on the economy. The second part is a practical section, where the SWOT method was used to identify advantages and disadvantages of tourism in the Czech Republic. Also, there was evaluate results based on qualitative, quantitative research and the degree of correlation between chosen variables of tourism is calculated using regression analysis.

Keywords: tourism, incoming tourism, Czech Republic, statistical data, SWOT analysis, regression analysis.

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1. Introduction

The reason why I have chosen the topic “Economic analysis of tourism in selected tourism”, is because the tourism nowadays is popular part of the world economic. By the Allan M. Williams: “Tourism has been identified as one of the few potential growth sectors in the mature economies. “ And the importance of tourism increasing every day. Tourism today plays a significant role in the foreign exchange earnings to the country, the formation of its gross national income and the provision of employment for its population. The increase in the flow of tourists has a significant impact on the development of such sectors of the economy of the country as a hospitality industry, transportation, public catering, and some certain branches of agriculture, construction and industry. In turn, the development of tourism depends on a number of some factors. Such as: natural-geographical, social-demographic, cultural-historical, economic, political-legal and others.

Tourist resources of the country can be divided into two large groups – natural and cultural heritage. Different resources, acting as tourist attractions in varying degrees attract tourists.

Due to its cultural and historical preconditions, Czech Republic is the most visited country in the country by both domestic and foreign tourists. There are a lot of cities to visit. But the main city for visiting is Prague. Prague is capital of Czech Republic.

The Czech Republic is a very popular tourist destination. In this magical country, every tourist can find something of his own. Unique monuments, beautiful nature, numerous health resorts, delicious cuisine and a special romantic spirit makes the Czech Republic an excellent place for having great time for relaxing. Nowadays the Czech Republic has about 130 historical complexes, and some of them are included in the UNESCO, for example, Cesky Krumlov, Telc, Kromeriz and Litomysl. The Czech Republic enters to the most visited countries in the world. The country has a rich historical part. The rest in this country is much cheaper than in Western Europe for example, but the impressions are really bright. In general, tourist who visits the Czech Republic from German, Italy, Great Britain, Russian, Holland, Poland and Slovakia. The country’s tourism in this country provides an excellent opportunity to get acquainted with its cultural and historical sights. There are a lot of castles, hailstones and fortresses in the territory of this small state are more than two thousand approximately.

2. Objectives and Methodology

2.1 Objectives

Due to the fact, that in many countries, the tourism industry represents an engine of the economy. The Czech Republic is not an exception. And the country has a big potential in the future.

The main purpose of this work is a comprehensive assessment and characterization of geographical, natural-climatic, cultural, historical, economic and other factors and conditions for the development of tourism in the Czech Republic. To analyze the importance of tourism in the Czech Republic. The statistical data was used to identify how the tourism in the Czech Republic was increased. Problems and prospects of tourism development in the Czech Republic were studied by the SWOT analysis.

2.2 Methodology

The beginning of the theoretical part consists of all basic definitions and terms. Overview of the Czech Republic was described. Furthermore, there was examined information about incoming economic tourism, categories of tourism, and then the importance of the tourism. Also, there was added information about the counties competitors, and the visa requirements.

The second part of the bachelor thesis is analytical part. In the analytical part was chosen the SWOT analysis. The use of SWOT analysis allows maximize their strengths, minimize their weakness, take advantage of their opportunities and overcome their weaknesses. Additionally, the practical section contains some statistical data, to identify how numbers of tourists are increasing every year in the Czech Republic. The whole numerical data was collected, evaluated and summarized.

3. Literature of tourism

3.1 Definition of tourism

The term tourism (tourism) was first used by W. Zhekmo in 1830. The word "tourism" comes from the French "tour", which means "walk". Until recently, in different countries the concepts of "tourism", "tourist" was understood differently. Leonard J. Lickorish wrote in the book "Introduction to Tourism" that tourism is, however, a recent invention. The word was unknown in the English language until the last century.

In the Czech Republic, due to the fact that tourism and spa facilities were managed by different systems, the concept of "tourist" was limited to participants in tourist trips and hikes and was separated from the concept of "having a rest" in sanatoria, boarding houses and rest homes. In other countries, different types of recreational activities are also often defined in different terms.

For many centuries, mankind travelled to develop new lands, develop trade, in educational, religious and health purposes. Despite the active development of the tourism sector, there is still no consensus on the interpretation of the essence of educational tourism and its conceptual apparatus. This problem is inherent in certain types of tourism, which also demonstrates the positive dynamics of development. Among them is educational tourism, which is allocated depending on the priority purpose of the trip.

By the World Trade Organization tourism is "comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited".

According to the book "Mathieson and Wall" in 1982, the definition of tourism was described in this way: "The temporary movement of people to destinations outside their normal places of work and residence, the activities undertaken during their stay in those destinations, and the facilities created to cater to their needs". Another definition by Oxford Dictionaries (2015) suggests that tourism is "the commercial organization and operation of holidays and visits to places of interest".

There are a lot of definitions of the term of tourism. So, we can also distinguish tourism into some categories. For example: it can be international, when you are travelling

abroad or domestic when tourism is understood as travelling within the country, another category of the tourism is based on the length of time spent there, length can be short-term stay or long-term stay. And according to the way of organization, it can be individual tour or group. Another category is according to the way of transportation: roads (cars, buses, and motorbikes), railway (both regular and irregular connections), air (both regular and irregular connections), water (river and sea), other (hiking, cycle tourism, water tourism). Next category is according to the purpose of travelling: leisure purpose of travelling: leisure or business.

3.2 Main categories of tourism

There are many classifications of tourism. They differ in the very understanding of this phenomenon, in the principles of construction, in applied problems of classification. The main thing is the division of tourism into international and domestic.

International tourism includes the travel of travelers with tourist purposes outside the country of permanent residence. The crossing of the state border for them is associated with certain formalities: the formulation of foreign passports and visas, the passage of customs procedures, currency to medical control. These rules are introduced by the state in order to combat illegal migration, international terrorism, drug trafficking, prostitution, etc. and ensure the established procedure for entering and leaving the country. Special services check the compliance of travelers with the passport and visa regime, the requirements for vaccination (vaccination), the rules and conditions of transportation across the border of things, goods, currency funds and currency exchange operations.

Another feature of international tourism is economic in nature and reveals through influence, and international tourism has on the country's balance of payments. Foreign tourists, paid goods and services, ensuring the receipt of currency in the budget of the host country and thereby activate its balance of payments. Therefore, the arrival of foreign tourists was called active tourism. On the contrary, the departure of tourists associated with the outflow of the national monetary unit from the country of their permanent residence. International payments for tourist operations in Russia and countries of the world are a supplier of tourists, and tourism itself is called passive. The division into active and passive, based on the specifics of the reflection of financial results of tourist activity in the

balance of payments, is inherent only in international tourism and non-property for domestic tourism.

Domestic tourism, unlike the international one, is not connected with the crossing of the state border and, therefore, does not require the observance of tourist formalities. It represents the migration flows of people within the country of permanent residence with tourist purposes. The national monetary unit, used daily, continues to be a means of circulation, and the native language of the tourist is a means of communication. Such trips are relatively easy to organize. According to some estimates, the share of domestic tourism accounts for 80 – 90% of all tourist trips, and the total cost of domestic tourism is 5 – 10 times higher than the cost of tourists for international travel. Despite significant differences, the international and domestic types of tourism are closely related. Domestic tourism acts as a kind of catalyst for international tourism. It promotes the development of new recreational resources and areas, the creation of basic tourist infrastructure, the training of specialists and thereby assists the integration processes and the formation of a single world tourist space.

3.3 Tourism development in the world

3.3.1 Statistical trends

As the standard of living in many countries develops for the better. There was opened up many destinations worldwide and was invested a lot money in tourism industry. Due to this fact, that numbers of tourist who exploring the world are increasing also.

