

## MARKET RESEARCH OF TOURISM POTENTIAL COMPETITIVE POSITION OF THE CITY OF LESKOVAC IN SERBIA

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**Abstract (TNR 9, bold, italic):** *In this paper, the focus will be placed on considering the tourist potential of the town of Leskovac as a populated city, the town of Leskovac as a spatial unit of local self-government and the Jablanica District (with a special reference to Sijarinska Banja). The analysis will comparatively rank the tourist significance of each of the observed tourist areas within its competitive environment in Serbia. For the sake of reality of the applied method of comparability of the achieved tourist potential, every analyzed area of Leskovac was put into a relationship with a comparable area of Serbia with similar tourist characteristics. Thus, the Jablanica district is compared to all other districts in Serbia (25 districts in total), the town of Leskovac with all other municipalities and cities of Serbia (162 in total), the town of Leskovac as a populated place with other tourist sites (28 places), and Sijarinska Banja from Medvedja municipality other spas in Serbia (14 spas)*

**Keywords:** *tourism, competitiveness, Leskovac, Serbia*

### 1. INTRODUCTION

Scientific-technical progress, the development of transport means, the increase in the level of culture and the level of standards have caused various changes in social trends, thus influencing the development of tourism. Considering the average annual growth rates recorded in the second half of the last century, tourism is an economic branch that has a steady growth. The importance of tourism is reflected in its close connection with a range of activities, such as: transport, culture, health, politics, etc. The authors have different views on the movement of tourism in the future. Some authors give quite a pessimistic, or optimistic prediction of the development of tourism in the coming period. Nevertheless, everyone agrees with their forecasts that tourism in the future will depend on the development of border areas. The size and structure of the population, economic potential, technological innovations, political and cultural trends are the most frequently mentioned factors, which are influenced by the direction of tourism development in the following period. The future of tourism will depend more on the factors beyond this phenomenon than on the factors within it [1].

The tourist motive values of a certain area are usually a potential set of objects and occurrences in space, natural or anthropogenic, capable of attracting tourists as an external stimulus to visit them and to be suitable for use, through a certain transformation and equipping process, in order to meet tourist needs. By transforming and equipping the motive values for tourist use, we get tourist values. Motivational values are transformed into tourist values under the influence of the conscious and planned action of the society, which uses available technical, economic and financial resources inherent to the level of socioeconomic development [2]. The regionalization of natural and cultural resources is extremely important from the point of view of effective destination management. In our country, complex tourist regions are predominantly represented, and far less marked regions with a simple structure of tourist values. Most of these tourist regions of Serbia are not sufficiently completed, known and presented to the wider domestic and foreign markets, and consequently do not achieve significant economic effects from the tourist activity in the broader sense [3].

The tourist offer of Leskovac as the epicenter of its local economy, spreading in the regional area of the Jablanica District, is distinguished by the diversity of natural and anthropogenic tourist factors and their underdeveloped economic potentials. The research of the local tourist offer was carried out by analyzing the entrepreneurial and competitive potential of tourist results within the tourist region of Serbia, as well as by analyzing the competitive advantages of the economic activities that are most directly involved in activities of importance for the tourist offer. The sector of accommodation, food and tourist activities are distinguished. The results of the research will show the state of

entrepreneurial and competitive potential of tourism, the available condition of tourist capacities in selected sectors (accommodation, food and tourist activity) and the competitive potential of Leskovac as a tourist destination.

## 2. COMPETITIVE POTENTIAL OF TOURIST CAPACITY IN CITY OF LESKOVAC

The market potential of the tourism industry of the city of Leskovac was analyzed according to the final accounts of business entities, those who submitted the final account for 2013, based on the Business Report of the Agency for Business Registers of the Republic of Serbia. The subject of this analysis are the business results of companies (according to Companies Act) [4] and entrepreneurs (according to the Law on Entrepreneurs) [5] especially as a whole and also those who are directly involved in tourism activity. The total economic potential was measured on the basis of the final accounts of all economic entities, especially those from the tourism industry, while the entrepreneurial potential was measured only on the basis of the final accounts of entrepreneurs and small and medium-sized enterprises from tourism sector. First, the state of tourism potential in absolute terms and their relative size share is presented, which measured the volume of tourist potential and its competitive structure within the tourist market of Serbia. Relative economic indicators of the profitability of business entities, determined the efficiency of the tourism industry. The second approach made it possible to measure the relative position of the tourism industry of the city of Leskovac compared to the other cities of Serbia, which further determined the level of development of the entrepreneurial tourist potential of the observed economic space in relation to the average of Serbia and compared to other competitive cities in the country (with which a competitive match is held within the framework of the so-called Tiebout market of cities and municipalities) [6].

