MARKETING CONCEPT APPLICATION WITHIN PROFITABLE TOURISM BUSINESSES OF COUNTRIES IN TRANSITION: CHALLENGES AND OPPORTUNITIES. THE CASE OF ALBANIA

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Abstract
This paper investigates marketing concept application in the most profitable of tourism businesses in Albania. The total population is defined according to the profitability criteria, whereby the stratified sample of 100 tourism businesses was applied. The research is aimed at gathering primary data by the questionnaire sent via mail.

The goal of each economic activity is creating value for the end users. In this context, profit is both a measure of value which the firm has created for the customer and an indicator of how well the enterprise has understood customer needs and translated the understanding into products and services that deliver superior value. From the above stated, the conclusion can be made that the most profitable tourism businesses adopt marketing concept to the largest extent.

Key words: marketing concepts, tourism businesses

JEL classification: J24, L83, M31

1. INTRODUCTION

The process of change toward market economy and democracy, generally known under the term transition, includes radical changes in the context of ownership pluralism, market pluralism and pluralism of political system. Although these processes are highly interdependent and as such need to be observed as a whole, we contend that the focus of this paper should be the market transition. In fact, market transition serves as a basis for the full application of marketing (as an instrument for reconciling production and consumption), i.e. a basis for satisfaction of social and individual needs of business entities and end users of goods and services.

With the development of theory and practice of marketing it becomes apparent that meeting the long-term goals of the above mentioned parties can be achieved with the application of the marketing concept. This concept became popular during the fifties of this century, when it started to be used by the business entities of the most economically development countries of the world.

Increasing earnings and generally increasing the value of equity by means of offering value and meeting expectations of users of goods and services tends to be an objective of any society. For this reason, the application of marketing concept is justified in transitional economies as well.

Intrigued by almost defeating results of the mentioned researchers, this works investigates the significant aspects of marketing concept application in Albania. Special emphasis put on factors of its adoption, have been little researched, in general, particularly under the transitional conditions.

This research, which includes the explanation of methodology and the conclusion, comprises two significant sections. In the first section, significance of marketing concept application in Albanian economy is reviewed briefly from the theoretical point of view. The second section tends to be wider and more significant. It examines the peculation of adoption and application of marketing concept in Albanian economy in transition on the basis of analysis of empirical research.

2. RESEARCH METHODOLOGY

This paper investigates marketing concept application in the most profitable of Albanian tourism businesses. The goal of each economic activity is creating value for the end users. In this context, profit is a measure of value which firm has created for the customer and indicator of how well the enterprise has understood customer needs and translated the understanding into products and services that deliver superior value. From the above stated, the conclusion can be made that the most profitable tourism businesses adopt marketing concept to the largest extent. For this reason the above mentioned tourism businesses are considered relevant for the assessment of internal and external factors in adopting marketing concept.

The total population is defined according to the profitability criteria, whereby the stratified Sample of 100 tourism businesses was applied. These tourism businesses have achieved the highest level of profit (earnings after tax) in Albania in 2005. The importance of stratified sample rests on the assertion that those companies make up only 6 % of total entrepreneurs in Albania, and realize as much as 30.5 % of Income after tax, 42 % Earnings before Tax and 24 % of total revenue of the Albanian economy. The same tourism businesses employ 22 % of workers in Albania.

The research is aimed at gathering primary data by the questionnaire sent via mail. The questionnaire includes questions about two essential areas of research:
The degree of acceptance of the marketing concept, determined on the basis of 25 structured questions;

Factors of adoption of marketing concept in transitional economies researched through: 20 structured questions about impact of internal and external factors. Furthermore, 1 non-structured question was asked with reference to the peculiarities of market-oriented business and adoption of marketing concept of designated tourism businesses operating within the transitional economy.

Analysis of the research result was performed on the basis of 60 returned questionnaires (the rate of response is 60%). Received data is considered representative given that the returned questionnaires encompass equally well all business activities with the exception of one enterprise of other communal, social, personal and service business activities.

3. MARKETING CONCEPT AND ALBANIAN ECONOMY IN TRANSITION

Due to its previous continual reforms, Albania has entered the period of transition to a market democracy notably better prepared than majority of transitional countries. However, the process of transition of the Albanian economy has proven significantly more difficult and slower than expected.