In the world, the industry of tourism has practiced stable growth almost every year. International tourist arrivals increased from 528 million in 2005 to 1.19 billion in 2015. Figures were forecasted to exceed 1.8 billion by 2030, by the UNWTO (August 2017). For the graphs below, the data was used from the statistical portals, such as: World Tourism Organization and also the Statista.com.

3.3.2 International tourism arrival by region.

The map below shows the international tourist arrivals in the counties: United States, Europe, Asia Pacific, Middle East and Africa in 2016. Compared with the period last year the international tourist arrivals in the world grew by 6% in January-April. And this is a good level in a many decade. The prospects for future remain high.

The map below (Figure 1.) shows that the Europe is the most popular direction in the world. It is approximately 615 million international tourist arrivals in 2016, by the World Tourism Organization (UNWTO).

Figure 1. International tourist arrivals 2016

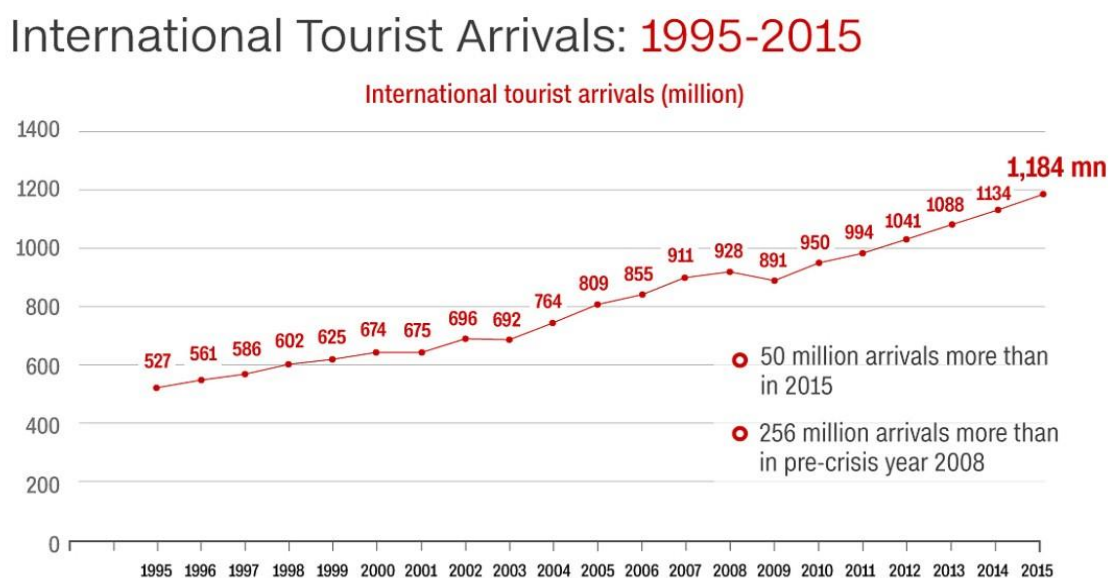


Source: WTO (2016)

3.3.3 International tourism arrival.

The graph below (Figure 2.) illustrates that the International Tourist Arrivals from 1995 to 2015 are increased with a great success, and in 2015 reached almost 1.184 million, as compared with previous years. Year by year numbers of people who travels reaching some big numbers. From the graph below, we can say, that the regular growth is observed, and based on these data, there are can forecast that to 2030, the number of arrivals will reach by two million, marked by UNWTO.

Figure 2. International tourist arrivals: 1995 – 2015



SOURCE: UNWTO World Tourism Barometer

Source: UNWTO World Tourism Barometer.

3.3.4 International tourism receipt and destinations.

The table (Table 1.) which shows ten the most visited destinations are shown below followed by numbers of arrivals in million. The first ten countries generate approximately 43% of total international tourist arrival.

Table 1. International tourist arrivals

International tourist arrivals						
Rank	Series	(million)		Change (%)		
		2014	2015*	14/13	15*/14	
1	France	TF	83.7	84.5	0.1	0.9
2	United States	TF	75.0	77.5	7.2	3.3
3	Spain	TF	64.9	68.2	7.0	5.0
4	China	TF	55.6	56.9	-0.1	2.3
5	Italy	TF	48.6	50.7	1.8	4.4
6	Turkey	TF	39.8	39.5	5.3	-0.8
7	Germany	TCE	33.0	35.0	4.6	6.0
8	United Kingdom	TF	32.6	34.4	5.0	5.6
9	Mexico	TF	29.3	32.1	21.5	9.4
10	Russian Federation	TF	29.8	31.3	5.3	5.0

Source: UNWTO (2016)

This table (Table 1.) illustrates, that there are some changes happened. Hong Kong (China) moved up one position to ninth from tenth. In the ranking by arrivals, and the Mexico climbed one place to ninth from tenth.

Moreover, from this table (Table 1.) can be noticed that France has been the most visited country of the world in 2015. If compare from previous year table above shows that the numbers of visitors increased by 0.8 million.

In the second table, which clarify the countries who has most profit from the international tourism, that's means there is order of destinations by the international receipts in 2015.

Table 2. International tourist receipts

International tourism receipts ¹		US\$				Local currencies	
		(billion)		Change (%)		Change (%)	
Rank		2014	2015*	14/13	15*/14	14/13	15*/14
1	United States	191.3	204.5	7.8	6.9	7.8	6.9
2	China	105.4	114.1	n/a	8.3	n/a	9.8
3	Spain	65.1	56.5	3.9	-13.2	3.9	4.0
4	France	58.1	45.9	2.8	-21.0	2.8	-5.4
5	United Kingdom	46.5	45.5	11.8	-2.3	6.2	5.2
6	Thailand	38.4	44.6	-8.0	16.0	-2.7	22.0
7	Italy	45.5	39.4	3.6	-13.3	3.6	3.8
8	Germany	43.3	36.9	4.9	-14.9	4.9	1.9
9	Hong Kong (China)	38.4	36.2	-1.4	-5.8	-1.5	-5.8
10	Macao (China)	42.6	31.3	-1.1	-26.4	-1.1	-26.5

Source: UNWTO (2016)

So, how mentioned in the table above, there were just one change in the top 10 by international receipts in 2015. The Thailand has jumped from ninth place to 6th place in the tourism receipts.

The United States has the biggest revenue according to the table, with 205 billion dollars in 2015. China is the second largest earner, with 114 billion dollars. The third place took Spain with 57 billion dollars. Whole data was taken from UNWTO, July 2017.

Engagingly, that from the both tables, the top four places have taken by the same countries, but in different order.

3.4 Tourism in the Czech Republic

The Czech Republic is an internal state in Central Europe, the country borders with Poland (border length 658km) in the north, Germany-in the northern and west (length of the border is 646 km), Austria-in the south (border length is 362 km) and Slovakia-in the east (border length is 214 km). The total length of the border is 1880 km. The name of the country comes from the ethnonym of the tribe – the Czechs.

The area of the country is 78.884 square kilometers. About 53 percent of the area is used for agriculture, and about 36 percent are forests.

The capital of the Czech Republic is Prague. Prague is the tourist attraction and the largest city in the country, in Prague lives approximately 1.25 million people. The Czech Republic is formed by the merger of three historical regions: Bohemia in the west, Moravia in the east and Silesia in the northeast.

The climate in the Czech Republic is moderately continental, with four seasons. Summer is usually moderately hot, the average temperature is about 21 degrees. Autumn comes to the Czech Republic not earlier than October, and winter, as a rule, soft and snowless. In the coldest days, frost can reach 15 degrees, but it happens not more often than once in 10 – 15 years. The average temperature in winter is approximately 0 degrees.

The population of the Czech Republic is about 10.5 million people, who lives mainly in small towns and villages. The largest cities are: Prague, Brno, Ostrava, Plzen and Usti nad Labem. In national terms, the Czechs make up 94.4%, Slovaks 3.8%, Poles 0.7%, Germans 0.5% and other nationalities is 0.6%. The official language in the Czech Republic is Czech.

The depths of the Czech Republic are rich in some various minerals. Such as: silver, iron ore, coal and sands glasses, which is used in manufacture of the famous Bohemian crystal.