In situations where adequate statistical data is available, the analysis of entrepreneurial potential encompassed not only entrepreneurs, but also small and medium-sized enterprises that are classified in this group under the Companies Act. This is because this size of business entities is absolutely dominant in the economic structure of the city. Since some of the tourist companies are registered in Belgrade, the spatial comparative analysis will eventually exclude this economic area, and more closely show the position of the tourist economy of Leskovac in relation to the economies of all other Serbian cities. In accordance with the regulations regulating the issue of registering business entities (the business is being dealt by the Business Registers Agency), business results can be monitored only at the level of the legal entity as a whole. They excluded the recording of business activities of organizational parts of business entities that perform activities outside the head office of a legal entity. In this sense, all tourism companies with headquarters outside of Leskovac that perform activities to some extent, through their organizational units in other cities (usually the largest tourist agencies), will not be covered by the analysis specific area.

### 2.1. Competitive indicators of the efficiency of the tourism industry

The efficiency of the tourism industry's business will be considered from the corner of the most developed sector in the observed area - the accommodation and food sector. Tourist activity will not be considered in particular because, as it has been established, it is not of particular importance in the economic structure of the city of Leskovac. Special consideration is given to the efficiency of the accommodation and food sector, as it is considered to be the most important tourism sector in the economic structure of the city of Leskovac. In Table 1 several indicators of business efficiency that can be measured by the available financial units from the final accounts are shown, which directly or indirectly show productivity, economy and profitability of the tourism and catering sector of the city of Leskovac and Jablanica District in the year of 2013 in comparison to the same indicators of the Serbian economy (this is the same comparative aggregate business results according to the final accounts of economic entities that have been handed over to the Agency for Business Registers) [7]. The table below shows the basic financial ratio numbers that can measure the economy, productivity and profitability of the accommodation and food sector of the observed areas.

**Table 1:** Indicators of efficiency of the accommodation and food sectors in Leskovac and Serbia, 2013

Business area	Total revenue per business entity	Total revenue per employee	Profit to total revenue	Expenditure incomes	Profit by fixed assets	Profit according to real estate, facilities and equipment
Total economy of Serbia	78.793	8.633	0,363765	1,004	24,37	0,56
Total economy of Leskovac city	31.946	5.244	2,139396	1,022	13,69	4,57
Accommodation and food sector Serbia	13.604	2.573	-3,66909	0,965	5,13	-2,36
Accommodation and food sector of Leskovac city	9.131	2.114	0,602182	1,006	6,68	0,41

The size of business entities that operate in the territory of the city of Leskovac have on average two times lower financial potential, because the average company in the city realized by 2.5 times lower total income per business entity. An average company in the food and accommodation sector operating in the city has a smaller financial potential than the average Serbian company from the same sector for approximately one-third. This suggests that the average tourist-catering company in the City, whether it is a company or entrepreneurial store, has a greater financial potential than any average commercial enterprise of the City in relation to the average of Serbia.

In terms of productivity (total income per employee), the same proportion is also retained. Average enterprise of Leskovac in 2013 operates at 40% lower productivity, while the average company in the food and accommodation sector with operates with 18% lower productivity. Therefore, based on this indicator, it can be seen that the sector of accommodation and food of the city of Leskovac has better business results than the average economic entity compared to its analogous comparative averages of Serbia. The indicators of economy and profitability show the completely reverse state of the business in the City. In terms of economy (ratios of revenue and expenditure ratio), the results are 5.9 times higher compared to the average Serbian company, and in the accommodation and food sector by 4.3% compared to the average tourism and catering company in Serbia. On the profitability side (as a ratio of gross profit and fixed assets) this relationship was in the following relations: the business enterprises in Leskovac operated with 8 times higher profitability than the enterprises in Serbia. The average tourist and catering company in the City operated with a profitability rate of 0,4%, while the average Serbian company had a negative business result (-2.4%).

From this data, it is possible to draw a general conclusion that companies and entrepreneurial shops in the city of Leskovac that deal with accommodation and food, on average have less financial and productive potential than the average of Serbia, but this potential is above that of the average economic entity of the City in relation to the same comparative environment of Serbia. It is noted that these companies operate positively, but that due to their low financial potential, they have a low business result, so the basis of their business development cannot be found on the side of the business result. However, the analysis of business efficiency (through productivity, cost-effectiveness and profitability) has shown that their potential is primarily based on the factors of tradition, but not the internal entrepreneurial capabilities of owners and managers of business entities.

