

European directives for development of tourism business in Ukraine

While being in the process of reforming the economy on the basis of market self-regulation, deepening international economic integration, creating an effective system of public administration, Ukraine is joining the world tourism process, which positively influences the political, economic, ecological, socio-cultural life of many countries, stimulating national economics, investment and international activity, creating new jobs, raising the cultural level of population.

According to the strategy of socio-economic development of Ukraine rational use of natural diversity and historical heritage of regions for the development of international and domestic tourism and recreational sphere is a factor of the transition of the national economy to the late industrial stage of welfare.

Nevertheless, the country's tourism industry remains at low rating positions of the world tourist market. Thus, according to The Travel & Tourism Competitiveness Index compiled by the experts of the World Economic Forum¹ in 2017, Ukraine ranked 88th among 136 countries along with Guatemala, Tunisia, Macedonia and Serbia (Fig. 1).

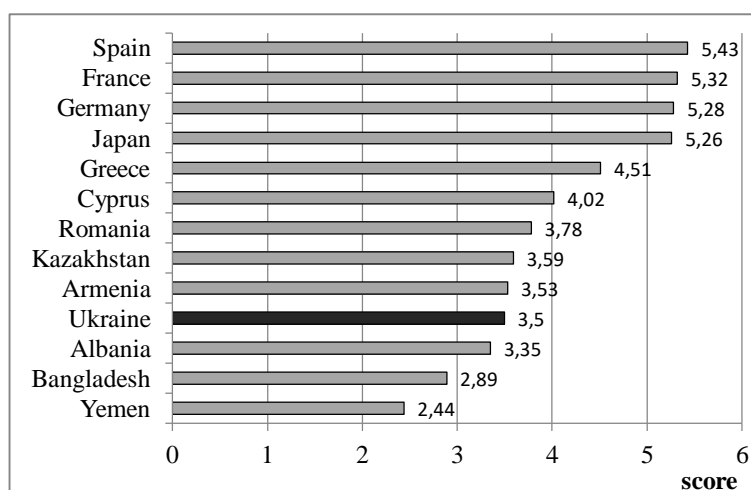


Fig. 1 International rank of the Travel & Tourism Competitiveness Index 2017*

* Source: Compiled by the authors based on The Travel & Tourism Competitiveness Report 2017 : <http://www3.weforum.org/docs>

Main factors hindering the development of tourism according to international experts are safety and security (in this polar Ukraine obtained score of 3.5 and ranked 127th out of 136 countries) and business environment (score of 2.1 and 124th place). In the rank of the world natural recourses Ukraine poses 115th place with score of 2.3 (fig.2). The 2017 Travel and Tourism Competitiveness Report shows that many countries around the world have been able to make policy changes that have made them more competitive. In order to borrow advanced European experience, a scientific substantiation of the state regulation strategy is required on the basis of a well-defined conceptual and categorical apparatus.