The territory of the Czech Republic has a lot of ramified network of roads and railways. Exist several firms, which provides bus services to major European cities.

The air transport is also developed in the Czech Republic. Prague Airport “Ruzyne” is located 20 km from the city center. In additional, the airports are in Ostrava, Brno, Karlovy Vary and Zlin. Almost all large international airlines have their representative offices in Prague. Some companies lease small planes for business trips, as well as tourists for sightseeing flights.

3.4.1 Competitiveness of the Czech Republic in the Tourism

Nowadays, the industry of the tourism plays a really important role to the lives of million people in the world by the driving growth, everyday people get new job in the tourism sphere, reducing the poverty. For competitiveness exists a lot of definitions, according to the OECD (2015), the competitiveness was described like „a measure of a country's advantage or disadvantage in selling its products in international markets”.

Concerning the tourism competitiveness, the Czech Republic has to compete with other European countries, but also with countries outside the European Union.

According to the World Economic Forum, who has for the past eleven years, has made an analysis of the travel and tourism competitiveness of 136 countries that account for over 98% of world GDP in the world.

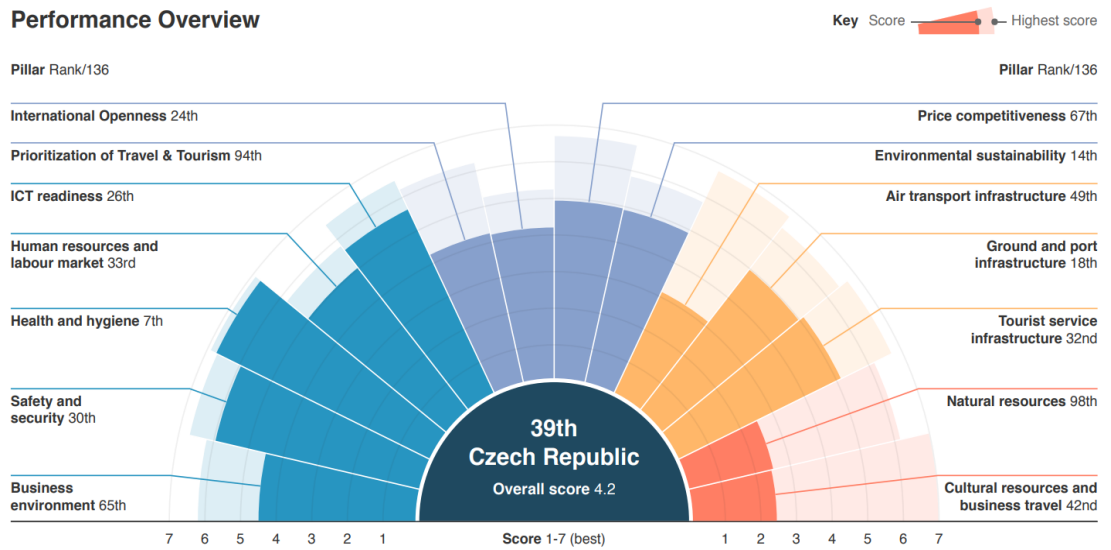
By the World Economic Forum, Travel and Tourism Competitiveness Index measures “the set of factors and policies that enable the sustainable development of the travel and tourism sector, which in turn, contributes to the development and competitiveness of a country”.

The index of the Travel and Tourism Competitiveness helps to all stakeholders work with each other, to improve the competitiveness industry in national economies.

According to the report from the World Economic Forum, in 2017, where was highlighted that the Czech Republic take place 39th place in the world. The World Economic Forum define the competitiveness as the set of rules, institutions, some policies, and elements that define the level of productivity of an economy, which in turn sets the level of flourishing that the country can earn. The tourism market in Europe is becoming increasingly competitive. How Greg Richards mentioned in the book Cultural Tourism in Europe, that the cultural tourism market in Europe is therefore becoming increasingly competitive. A growing number of cities and regions in the European Union are basing their tourism development strategies on the promotion of cultural heritage, and the number of cultural attractions is growing rapidly.

As the table below, which illustrates the place of the Czech Republic by the performance overview. In this table was highlighted main criteria. And the Czech Republic has various places in other aspects according to the table. On the 7th place, the Czech Republic has in health and hygiene for example. As a result, the overall score of the country is 4.2. In 2015 the Czech Republic took place 37th among 141 countries, but the overall score was also 4.2.

Figure 3. Performance overview



Source: World Economic Forum (2016)

3.4.2 Prague as a touristic location

The unique architecture of Prague served as a source for the names of the city names. Prague is called "Mystic" because of the fascinating Gothic style, mysterious stories and legends connected with the medieval past, alchemists and astrologers; "Green" because of the enormous number of urban gardens and parks, which attract their extraordinary beauty and sophistication.

Prague is the capital of the Czech Republic, which arose on January 1, 1993 when the former Czechoslovak Federative Republic was divided and included the Czech Republic, Moravia and Silesia. The capital of the Czech Republic is in the north-western part of the country. The population is about 1.258 million people.

The Czech capital attracted tourist by the history of the city. In 2014, the number of visitors reached approximately 6.3 million visitors. The numbers of tourist were increased if compare with 2013. Among European cities, Prague take the 5th place, after such cities as London (17,4 million), Paris (15 million), Istanbul (11,9 million) and Rome (8,8 million).

By the Prague City Tourism, an organization, who responsible to support, develop the tourism in Prague, had conducted the research in the capital. And has confirmed that the last year, visitors from Russia and Ukraine have increased. The reason is that the

Ukrainians get free entrance to European Union, from 2017, Ukraine do not need the Schengen visa.

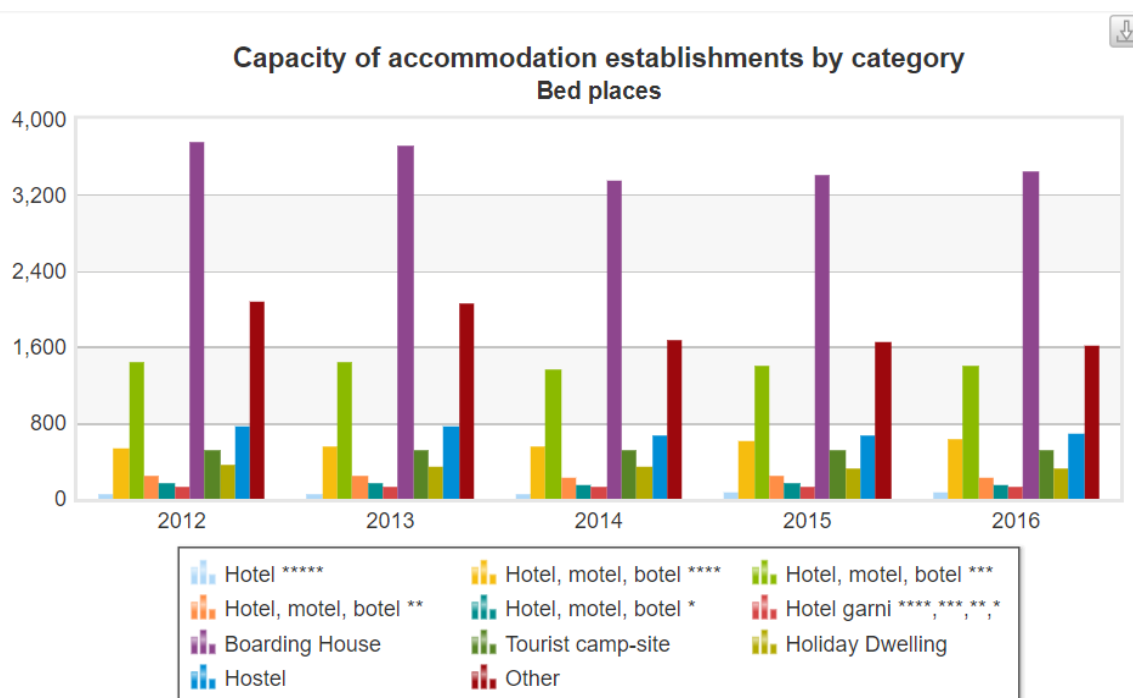
The tendency among visitors from South Korea and China was recorded. The number of incoming tourists from South Korea increased by 37% and from China by 31% in 2014, which confirmed the rapidly rising demand of Asian countries (Prague.eu, 2015).