### 3. COMPARATIVE POSITION STATUS OF THE CITY OF LESKOVAC TOURISM SECTOR IN RELATION TO THE NATIONAL LEVEL (REPUBLIC OF SERBIA)

Comparative competitive analysis of the physical volume of tourist traffic in the city of Leskovac and Jablanica District in relation to the competitive tourist destinations of Serbia can also show where the observed tourist area is realistically positioned in quantitative and qualitative terms. Particular consideration will be given to the tourist potential of the town of Leskovac as a populated city, the city of Leskovac as a spatial unit of local self-government and the Jablanica District (with a special emphasis on Sijarinska Banja) [8]. The analysis will comparatively rank the tourist significance of each of the observed tourist areas within its competitive environment in Serbia. For the sake of reality of the applied method of comparability of the achieved tourist potential, every analyzed area of Leskovac was put in a relationship with the comparative region of Serbia with similar tourist characteristics. Thus, the Jablanica district is compared to all other districts in Serbia (25 districts in total), the town of Leskovac with all other municipalities and cities of Serbia (162 in total), the town of Leskovac with other tourist sites (28 places), and Sijarinska Banja from Medvedja municipality other spas in Serbia (14 spas) [9]. As statistical source for comparison, quantitative and qualitative statistics on the number of tourists and the number of overnight stays were used [10]. The ranking of the observed areas is methodologically determined by a simple comparison of the absolute dimensions of the physical volume of the realized tourist potential with other competitors from the same tourist region. Table 2 will first show the ranking of the tourist sub-area of the Jablanica District according to the statistically registered number of tourists.

**Table 2:** The ranking of tourist sub-areas of the Jablanica District in the comparative tourist environment of Serbia according to the number of tourists, 2013

Touristic sub-area of the Jablanica District	Total number of registered participants of tourist sub-areas of Serbia	The ranking of the tourist sub-area - Jablanica district in Serbia	Rank in the total number of competitive destinations
Populated town of Leskovac	28	15	0,54
City of Leskovac	162	33	0,20
Jablanica district	25	15	0,60
Sijarinska Banja	14	9	0,64

Note: Tourist statistics in Serbia records 28 settlements classified as other tourist resorts, 162 municipalities and cities, 25 districts and 14 spas.

According to the number of tourists, all tourist subdivisions of the Jablanica District have shown generally lower results by statistically recorded comparative competitive destinations of the same sub-areas of Serbia, except the city of Leskovac as a unit of local self-government.

Hence, for the remaining three areas (populated town of Leskovac, Jablanica District and Sijarinska Banja), the share of the rank in the total number of competitors is higher than half, while only the city of Leskovac as a tourist unit in relation to other municipalities and cities of Serbia took 33rd place, i.e. the first fifth of the table of comparative municipalities and cities. This suggests that the city of Leskovac, as one of the 10 largest local self-government units in Serbia, has a tourist potential comparatively larger than other cities and municipalities in Serbia, which, by its size or in the absence of a significant tourist factor on its territory, is a significant tourist region of Serbia, and on this basis deserves the appropriate measures of tourist policy, both by the authorities of the Republic of Serbia and by the local authorities, by encouraging the tourism industry within the prescribed local economic development policy. On the other hand, the other three sub-regions of the Jablanica District, classified lower than their competitors, show that they do not have their own tourism potential or that they are not sufficiently developed. In the first place this refers to the populated town of Leskovac and Sijarinska Banja, which, according to their capacities and tourist offer, have all the characteristics of tourist destinations, so it can be concluded that these are a highly unused tourist potentials of these two tourist destinations, that put and classify the entire Jablanica district is as a less significant tourist area.

In order to achieve better economic and tourist results in this wide area, a synchronized policy of all six local self-government units in the area of Jablanica District is needed. The most characteristic indicator of total lack of tourism potential is mountain and rural tourism. The first was not statistically recorded not even in Radan and Kukavica mountains, and the second, despite 143 rural settlements in the area of Leskovac with 1/3 of the witch have upland and mountain geographical characteristics. Building of a social and economic infrastructure can be a key reason for such a complete non-use of natural tourism potential, which is in the direct competence of both the Government of Serbia and the local authorities (with a coordinating role between the Government and the local socio-economic space of the Jablanica Administrative district).