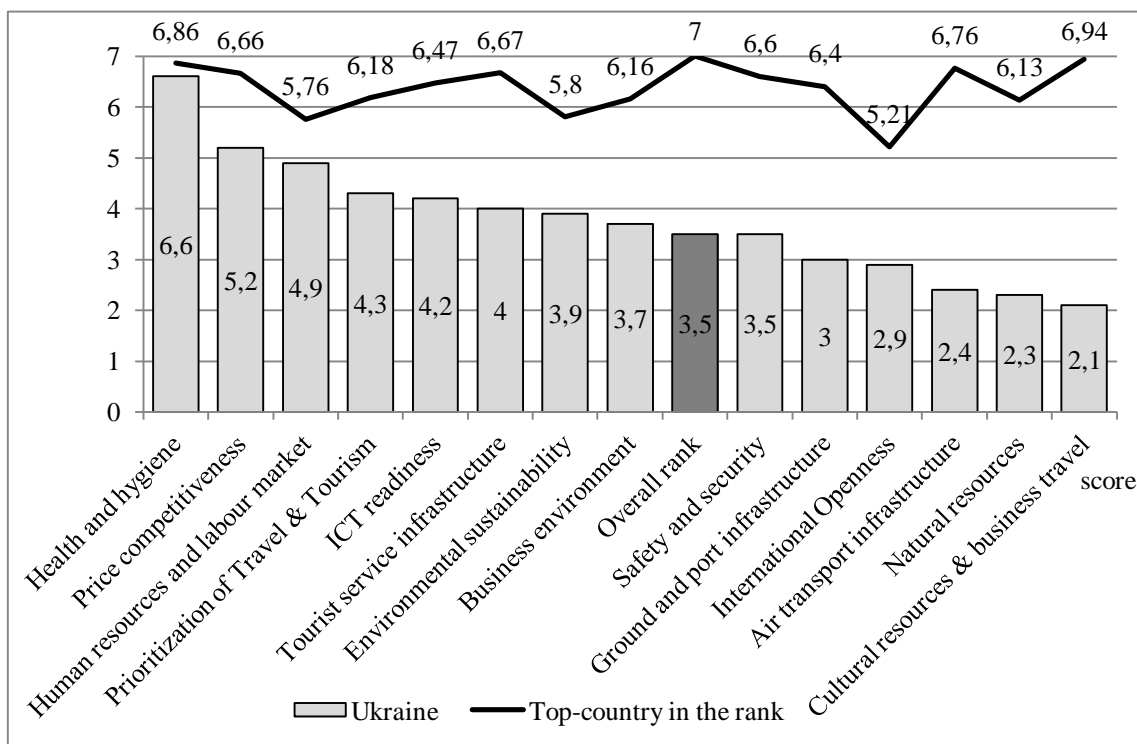


Fig. 1 Components of Travel & Tourism Competitiveness Index 2017 for Ukraine in comparison with best economics scores*

* Source: Compiled by the authors based on The Travel & Tourism Competitiveness Report 2017 : <http://www3.weforum.org/docs>

Tourism, as a form of human activity, has existed since ancient times. Since that time, philosophers, scientists, scholars have tried to give the most complete definition of the term "tourism", which, due to its polyfunctionality is practically impossible.

Formation of the concept of "tourism" occurred and occurs simultaneously with the development of this phenomenon. Tourism initially was not the object of

scientific research and in the primary sense in the public consciousness was understood as the movement and partial residence of people outside of their permanent residence. The need for a clearer definition of tourism arose in the middle of the twentieth century, when tourism flows increased significantly, as well as their impact on the economy of the states.

In 1937, the League of Nations proposed to consider as tourists those persons who are outside the country of residence for at least 24 hours with entertainment, medical purposes, through a business trip, business meeting, or family circumstances. In 1963, during the United Nations Conference on International Travel and Tourism, the proposals of the International Union of Official Travel Organizations (now the World Tourism Organization–UNWTO) were adopted to determine the term "visitor", which means "a person visiting any country, in which it does not permanently reside, for any purpose, if the trip is not related to the activity, the remuneration for which is paid in the territory of the country of temporary stay ". This definition covers two types of visitors:

tourists who are temporarily staying in one or another territory for at least 24 hours, for the purpose of leisure (recreation, health improvement, sports competitions, holidays, studies, visits to religious events), or are on a business trip; arrived at a business meeting; because of family circumstances or are members of one or another delegation;

excursionists who are considered to be temporary visitors and are located less than 24 hours in this territory, including cruise ship passengers (except transit passengers).

The evolution of scientific understanding of the essence of tourism was initiated in 1942 by works of Huntsiker and Krapf, which were based on the fact that "tourism—is a combination of phenomena and relations that arise in the process of moving and temporarily staying in a particular place of persons who are not local residents, if it does not require permanent residence in this territory and is not connected with work". This definition helps to distinguish tourism from migration, but it identifies as a compulsory feature of tourism the movement and staying of non-

resident occupants, excluding day-trips from the problem field of definitions, as well as business trips, because they are related to work. Meanwhile, it is extremely difficult to distinguish between business tourism and recreation, because in most cases modern business trips involve some kind of entertainment.

The current condition and level of scientific research of the studied problem allows to distinguish 5 approaches to the definition of tourism, depending on the criteria laid down in the basis of classification. Proceeding from the main logical postulate, it is advisable to highlight the following approaches: functional, sectorial, migration, normative, statistical and systemic.

Functional approach is characterized by the desire of authors to indicate the main function or purpose of tourism. Such definitions include one of the first official scientific definitions of tourism adopted by the United Nations in 1954, which characterized tourism as a type of recreation. With all the clarity of this definition it should be noted that the restricting the concept of "tourism" exclusively its recreational component also narrows the subject of research. According to the definition of the World Tourism Organization (UNWTO), tourism is travels in the free time associated with the departure of a permanent place of residence with recreational, cognitive, sporting, cultural and entertainment purposes. This approach may include a broader definition of the concept proposed by experts, who managed to move away from the purely recreational essence of tourism, focusing on the nature of activities in the process of travel.