3.4.3 Accommodation in the Czech Republic

People who are coming the Czech Republic for traveling, looking for the accommodation for staying. Exists a lot of options where tourists can stay. It can be: hotels, motels, boarding houses, hostels, etc.

Based on the data below, which was used from Public Database, CZSO, it represents, that the boarding house is the most popular in the Czech Republic, then places, where people prefer to stay in motels, hotels and botels.

Figure 4. Capacity of accommodation establishments by category

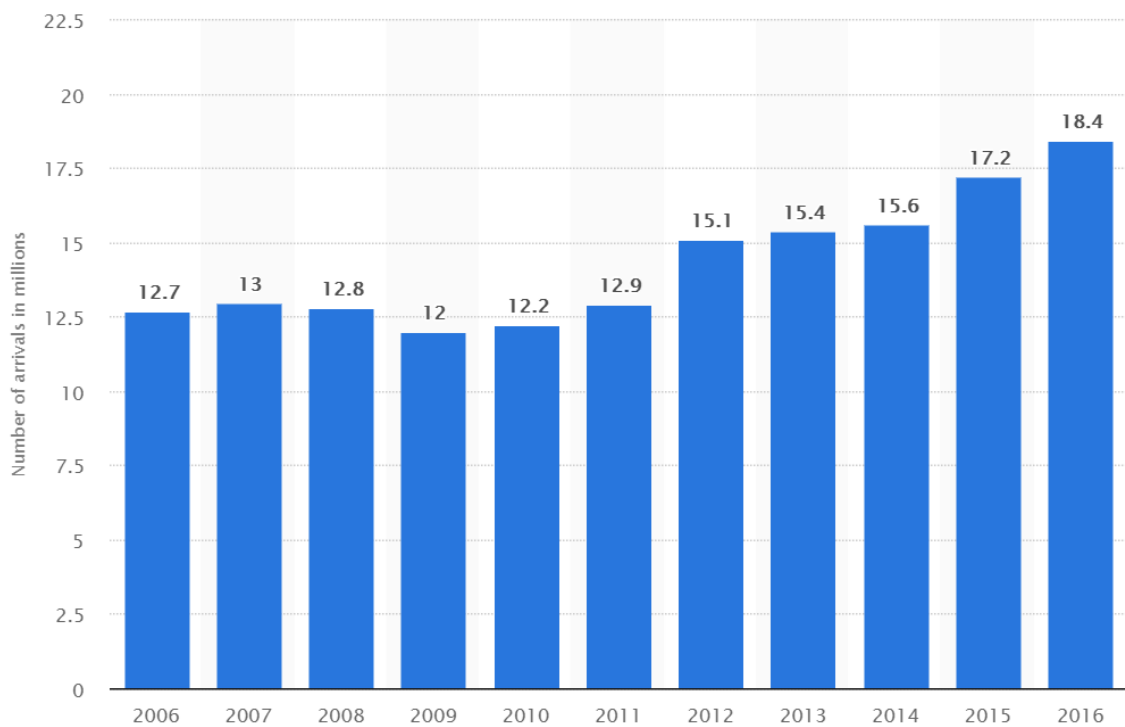


Source: The Czech Statistical Office (CZSO)

The graph below shows the number of tourist arrivals at accommodation coming in the Czech Republic from 2006 to 2016. In 2016 the numbers of tourist were 12, 7 million. Then in 2008 the number of arrivals in tourist accommodation in the Czech Republic was reduced. According to the data below, in 2014 there were over 15.5 million arrivals at

accommodation establishments in the Czech Republic. In 2016, the number of arrivals amounted to approximately 18,4 million. Finally, due to the table, which shows that there is a happened a progress from 2010 to 2016. The data below was used from Statista, 2018.

Figure 5. The graph of tourist arrivals at accommodation coming in the Czech Republic



Source: Stasia.com

3.4.4 Touristic attractions in the Czech Republic

There are many cities to visit in the Czech Republic, but more than 55% of tourists visit the capital - Prague for recreation, leisure. Approximately 18 % of visitors to the country coming to visit friend, then 11% of tourists are visit the Czech Republic for some business purposes. The rest numbers of tourists, belong the part of tourist who come for shopping, visiting some cultural event, or spa treatment.

There are 12 sights, which are on the list of World's Heritage (UNESCO). The list below, shows the sights.

- Gardens and Castle at Kroměříž (1998)
- Historic Centre of Český Krumlov (1992)
- Historic Centre of Prague (1992)

- Historic Centre of Telč (1992)
- Holašovice Historic Village (1998)
- Holy Trinity Column in Olomouc (2000)
- Jewish Quarter and St Procopius' Basilica in Třebíč (2003)
- Kutná Hora: Historical Town Centre with the Church of St Barbara and the Cathedral of Our Lady at Sedlec (1995)
- Lednice-Valtice Cultural Landscape (1996)
- Litomyšl Castle (1999)
- Pilgrimage Church of St John of Nepomuk at Zelená Hora (1994)
- Tugendhat Villa in Brno (2001)

Source: UNESCO.org

Prague as the capital of the Czech Republic, is the most visited UNESO sight in the country and in general.

3.5 Economics in tourism

3.5.1 Demand

Demand of tourism is a huge term that contain with factors governing the level of the demand, also shows the different types of the demand and the urge for making variety of demand. There are numbers of components of the demand that compose the total demand for tourism industry.

The demand actually can be effective, suppressed and latent. Effective demand is when the number of travellers are increasing. The suppressed demand consists of the people who are not travelling for some reason. Third type is latent demand. It relates to the spatial and temporal expression of demand at a specific site, for example, demand for either tourist accommodation or a tourist service at a specific destination.

Result of those productive activities that involve the provision of goods and services required to meet tourism demand and which are expressed in tourism consumption. (Page and Connell, 2006)

By the Cooper, the definition of demand for tourism was described as: “The total number of person who travel or wish to travel and use tourist facilities and services at places away from their places of work or residence.” (Cooper, 1993)

3.5.2 Supply

The correlation between price and how much of goods or service is supplied to the market is known as the supply relationship. Price, therefore, is a reflection of supply and demand.

The price that a tourism firm sets for its supplied products depends on the interplay of a number of factors that are internal and external to the firm. - Prof. Larry Dwyer, Wayne Dwyer, *Tourism Economics and Policy*, 2010

The supply of all assets, services and goods to be enjoyed or bought by visitors and occasioned by the journeys of visitors. Tourism supply consists of an amalgamation or mix of attractions. Tourism supply shapes the demand for tourism in a country. (Cooper, 1993)

Tourism supply is a complex phenomenon because of both the nature of the product and the process of delivery.