At the enterprise level the task is to design and offer those products and services that fully meet the needs of population. A precondition to all of the above is qualitative management and promotion of marketing function, which in its intermediary role enables tourism businesses to rely the needs of their customers and the delivery of what constitutes a value to the customer.

The feature of Albanian enterprise is that there is historically one “completed” period in adoption, interpretation, and also in application of marketing. During the transitional period those activities have received and added impulse. In other words, the essential factor of enterprise transformation - a man, possesses certain knowledge, experience and abilities for successful operation, which is of course, necessary to utilize and continually promote. It is believe, however, that the acquired knowledge and the potential of educated marketing experts are not appropriately valued and utilized for economic development of Albania.

Thus, management, especially in big and medium size tourism businesses, following ownership transition and privatization, like in big state tourism businesses, has to create conceptual, intellectual basis of the business development on market postulates, following world trends and processes of globalization. With the adoption of marketing concept as a philosophy and business and the way the work is done dual interdependent goals are achieved: quantitative (increase in the market share, profit, the number of employees and other) and qualitative, such are structural changes of business process performance, new technology, product innovation, improved organization and management improvement.

For all that, successful application of marketing concept means the respect of the basic criteria of its applicability. This criterion is consisted of creating marketing value higher than the invested effort, and of adjusting marketing activities to the environmental conditions, like those apparent in Albania - doing business in time of recession.

In order for marketing efforts to contribute towards the process of transition the appropriate role of state is necessary. The state regulates relations at the level of the national economy, and it is also desirable that it positively acts at the level of international relations.

4. FINDINGS OF THE RESEARCH

The findings of our research are: integrated customer-oriented approach, market focus, and profitability.

4.1. Integrated Customer - Oriented Approach

The application of marketing concept rests on several basic tenets. One of essential requirements for the successful application of marketing concept includes integrated marketing activities, which means the respect for priorities, completeness and synergy. Such an approach assumes knowing and understanding the marketing system of the enterprise and especially potential customers. Moreover, long-term sustainability of the enterprise is contingent upon a successful delivery of value to its customers, which is at the hub of the marketing system and it accordingly represents a crucial subject in the assessment of the offered value.

Given that consumers define the value of competitive supply, the information about customers, inclusive of the of the assessment of all contributing factors of marketing environment, today becomes one of the key strategic resources of the enterprise.

According to the research results, 54% of respondents believe that market information constitutes one the most important strategic resources of their enterprise. In market oriented tourism businesses any important decision is made on the basis of the current, complete and correct information about the marketing environment. So, 61% of respondents think that previously mentioned assertion corresponds to the real situation, 33% stated that important business decision are made on the basis of incomplete information, while 6% of the respondents deny the presence of the above stated in their enterprise. Such a decision-making is possible, firstly, when there is the adequate marketing information system in tourism businesses.

Gathering information about marketing environment in researched tourism businesses is realized by daily monitoring of internal reports and the reports about developments in marketing environment. Almost all departments participate in preparing those reports. The most active is the marketing department (when there is one, in 60% of tourism businesses researched), with relatively high involvement of top management (32%).

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The information is also gathered via focused studies of specific marketing problems, which are conducted in 56% of the tourism businesses.

The Marketing department carries such research, either individually or with the participation of outside consultants. Customers’ complaints may also serve as means for gathering customer information. They are used as a relevant source of information in 62% of surveyed tourism businesses. Related to this, particularly positive experiences have been observed in cases of introduction of toll free telephone lines. The result of active relations with reference to the marketing environment is knowledge of market position in relation to the competition (92% of tourism businesses). In order to derive use of the gathered information it needs to be systematized.

Nowadays, this is greatly facilitated by the availability of contemporary computer technology. According to the research results only 15% of surveyed tourism businesses have structured and analytically processed system of information about the marketing environment. Furthermore, 45% of tourism businesses have no such a system in place and in the remaining 40% of tourism businesses this system is in the process of being established.

Based on stated results in surveyed tourism businesses it is believed that their marketing function (regardless of the form of organization) meets one of its essential purposes, that is, to be an expert about customer in 30% of cases. The same was negatively appraised in 25% of cases where the prevailing view was that understanding of the market in the surveyed tourism businesses is incomplete (45% responses).