In Ukrainian economic thought, the functional approach is widespread. In particular, at the current stage of development of the national practice of state regulation it is noted that tourism is a temporary departure of a person from the place of permanent residence for health, cognitive or other purposes without carrying out paid activities at the place of stay.

Summarizing previous definitions, it is useful to note that tourism is understood as a type of recreation, which consists of the temporary departure of a person beyond the boundaries of his permanent residence in his free time, connected to recreational, cognitive, sporting, cultural and entertaining and other purposes. Consequently, the

definitions of tourism in the framework of a functional approach have a highly specialized nature and related to certain aspects of tourism or its specific features.

Definitions of tourism in the framework of the migration approach, in which tourism is considered as one form of migration, are deprived of flaws. The definitions of tourism as "the activity of persons traveling and staying in places outside their usual environment during a period not exceeding one year in successively for the purpose of recreation, business and other purposes" is widely used in international practice and relies on in its basis on the operational motive of the behavioral activity of people.

The operational aspect of tourism becomes central in the definitions that are offered in works of many researchers. It is worth not agreeing with this idea, because it leads to the identification of the concepts of "tourism", "tourist", "tourism activity", "tourism industry", which have their own semantic content. The above definition more closely corresponds to the definition of "tourist", but does not reveal the essence of tourism as a process, phenomenon or type of activity.

The formation of a branch approach is connected with the growth of cognitive interest in the scientific problem of tourism in the 60's and 80's of the twentieth century, which indicates the theoretical and practical importance of the definition of tourism, the desire to make it more complete and accurate, taking into account scientific trends and phenomena.

The system approach in determining tourism characterizes tourism, first of all, as a complex systemic socioeconomic phenomenon in all its diversity of its internal content, properties and relations. Nowadays, this approach in economic science is predominant and is quite promising.

The definition of "tourist", as the main concept in tourism, is differently interpreted by scientists. The evolution of this term dates back to 1937, when the Committee of Experts of the League of Nations proposed to "consider any person who is in excess of 24 hours in a place where he/she does not live as tourist".

Following the development of recommendations in tourism statistics by the World Tourism Organization in 1993, for the base of the tourist concept is taken such

definition as the tourist is a temporary visitor traveling outside his place of permanent residence for less than 24 hours (but not more than 12 months) with any purpose, except of changing the permanent place of residence and occupation of activities, paid from a source in a place of temporary stay.

The term "tourist" does not include:

person who works in the country of residence and receives a monetary reward for it; person who is staying permanently in the host country; person who commits trips for the purpose of civil service (state officials, members of delegations, diplomats, trade missions, servicemen, etc.); scientific expeditions; refugees and nomads; person who legally does not enter the country (for example, persons traveling by plane, do not leave the transit zone of the airport, etc.).

Subjects of tourism are establishments, organizations and individuals that are registered in the order that is established by the legislation of Ukraine and have got licenses for activities related to the provision of tourist services. The processes of creating and implementing a tourist product and individual tourist services relate to tourism activities. Considering tourism activities deeper, it is worth allocating in it, on the one hand, the technical and technological and organizational processes, and on the other economy of this activity.

Consequently, the concept of "tourism" covers the system of three interrelated elements: the geographical component, tourist and tourist industry. The starting point for the creation and development of the economic system of the modern sphere of tourism is the satisfaction of tourist needs, which are the basis of demand for tourist services. Satisfaction of this demand is carried out through the system of tourism product offerings on the market.

It is generally acknowledged that the tourist services market is a complex economic subsystem with diverse links between individual elements within the economic system of the market, between individual elements within the national economy of a particular country, and the national economy with the world economy as a whole. The system of the tourist services market (TSM) may be defined as a set of objects and subjects of TSM, which have certain economic relations and

connections. The core of the system is the subject of the TSM - the tourists or consumers who form the consumer demand for tourism services, since tourism is a specific area that exists only when there is a consumer of tourist services (the latter exists when the society creates conditions for comprehensive and progressive development each person).

The TSM system contains a large list of enterprises of various types of business and business entities that operate in order to meet the tourists' needs. Among them, it is necessary to allocate enterprises-manufacturers of tourist product - tourist operators, which form a tourist offer. They accumulate resources (develop a route, purchase various tourist services from their direct producers: hotel complexes, transport organizations, cultural establishments, entertainments, leisure, etc., and then complete them in a package), combine them and produce tourist products, sell the created goods and receive profit. For the realization of tourist services directly to consumers, companies-intermediaries are created – they are travel agencies that do not produce a tourism product, and act on the tourist market as intermediaries, receiving income in the form of commission from the sale or using preferential terms of the contract with the tour operator.