Principally, it cannot be stored, it is intangible in that it cannot be examined prior to purchase, it is necessary to travel to consume it, heavy reliance is placed on both natural and human-made resources and a number of components are required, which may be separately or jointly purchased and which are consumed in sequence. (Sinclair and Stabler, 1997:58)

3.6 Economic Impacts

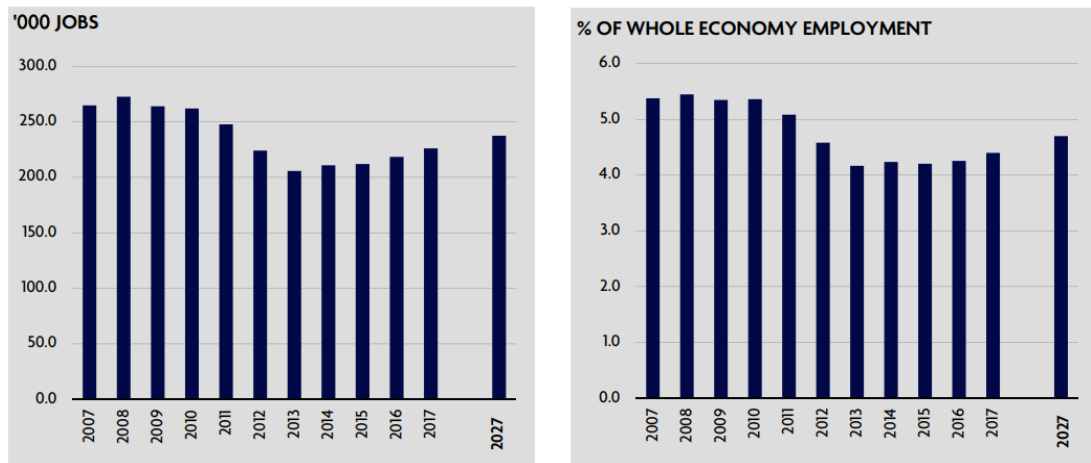
Certainly, the major indicators of impact of tourism on the world's economy are the gross domestic product (GDP) and the unemployment rate.

3.6.1 Employment

In 2016 travel industry generated approximately 218,500 jobs (4.3% of total employment), and this is predicted to increase by 3.5% in 2017 to 226,000 (4.4% of total employment). This involves employment by travel agents, airlines, hotels and other passenger transportation services (excluding commuter services). Also, it can be the activities of the restaurant or some leisure industries directly supported by tourists.

According to the graph below, by 2027, travel industry will account for 238,000 jobs directly, an increase of 0.5% pa over the next ten years. (By The World Travel and Tourism Council).

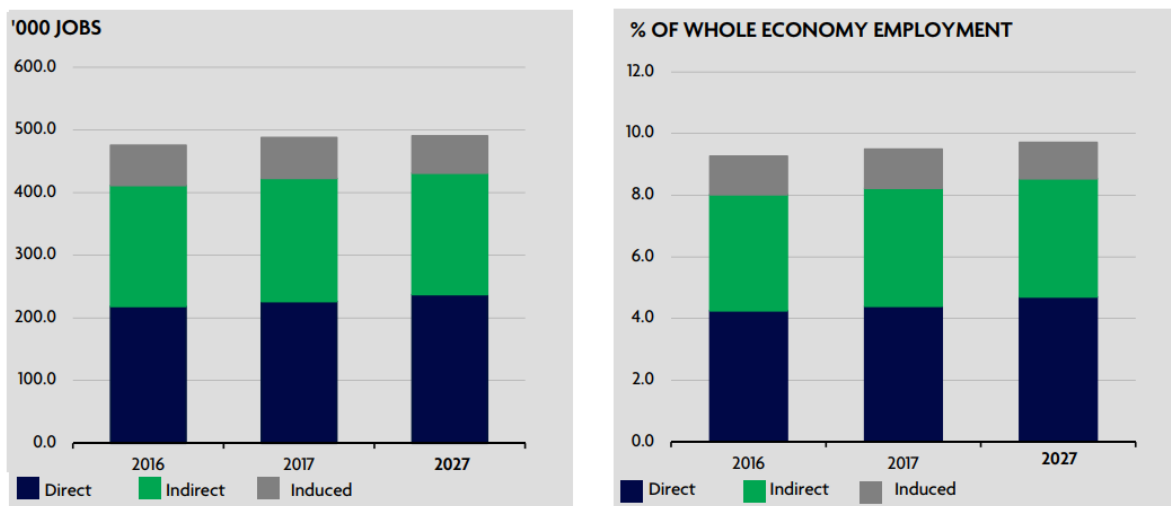
Figure 6. Direct Contribution of travel industry to employment



Source: By World Travel and Tourism Council, 2017

According to the graph below, which illustrates, that the total contribution of the travel industry to employment (including supply chain and induced income impacts, was 475,000 jobs in 2016 (9.3% of total employment). This is forecast to rise by 2.6% in 2017 to 488,000 jobs (9.5% of total employment). By prognosticate, that by 2027 travel industry will support 491,000 jobs (9.7% of total employment), an increase of 0.1% pa over the period. (By The World Travel and Tourism Council).

Figure 7. Total Contribution of travel industry to employment



Source: By World Travel and Tourism Council, 2017

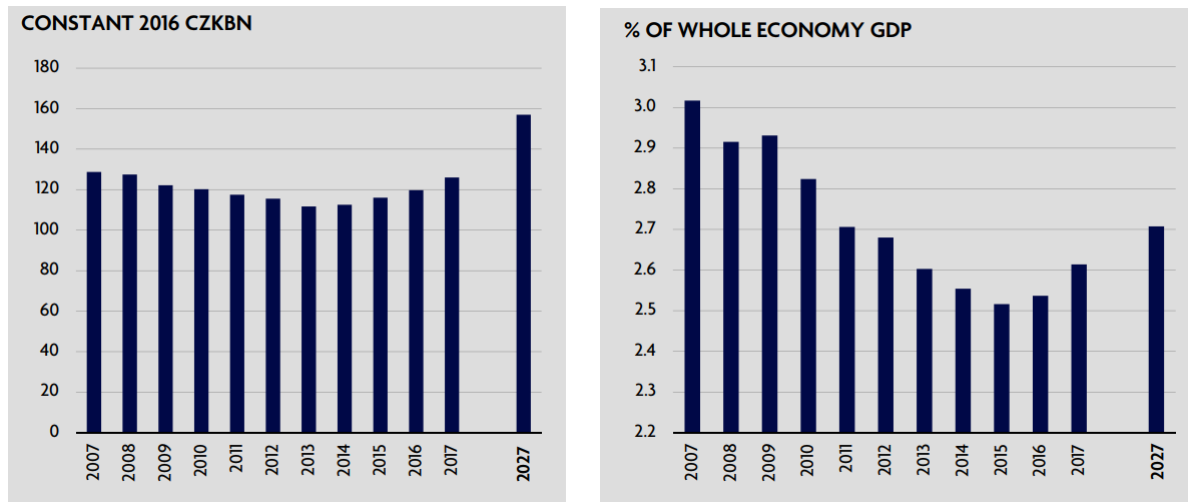
3.6.2 Gross Domestic Product

As the table below, there is a direct contribution of tourism to GDP, and in 2016 was 119.8 bn. (approximately 2.5 % of GDP). This is predict to increase by 5.2 % to CZK

126.0 bn. in 2017. This mainly reflects industries which connect directly the tourism industry. Such as: travel agents, airlines, restaurants etc.

By the prediction which made The World Travel and Tourism Council, the direct contribution of travel industry to GDP is expected to grow by 2.2% pa to CZK 157.0 bn. (2.7 % of GDP) in 2027.

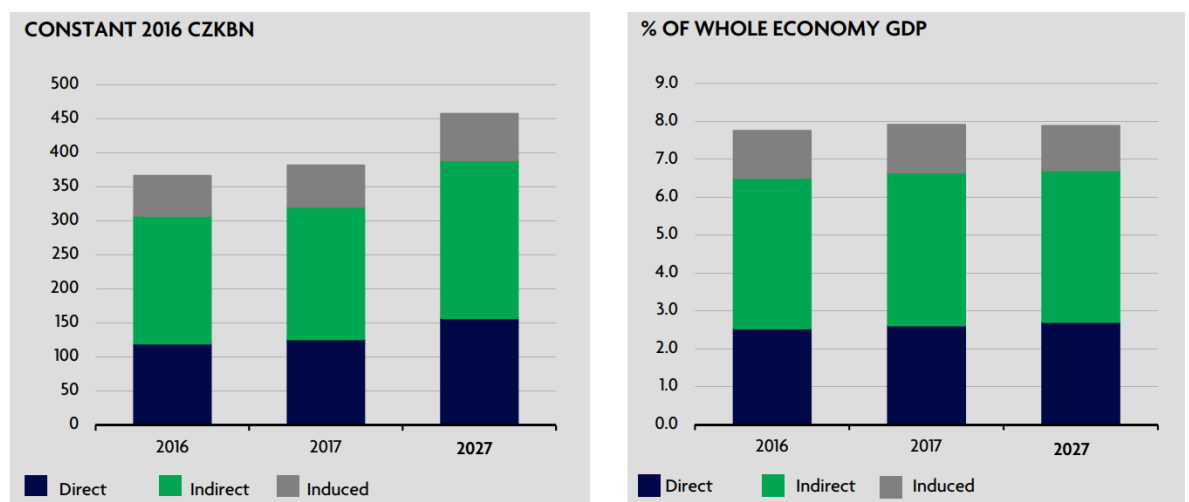
Figure 8. Direct Contribution of travel industry GDP



Source: By World Travel and Tourism Council, 2017

By the graph below, the total contribution of tourism industry to GDP including wider effects from investment, the supply chain and induced income impacts, was CZK 366.1 bn. (7.8% of GDP) in 2016. By the forecasting, in 2027 it will rise by 1.8 pa to CZK 457.1 bn. (7.9 % of GDP).