Despite the previously stated results, in 46% of tourism businesses it is believed that marketing function successfully fulfills its second important role, which consists of supplying the decision maker with all necessary market information. In 44% of the tourism businesses it is believed that received data are not completely appropriate and in 10% of them marketing function does not supply decision makers with needed information at all.

4.2. Market Focus

Since no single enterprise has the ability to serve the entire market by itself, one of the priority steps and critical strategic choice is orientation to those market segments whose requirements are compatible with enterprise resources. In this context, 95% of surveyed tourism businesses access the market like a heterogeneous group of consumers and 91% of the tourism businesses distinguish between major market segments.

This is done according to either the empirical or methodological procedure of market segmentation, which is certainly present by 12% of tourism businesses that use services outside consultants for that purpose. Furthermore, 62% of tourism businesses assess and carefully select the targeted markets. Based on the established target market, essential component of strategic determination of enterprise, consistent with the market orientation, is the development and design of offer consistent with customer demands and the enterprise’s abilities.

Under present conditions of strong technological advancement and sophisticated customer demands, continuous innovations are necessary, which are considered, besides marketing to be the basic function of an enterprise. So, 61% of the surveyed population replies how the enterprise offer gets continually adjusted to the market requirements, 28% think that this is implemented in full, while 11% of respondents claim that this is not done.

Achievement of marketing goals means completeness and consistency of the total effort, which by its nature of interdependent marketing activities enables the achievement of synergetic effects.

With respect to this an opinion reveals (62% of surveyed population) that marketing functions tend to be only partially coordinated, while 28% of surveyed population thinks that they are consistent. Furthermore, 10% of the respondents claim that there is inconsistency with respect to the marketing functions. Generally, the difficulties arise from the business environment. Due to its turbulent nature, individual organizations have difficulties with organizational and personnel adjustments to it.

In particular, the surveyed population assess that in such conditions of business activity strategic, market orientation tends to be more difficult, while the lack of financial resources and sometimes insufficient staff expertise makes gathering and processing of market information, development of appropriate offer and its promotion more difficult.

4.3. Profitability

According to the marketing concept as a business philosophy, profit is generated upon customer satisfaction. In 66% of surveyed tourism businesses, income generating sources (the possibility of multiple answer) are met customers satisfied qualitative offer. However, offer is considered innovative only in 24% of tourism businesses. In 58% of tourism businesses the basis of income creation is the sales volume, which is not considered to be of prime importance but it is a consequence of previously mentioned income generating sources. Satisfied customer becomes a loyal customer with multiple positive effects that reflect themselves upon the enterprise’s profitability. It is exactly this tendency, to establish permanent customers and not just making another sale, that characterize 80% of surveyed tourism businesses.

4.4. Is the marketing concept reality of Albanian economy or just a myth?

Finally, the marketing concept can be really applicable or adopted only on conceptual level. The surveyed population assess that marketing concept is fully adopted in 14 % of tourism businesses, in 20% tourism businesses to a greater extent, in 31% of tourism businesses partially and in 33% of tourism businesses insufficiently. Although, the real level of enterprise’s
market orientation tends to be extremely difficult to determine objectively and precisely, based on the above results of survey, we think that the responses from the surveyed population regarding the level of enterprise’s market orientation can be accepted.

5. INTERNAL FACTORS AFFECTING THE ADOPTION OF MARKETING CONCEPT

Despite unfavourable business conditions, the real market orientation of tourism businesses is contingent upon attitudes and behaviour of their employees. In this instance, the relevant groups of internal factors affecting the adoption of marketing concept are considered to be:

- Top management;
- Interdepartmental dynamics and;
- Organizational system.

5.1. Top Management

Top management plays a crucial role in creation of such organizational culture in which employees of all business functions share their thoughts about delivering value to the customer as a primary goal of doing business. It is therefore expected that top management make market orientation a priority and to clearly communicate the idea of market orientation to the lower levels. According to the results of performed research, in 42% of surveyed tourism businesses top management believes that customer satisfaction constitutes a major business mission. In 13% of surveyed tourism businesses the answer to the same question was negative, while in 45% of them customer satisfaction in consideration but do not give it a priority. Although the strategic commitment of top management to customer satisfaction does not have to be in writing, it improves communication of managerial vision and gives clear direction for actions by the lower organizational levels.