According to all indicators of the Jablanica districts ranking subsectors statistically calculated as the unweighted average, we got the coefficient of 0.5 which indicated that this area, in terms of the number of tourist, can be classified in the middle of the list of comparable competitors from all tourism subsectors Serbia. In this way, the current state of utilization of the tourist potential of the Jablanica District is determined as an average compared to the competitive tourist environment of Serbia. Another indicator that will measure the concurrent tourism potential of the Jablanica District refers to its qualitative variant in the form of number of tourist nights as additional measures of exploitation of such potential. Following the same methodological procedure as the previous one, the following table is given.

**Table 3:** The ranking of tourist sub-areas of the Jablanica District in the comparative tourist environment of Serbia by number of nights, 2013.

Number of tourist nights	Total number of registered participants of tourist sub-areas of Serbia	The ranking of the tourist sub-area - Jablanica district in Serbia	Rank in the total number of competitive destinations
Populated town of Leskovac	28	19	0,68
City of Leskovac	162	47	0,29
Jablanica district	25	13	0,52
Sijarinska Banja	14	9	0,64

According to this indicator, the average tourist performance of all tourism sub-areas of the Jablanica District is confirmed. It is suggested when considering the physical size of tourist nights and comparing this indicator with the number of overnight stays. In most of the observed cases, the ranking of the tourist sub-area deteriorates compared to the rank set in the previous table according to the number of overnight stays, except for Sijarinska Banja, which did not change its position in the competitive environment of Serbia's spas and Jablanica district as a whole, which was improved for two places on the list of all the districts of Serbia. The relative rank deterioration in its competitive environment in Serbia was achieved by the city of Leskovac as a unit of local self-government (by 42%) and as a populated place (by 27%). It can be indirectly concluded that there is a disproportion between the parts and the whole, so the improvement of the ranking of the Jablanica District can be explained only by the qualitative lag of other districts in Serbia.

Overall, as an unadorned average, the ranking of all tourist subdivisions of the Jablanica District within its competitive environment, an average coefficient of 0.53 was calculated, which means that the quality of the tourist result of the observed area has deteriorated (by 3 percentage points). In this way, it is once again acknowledged that in relation to the utilization of tourist potential of the Jablanica District in relation to the competitive environment of Serbia, this is an area of average significance for the tourist potential of Serbia. It needs to be checked whether the average status can be

changed by appropriate local economic policies and show that this is not an average significance but an unused tourist potential.

#### 4. CONCLUSION

According to available literature and our own observations, we have demonstrated some of the characteristics of the local business environment and entrepreneurship of observed region as the field of general economic interest. Jablanica District is one of the economically most backward districts in Serbia, and the living standard of citizens is below the national average. A key problem that prevents the acceleration of economic growth, employment growth and repair of living standard, is identified as low capitalization of the region, insufficient number of enterprises and inadequate investment flow. After a period of the 90's of the last century, which was characterized by economic isolation and a sharp decline in economic activity, the Serbian economy has entered a period of transition significantly undercapitalized. Due to the low level of capitalization and technological obsolescence, in order to restart the economy, it is necessary to have new investments - investment in equipment, technology and new production processes. Usually, in transition economies the problem of technological obsolescence is overcome by strong foreign investment and to a lesser extent investment from domestic sources. Methods of strategic response of the companies are being harmonized with the needs of the key stakeholders, therefore contributing to more efficient operation of all participants in the value chain. Concerns about ensuring responsible business activities have become more serious, especially in a globalized economy and increasingly broad recognition of the interdependence between nature and society, which resulted in new requirements from customers, local communities, regulatory authorities, banks, financiers and insurance providers. In the new conditions, more and more organizations are interested to improve the operation, so that it can contribute to the general good of the community.

Regarding the economic recovery, as compared to other parts of Serbia, Jablanica district is additionally in more difficult position for several reasons. The first is that this region has historically been among the less developed regions, as in the former Yugoslavia, so as in Serbia. The second is that this region is located in the immediate neighborhood of Kosovo, and investors have some reservations (not necessarily justified) relating to security and safety situation in the region. The third is that this area is geographically distant from the most important markets in which our country is placing its exports (EU) and also from the largest domestic market (City of Belgrade), which has implications when selecting a location for investment in Serbia. The fourth is that in this region, privatization of public enterprises flowed more slowly than in other parts of Serbia, and the local economy is still characterized by a relatively high number of companies that are not in the production function. These factors are factors that the local authorities cannot direct influence.

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