Figure 9. Total Contribution of travel industry GDP



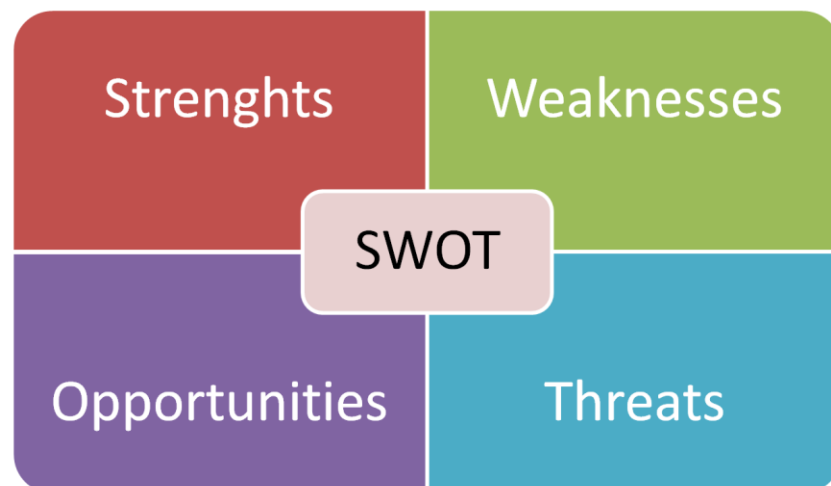
Source: By World Travel and Tourism Council, 2017

4. Practical Part

4.1 The SWOT analysis

In 2008, international tourist arrivals to the Czech Republic amounted approximately to 6.6 million people. Revenues from tourism in 2008 in the Czech Republic amounted to 7.7 billion dollars. The entry tourist flow is formed mainly at the expense of tourists from European countries. Tourism plays an important role in the economic development of the Czech Republic and is the dominant direction in the service sector, the confirmation of which can be found in statistics in 2008. On average, a foreign tourist spends 77 dollars a day in the Czech Republic. The numbers of arrivals are increasing with a big progress, and The Czech Republic has a great potential in the tourism sphere. But there are also some weak sides exist. That's why the analytical part of the thesis focused on how the tourism in the Czech Republic develops. For the analytical part was used the SWOT method. Which consists in the division of factors and phenomena into four categories: strengths, weaknesses, opportunities and threats.

Figure 10. SWOT analysis



Source: Research Methodology

4.1.1 Definition of the SWOT analysis

The acronym of the SWOT was first introduced in 1963 at the Harvard conference on business policy issues by Professor Kenneth Andrews. Initially, the SWOT analysis was based on the scoring and structuring of knowledge about the current situation and trends.

Since SWOT analysis in general does not contain economic categories, it can be applied to any organization, individual people and countries for building strategies in a wide variety of areas of activity.

The procedure for carrying out SWOT analysis in its general form is to fill the matrix, which reflects and then compares the strengths and weaknesses of the enterprise and the opportunities and threats of the market. This comparison allows to determine what steps can be taken to develop the enterprise, as well as what problems need to urgently to be solve.

4.1.2 SWOT analysis in the Czech Republic

SWOT analysis helps to identify key success factors there are advantages of the region, the most conducive to tourism activities.

This analytical part is based on tourists who had travelled to the Czech Republic, also focused on the requirements of international arrival tourists. According to the data the table below shows the main targeting evaluation of weak and some strong aspects of the Czech Republic.

Table 3. SWOT Analysis

Strengths	Weaknesses	Opportunities	Threats
Presence of various natural-recreational and cultural-historical.	The spread of theft and crime among the population in the capital and large cities of the Czech Republic.	The contribution of investments in the development of agro-tourism and mass informing potential consumers of this type of tourism.	Increasing prices every year and tourists visit other countries such as: Poland and Slovakia.
A dense network of well-marked hiking trails.	There is a low quality of additional services in tourism.	Promoting business in tourism industry and creating new job.	There are insufficient measures against floods.
There are famous and prestigious resorts and ski centers.	Problems encountered in obtaining a visa.	Development of business tourism through education of a special image of congress centers of the country and conduct of business events.	Growth of sales of competing tourist products.
The available accommodation in the Czech Republic.	Problems with a parking space in the main cities of the Czech Republic.	Further development of spa and health promotion programs	The threat of the flood.
Cooperation directly with tour operators and travel agents of different countries.	Depreciation of the historical buildings.	Accessibility of other monuments, entry in the UNESCO list.	Increasing new modern construction, that historical and cultural monuments can be overshadowed.
There is a flexible net of hiking trails and routes in whole country.	Poor transport accessibility of tourist destinations.		

Source: Own Processed by MS Excel

4.1.3 Strengths

The Czech Republic is one of the most beautiful and attractive countries for travelling, the location of the Czech Republic, in the heart of Europe. There is a good connection network from neighboring countries. Tourists can easily travel by train, bus or car.

Due to the fact, that the low-cost tickets to the Czech Republic was increased, the demand for this country, now is more attractive.

The Czech Republic is the country, where a lot of available accommodations. Each person can find something suitable, according to the price, service, and location. Exist a lot of travel agencies, who can easily help to find suitable accommodation, tickets, also these agencies can help to tourist with visa.

Every person can find out in the Czech Republic various types of the tourism.

4.1.4 Weaknesses

Every country has some disadvantages, and the Czech Republic is not exception. The theft and crime among the population increasing every year. Especially in the capital of the Czech Republic in Prague and in the large cities. Such as: Brno, Ostrava etc.

The tourism industry in the country has a really big potential, and developing every year, but there are exist some problems with low quality of the service, which provides in the Czech Republic. The main problem is language skills, next is uniform, and the behavior of employment.

The Czech Republic part of the Schengen visa, and there are a lot of people, who had a problem with the getting visa. Especially, people from Russia. For getting the visa, there should be collected package of documents. And the process takes a lot of time.

Next problem is a parking place in the country, particularly in Prague. How mentioned people, that there is not enough information in the city center about the parking place, and for most people the information is not understandable.

4.1.5 Opportunities

The contribution of investments in agro tourism development and mass informing of potential consumers of this type of tourism.

Given the low costs of treatment and education in the Czech Republic and the active use of advertising - the increase in the demand for foreign tourists to medical and educational services of the country.

Development of business tourism through the formation of a special image of the congress centers of the country and the conduct of business actions of global significance.

Creation and expansion of proposals for ecological, gastronomic, industrial, event-based tours.

To develop the night life in the Czech Republic. To make available transport at midnight.

4.1.6 Threats

The increasing of prices for accommodation and meals in the Czech capital and the most important tourist centers of the country, and as a result of the outflow of foreign tourists to neighboring cheaper countries, for example, to Slovakia, Poland.

Lack of capital for stabilization and further development of business in tourism. Underestimation of the maintenance of monuments and the care of natural resources and landscape.

With the increasing new modern construction in the country arises the possibility, that historical and cultural monuments can be overshadowed.