The spirit of market orientation embedded in the mission statement is presently found in 28% of tourism businesses, i.e. 71% of those who responded to have adopted marketing concept in full or to greater extent. Based on the results of the survey, the idea of market orientation is clearly communicated by the top management in 46% of surveyed tourism businesses. Important role of top management arises from its innovative behaviour, which is a precondition for the adjustment of offer to market demands. According to the research findings in 68% of surveyed tourism businesses top management is inclined to introducing innovative offer, in 8% of tourism businesses this is not the case and in 24% of tourism businesses top management exhibits certain resistance to changes.

5.2. Interdepartmental Dynamics

Interdepartmental dynamics plays an extremely important role in its implementation if market information is considered as gathering and disseminating of information about marketing environment and functioning of the entire organization, then consistent with this realization, the interdepartmental dynamics. The interdepartmental dynamics is achieved through the network of formal and informal relations between organizational departments. Those relations may take form of conflict or cooperation.

With respect to the first one it is important to review conflict as it relates to the marketing function and like a conflict between marketing and other business functions. In effect, the execution of integral marketing may be slowed by the existence of only a few marketing functions or administrative structures of several marketing functions by the organizations with more developed marketing activities.

According to the research results in 42% of surveyed tourism businesses there are outdated organizational structures of marketing activities in place (sales, commercial activities and the combination of those two functions), which by their nature affect the achievement of short-term sales goals. In 35% of tourism businesses marketing and some of the mentioned departments simultaneously exist, which causes long and short-term tensions, while in 20% of the tourism businesses’ marketing functions are unified. Execution of marketing activities in other departments (3%) practically denies the market orientation.

This finding indicates how the change of individual attitudes and managerial activities consistent with the market orientation (psychology of organization) is still not appropriately implemented in the formal organization of marketing function (anatomy). Accordingly, the communication between marketing personnel is critical for the implementation of marketing activities (philosophy of marketing functions).

Related to the conflict between marketing and other business functions, in view of the surveyed population, in 40% of the tourism businesses these appear to be no tensions between various departments obstructing the dissemination of market information. In 25% of tourism businesses it is believed that there is a conflict between the departments, while 35% of examines claim there are conflicts that arise occasionally. The conflicts between individual business functions emerge due to the incompatibility between their goals and the struggle for, in our circumstances, modest financial resources.

Given that besides top management, marketing function plays a major role in advocating market orientation of the enterprise, affirmed marketing function headed by the marketing manager contributes to the reduction of conflict and adoption of marketing concept. In this concept it is necessary to review two essential questions: the competence of marketing function and the attitude of top management and other managers towards necessary investments into the marketing function. The question of competence of marketing function arises from this is very nature.

In fact, professional marketing requires the development of truly professional marketing personnel and marketing information system. This is considered to be a long-term investment with effects that become
evident in the long-term. So budgeting for these investments puts the marketing function in direct conflict with other management functions for scarce financial resources or is directly opposed to the short-term profit orientation of the enterprise.

In surveyed tourism businesses prevails the opinion that investment in marketing function do not appear as too high when they are compared with potential returns (41% of tourism businesses), 27% thinks positive, while 32% of surveyed population thinks that financial requirements appear to be high, but not exaggerated.

Although only 18% of all tourism businesses managed to establish an integrated marketing informational system, it is positive that, especially those tourism businesses that started developing market orientation before the transitional period, invest in domestic and international personal training. In general, 50% of surveyed population expressed their satisfaction with the respect to the contribution of marketing function towards the achievement of business goals, 42% considers it less competent and only 8% of surveyed population expressed their dissatisfaction. The Manager’s personality received the best rating, so that in 67% of tourism businesses marketing manager enjoys confidence by other managers.

Direct contacts between employees from various functions contribute to the market orientation, which is achieved through dissemination of market information and better mutual cooperation. According to the research result, in 52% of tourism businesses organizational units are well connected via managerial meetings or in some different manner, in 6% of tourism businesses personal contacts are evaluated as weak and in 42% of the tourism businesses this cooperation is considered mediocre. Of total number of tourism businesses who claimed to be well connected via managerial meetings or in some form, in 52% of them there is a good connection between individual functional areas, i.e. 77% believes that co-ordination between marketing and other business functions is appropriate. This finding indicates that good communications within the enterprise may have a positive impact on market orientation of enterprise.