Due to the fact, that in Prague was the floods in 2002 and there were constructed barriers along the Vltava River. By the fact that in 2013 was showed, that existing barriers not enough. That's why is still threatened by occurrence of high water in the Vltava River. This depend on the weather in the country.

4.2 Analytical Part

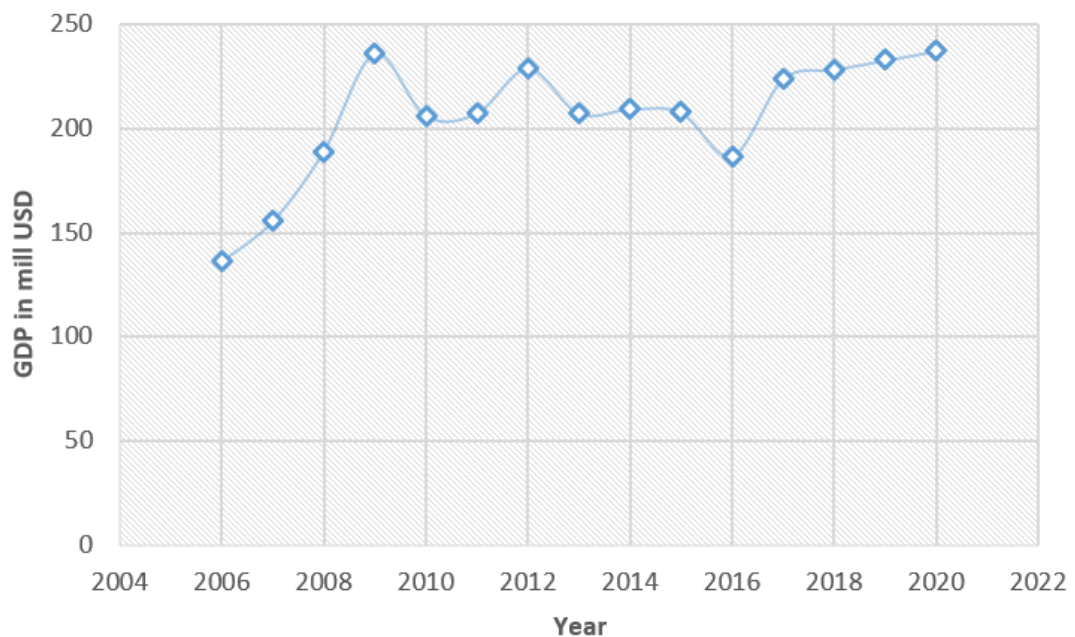
4.2.1 Tourism and GDP

Tourism Industry in the Czech Republic is approximately 2.5 % of GDP (by ČSÚ, 2016). To investigate whether the GDP is depending on tourism industry or not depend, there was made analyses. By the analysis, which shows that the GDP in 2012 reached the maximum and the decreased till 2014. Forecast values for years 2017-2020 were calculated by MS Excel. Then by SAS program, the relationship between the tourism expenditures and the Czech GDP is generated.

4.2.2 GDP in the Czech Republic.

Next analysis was predicted the development of GDP in the Czech Republic. By the prediction, in 2020, the GDP will increase and will reach 237, 34 million dollars. In 2018 the value is 228. 45 million dollars. By the data, which was created by MS Excel, can be predicted, that the GPD of the Czech Republic will increase from 2016. And tourism industry will probably increase as well. The forecast is just predicted, because the development of GDP also depends on the character of government of the Czech Republic.

Figure 11. Prediction of Development of GDP in the Czech Republic



Source: Own Processed by MS Excel

Table 4. Development of GDP in the Czech Republic

Year	2017*	2018**	2019***	2020****
GDP in million	224.01	228.45	232.90	237.34
US				

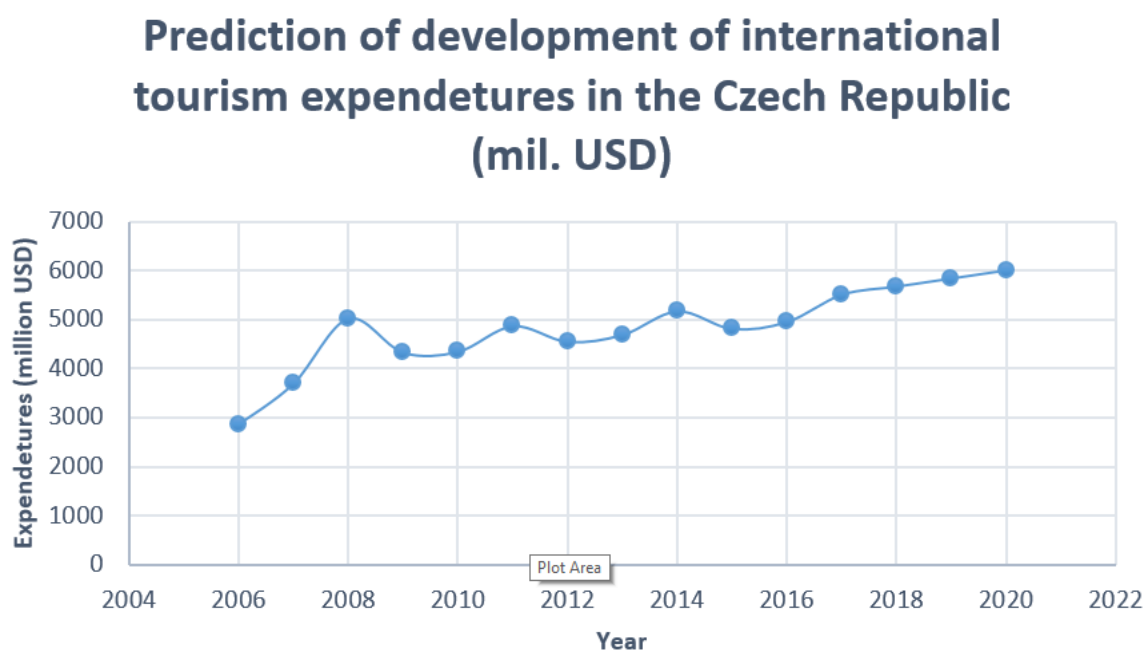
Source: knoema.com, 2016; Kurzy.cz, 2012; Own Processed.

4.2.3 Tourism Expenditure

By the World Tourism Organization, the tourism expenditure defines as: “expenditure of outbound visitors in other countries including their payments to foreign carriers for international passenger transport. It also includes any other payments or payments afterwards made for goods and services received in the country of destination. The definition is more extensive than that of the travel expenditure in the Balance of Payments in which international passenger transport is not included.” And by the UNWTO the macro-economic terms of expenditure by international visitors counts as „exports for the destination country, and as imports for the country of residence of the visitor. For many countries inbound tourism is a vital source of foreign currency earnings and an important contributor to the economy, creating much needed employment and opportunities for development “.

In 2015 the expenditure form international tourism was reached by US\$ 1260 billion, on accommodation, food and drink, entertainment, shopping and other services and goods. By the exchange rate fluctuations and inflation, this shows an increase of 4.4% over 2014. So, there is a visible increasing, but not significant.

Figure 12. Prediction of Development of International Tourism Expenditures in the Czech Republic in mil. USD



Source: Own Processed by MS Excel

Table 5. Prediction of Development of International Tourism Expenditures

Year	2017*	2018**	2019***	2020****
Expenditure	5520	5686	5852	6018

Source: knoema.com, 2016; Kurzy.cz, 2012; Own Processed

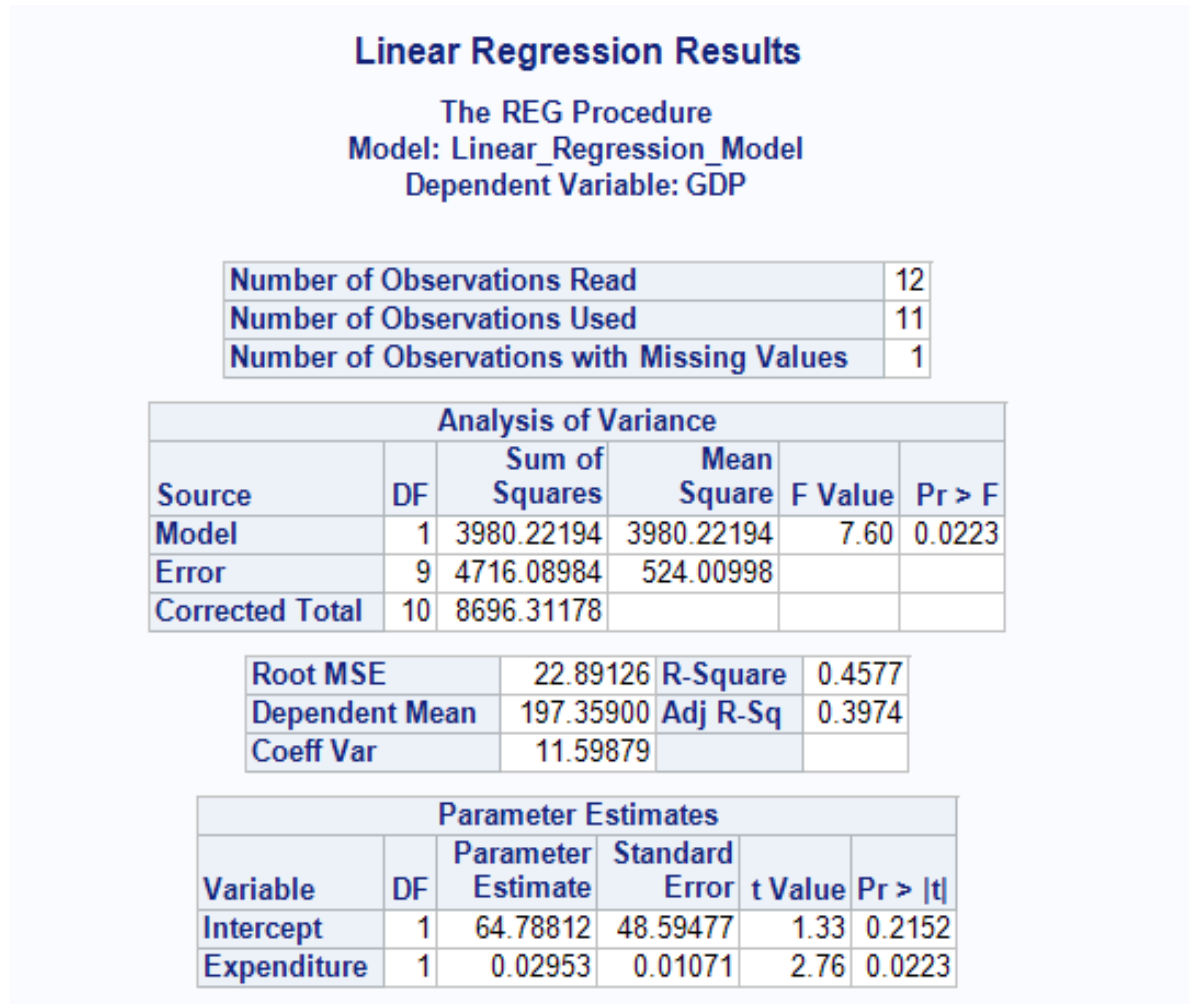
4.2.4 Dependency of International Expenditures on the Czech GDP

To get the calculation of Dependency of International Expenditures on the Czech GDP was used the statistical program SAS Enterprise and its Ordinary Least Square Method, (OLS). By the SAS program, there is an equation $Y = 64,79 + 0.03x$, where Y is the GDP and X was used for tourism expenditures. According the equation, if the tourism expenditures will increase by 1-unit, total GDP of the Czech Republic will increase by 0.03 units. By the result, which shows that it is not so statistically significant.

The GDP is influenced by many factors and by the calculation says, that the tourism expenditure a little bit is a part of the Gross Domestic Product.

In this calculation the R-squared shows 46 percent the results computed from the data given, which mean the result of calculation is probably correct and satisfied.

Figure 13. Dependency of International Tourism Expenditures on GDP



Source: generated by SAS, own processed

5. Conclusion

During the writing of the work we came to as follows, that the popularity of industrial tourism is growing. This is due to the development of new technologies and the emergence of new ways of exchanging information. At present, researchers have the opportunity to cooperate, unite, find accomplices and organize trips to facilities. Moreover, in the Czech Republic there are many opportunities, conditions, opportunities for organizing industrial tourism, because in a country with such a rich history, as expected, there are many unexplored, undiscovered objects that are of great interest to researchers.

Modern Czech Republic is a dynamically developing country with a high level of economic development. In many economic indicators, the Czech Republic occupies a leading position among the countries of Central and Eastern Europe. The Czech Republic does not reach the sea. But it should be noted that on its territory are the main watersheds that separate the basins of the Northern, Baltic and Black Seas. The climate of the Czech Republic is moderate. In winter, only light frosts are possible. Summer is quite warm. Road transport is the most popular and most used form of transport in the Czech Republic. The air communication in connection with the small area of the state functions basically as an international one. The Czech Republic takes care of the safety of people who live there or come for some time (tourists). The modern approach to security is provided, mainly, by the active security forces, which are actively combating banditry, organized crime and international terrorism. The Czech Republic has rich historical and cultural resources, therefore, it has a huge potential for the development of cognitive tourism. The main centers of cognitive tourism: Prague, Kutna Hora, Brno and Olomouc. The Czech Republic tops the list of European countries leading by the criteria of tourist arrivals for sanatorium-and-spa treatment. The largest and most famous Czech health resort is Karlovy Vary. Karlovy Vary today accepts visitors from all five continents. But the resort enjoys special love from Russians and German tourists. Due to the large number of sources in the Czech Republic, it has a huge potential for the development of health tourism. The Czech Republic is pleased to welcome tourists to its ski resorts. Here, the fascinating nature of the mountains, the legendary hiking trails and many cozy and comfortable hotels. At the ski resorts of the Czech Republic you can not only enjoy passive rest, but also to strengthen your health. The main centers of Czech ski tourism are Spindler Mlyn, Harrachov and Pecs near Snezkou. Tourists prefer to travel to the Czech Republic for several reasons. The

transport infrastructure of the Czech Republic is very well developed. Combining different types of transport can be reached anywhere in the country without any problems and money costs. The largest number of foreign tourists arrives in the Czech Republic from Germany, Russia, Austria and France. In 2010, tourist arrivals grew by 2.8% compared to the previous year.

Like any tourism industry, there are some disadvantages, among which the most important are: low (against the background of Western European countries) living standards of the local population, which causes such negative phenomena as fraud, theft in hotels, looting. The Czech Republic is just beginning to create a strong tourism industry and has not yet have a rich experience in receiving the flow of foreign tourists. In the country, many accommodation facilities, all of which are stronger in the private sector (especially in Prague), whose classification corresponds to the usual star system for tourists, is impossible. For this reason, there may be problems, unsatisfied places (especially cheap hostels) and maintenance in them.

By the World Economic Forum, was made the analysis of the travel competitiveness of 136 countries. And from the list of 136 countries, the Czech Republic takes place 39th. Among the European countries the Czech Republic has 5th place. According these data, the tourism industry in the country grows every year.

In the Czech Republic a lot of accommodations, especially in capital of the country – Prague. There tourists can find all types of accommodation. It can be: hotels, hostels, botels, boarding houses and etc. In this country possible to find the suitable accommodation for each person individually.

Then there was used the SWOT analysis in this work, where was highlighted weaknesses, strengths, opportunities and threads. From SWOT analysis was mentioned, that county has a lot of advantages. And numbers of tourists will increase.

According the dependency of international expenditures on the Czech GDP, which was made by statistical program SAS, where we get an equation. By the equation, was determined that if the tourism expenditures will increase by 1-unit, total GDP of the Czech Republic will increase by 0.03 units. Result showed, that it is statistically significant, but not so much.

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