5.3. Organizational system

This is third category of internal factors of market orientation is made up of the organizational system.

Relevant factors making up the category are centralization and reward system. From the performed research on the sample of Albanian tourism businesses a conclusion can be drawn that in 42% of organizations dominates centralized decision-making. This is especially true with respect to the strategic issues. In 44% of tourism businesses the smaller management team makes decision, while in 14% of tourism businesses decisions are made on a decentralized basis. The business conditions are generally marked by big and rapid changes, world globalization and increasingly wider interactively, which bring about turbulence, complex situations and unpredictable movements and behaviours, to which in Albania additionally contribute significant changes related to the process of transition.

Thereby, Albanian tourism businesses are faced with a challenge of decision making under uncertain conditions where flexibility becomes the most important feature like “ability of enterprise to react to the newly created changes in environment”.

The decision making, which is moved closer to centralized manner in surveyed tourism businesses, according to the opinion of surveyed population is adequate for business conditions in time of transition and although it negatively impacts the flows of information, to a larger extent (75% if surveyed population) it contributes to the enterprise flexibility and market prosperity even in the case of greater business systems. Factor which strongly affects the employee behaviour and with it the adoption of market orientation is the reward system.

According to the research results in 6% of tourism businesses the employee reward system is based on the achieved customer satisfaction, while in 38% of tourism businesses apply compensation based on share in sales. This leads to a conclusion that relatively high level of marketing concept adoption in the context of employee awareness and organizational processes are still inadequate implemented in organizational structure.

6. EXTERNAL FACTORS AFFECTING THE ADOPTION OF MARKETING CONCEPT

The state of external environment an enterprise operates in has a significant impact on the execution of marketing activities and their results. Social and Economic reality of Albania is characterized by the insufficient level of production, high unemployment and the drop in living and social standards in general. In addition, the rate of unemployment in 2004 accounted for 14.3%. While nominal net Salaries index increased by 480 times in the period between 1990 to 2004, the price index increased by 584 times. This indicates an increase in the cost of living and consequential lowering of the living standards of population. For this reason, Albanian economy is rated near the bottom on scale measuring the level of development of transitional European countries.

Likewise, a drop in investments and capital expenditures still remains with all of the negative consequences of divert investment and deepening of the technological gap in comparison to developed countries of the world.

Economic circumstances are considered to be major adversary to the market orientation of enterprise (75% of surveyed population), while technological advancement was rated as stimulating (82% of surveyed population), when it is possible for tourism businesses to keep a pace with it. In fact, in addition to their acknowledgement of market demands, several of the surveyed tourism businesses contribute their success to the effective adoption of new technology.

Despite noted adjustments of Albanian legislation to the western legal systems, the overall legal environment is assessed as non-stimulating (72% of surveyed population). High uniform Value Added Tax (VAT) rate is considered especially inappropriate.
7. ORGANIZATION AND CO-ORDINATION OF MARKETING ACTIVITIES

Naturally, marketing activities have to be appropriately structured. Advocating the customers’ interests is the prime task of marketing function. Often investigated, although it does not have to be real measure of the market orientation of the enterprise is the existence of marketing department. In the surveyed tourism businesses marketing functions takes a variety of organizational forms. So, in 22% of tourism businesses those activities are concentrated in marketing department, while in 48% of tourism businesses there are simultaneously marketing and sales department in existence and in 30% of tourism businesses Marketing and Sales Department perform marketing activities.

Of remaining tourism businesses, in 38% of tourism businesses there is Sales Department, Commercial Department or a combination of those two and in 35% of tourism businesses there are other organizational forms in place. The finding which indicates that in 27% of all tourism businesses there is a Marketing Department, leads to conclusion that surveyed tourism businesses have at least formally adopted marketing concept to a greater extent.

The implementation of integrated marketing assumes appropriate co-ordination and cooperation with other functional areas, which are assessed as predominately successful in 38% of tourism businesses, moderately successful in 44% of tourism businesses and weak in 18% of tourism businesses. The cooperation of Marketing with Human Resource function is considered to be the weakest, which points to the problem of recruitment of personnel trained for performing marketing activities.

Consistent with the contemporary understanding of the marketing concept, i.e., the term market information as marketing concept application, providing value to the customer is a result of intertwining of all functional areas with the awareness about the priority of meeting customer needs. According to the assessment of surveyed population, in 72% of all tourism businesses providing value to customers is part of their corporate culture. However, all employees are oriented at creating satisfied customer in 52% of surveyed tourism businesses.

8. CONCLUSION

The application of the marketing concept is one way of overcoming the economic difficulties Albania is faced with during its transitional period. Marketing concept has proven to be an effective exchange regulatory instrument in the developed countries of the world. Building on the results of previously conducted research, which lead to a conclusion that the marketing concept has not been adequately affirmed in Albania, this research was aimed at determining the degree of marketing concept adoption. Furthermore, the research was specifically aimed at the factors of its adoption under transitional conditions on the sample of 100 most profitable Albanian tourism businesses. The importance of these tourism businesses to the Albanian economy is tremendous.

The results of empirical research essentially confirm the hypothesis of work, which states more profitable tourism businesses tend to be more market oriented than the average of the Albanian economy as a whole. The sources of profit generation are in 52% of cases achieved customer satisfaction and quality of offer, which points out to the acceptance of basic hypotheses of marketing concept. Formal adoption of marketing concept in form of the existence of marketing department is present by 42% of tourism businesses. The previous findings are confirmed by the assessment of the surveyed population that in 34% of tourism businesses marketing concept is adopted in full or to the greater extent, which we consider to be objective.

From the research results it can be concluded that marketing function relatively successfully fulfils its role of expertise in market events, the role of supplying the decision-makers with necessary information and by its competency in promoting market orientation. The difficulty is mainly due to inadequate marketing system and high turbulence of environmental surrounding. For these reasons achieving strategic market determination is even more difficult.

Although still inadequate, tourism businesses pay great attention to offer innovation and to efforts towards the application of target marketing. The degree of market orientation can be greatly influenced by several external and internal factors. The economic and legal environment and high cost of capital are considered to be a major limiting external factor. It is imperative to design and consistently execute realistic development strategy of Albania and to consolidate tourism businesses in all aspects in order to achieve priority goals of stimulating growth and development by boosting manufacturing and employment.

With respect to this, on enterprise level there are three major factors that affect the market-oriented activity: top management, interdepartmental dynamics and organizational system. The research has shown that in Albanian tourism businesses there appears to be awareness about a special importance of top management in adopting market orientation, the activities of which are prominent but still insufficient. The innovative behaviour of top management received the highest grade, while the smallest improvements were achieved in strategic component of the mission statement design.

Formal and informal relations between the departments, which affect the spread of market information and which might have a feature of conflict or cooperation, are assessed a good overall. From the research of the activities’ features and relations and ties within the marketing function the conclusion can be derived that market orientation still has not found an appropriate expression in formal organization of marketing function. Nevertheless, positively assessed ability of marketing manager and of marketing function contributes to the market orientation in general.
The finding about interdepartmental dynamics points out to the fact that tourism businesses that are of the Albanian economy should improve the way they establish their marketing functions, improve interdepartmental relations and put in more effort on building integrated marketing information system.

As far as the organizational system is concerned, it was established that in the researched tourism businesses predominates centralized decision-making. This way of decision-making appears to be suitable for the business conditions of economies in transition. Although this type of decision-making has a negative effect on the flow of information, it contributes more to flexibility and market prosperity even in the context of larger business systems. A reward system as a very significant factor of influence is based on marketing standards only in smaller number of tourism businesses. Therefore there is a need for decentralizing those decisions which stimulate internal entrepreneurship and the adoption of reward system which will be based on long-term market performance criteria.

Some of the thinking and empirical research about the application of marketing concept in Albanian economy lead to a conclusion that, Marketing, that is marketing logic and marketing way of thinking tend to be extremely limited, regardless of how business and non-business spheres of life are organized. Marketing is not adequately established. The reason for this can be prescribed to the surrounding conditions, as well as to subjective weaknesses. This indicates that the acceptance of marketing still remains in its infancy.

BIBLIOGRAPHY