The second large group consists of the enterprises-producers of typical tourism services and the purpose of their activity is the provision of various services.

Hospitality companies provide accommodation, treatment, sanitation, recreation for tourists. These are such enterprises as:

hotel industry enterprises (hotel, motel, camping, hostel, etc.);

enterprises of the sanitary economy (a preventive unit, a recreation center, a children's health complex, a boarding house, a sports and recreation complex, etc.)

spa facilities (sanatorium, resort hotel, balneological, climatic, mud therapy, health and wellness establishments providing accommodation and services of treatment, reaction and rehabilitation, spa- hotel, etc.).

They following companies also belong to a part of a group of hospitality companies and provide some services:

food companies (restaurants, cafes, bars, taverns, dining rooms and others);

enterprises of trade and domestic services (sale of souvenirs, gifts, cards, hairdressers, tailoring and repair of clothes, laundry, dry-cleaning);

excursion service companies (visiting theaters, cinemas, museums, nature and historical preserves, festivals, etc.);

translation support companies (interpreter services, guide-interpreter);

animation and leisure organizations (participation in congresses, symposiums, scientific conferences, fairs and exhibitions).

Transport service companies provide services of transferring tourists to a certain destination within its territory, as well as throughout the journey (the implementation of which is based on the predominant use of a particular type of transport - cruises, motorhomes, etc.) by various types of passenger transport of the enterprise of aviation, road, rail, sea and annual transport.

The third group includes enterprises - producers of related tourism services, which includes:

enterprises of the financial and banking sphere (banks, ATMs, self-service terminals);

insurance companies (insurance companies);

utilities enterprises (heat supply companies, water supply, drainage, enterprises for cleaning the territories, enterprises for maintenance of roads, sidewalks, bridges; enterprises for greening and landscaping, street lighting);

communication companies (Internet providers, mobile communications companies, post office);

security and law enforcement agencies (state law enforcement agencies—Security Service of Ukraine, internal troops of the Ministry of Internal Affairs of Ukraine, police, private security agencies);

enterprises of cultural and educational work (cultural and educational centers, village clubs, libraries, etc.);

health care enterprises (state medical institutions— hospitals, polyclinics, ambulance, injuries centers, private medical enterprises, enterprises selling medicines, etc.).

Enterprises - producers of related tourism services provide their services to the local population, and serve tourists.

Thus, the market of tourist services is a system of interconnections between the subjects of TSM by consumers of tourist services, manufacturers of tourist services, intermediaries, enterprises - producers of characteristic and accompanying tourist services that arise in the process of creation and consumption of tourist services.

The market of tourist services is a component of the national market of goods and services with its segments, features and management. Under the market of tourist services is a set of specific economic relations, reflecting the ratio of demand and supply in the process of buying and selling tourist product. When substantiating the system, it is necessary to proceed from the main methodological position: the main object of the system - its structure-forming units - is the consumer and the manufacturer of tourist services. The various interconnections and relations between them form the market structures of demand and supply. The market engine is a competition, which leads to the regulation of supply and demand. The main elements of the system are considered as: tourists (visitors), producers, resources and the state.

The growth of tourism activity in most cases is a consequence of rising household incomes, which suggests a high level of elasticity of demand for a tourist product depending on consumer income. Along with the economic factor, the level of elasticity is influenced by political and social factors. Due to the fact that most of the tourist product is consumed in certain seasons (summer months, celebrations of national, traditional, religious holidays), seasonal fluctuations in demand for a tourist product can be asserted. A tourist product is characterized by a phenomenon such as saturation. That means that at certain moments of time there is a significant imbalance between the ratio of demand and supply of tourism product in the direction of increasing of demand.

The market of tourist services is objectively inherent in the territorial and temporal dissociation of the consumer and service provider. In such conditions, the information support of the product's promotion to regional markets, the creation and maintenance of relations with foreign partners is of great importance (in particular,

this problem is especially relevant for Ukraine due to its large size). In this aspect, the active use of marketing communications in the activities of the tourist enterprise is of particular importance.

Formation of the holistic-target orientation of the tourism product in the tour is the main function of tour operators preparing this product for implementation in the completed form. Consumption of tourism product completes the reproductive cycle of travel services. Tourist resources at the same time act as factors of the formation of tours as a complex of tourist services on a certain route of travel.

The tourist market as a component of the market of services is characterized by the main characteristics of the services:

immunity (intangible nature of travel services) - as a rule, tourism service is impossible to see, try, evaluate the quality of its provision. The buyer receives tourist product information either directly from the seller or through his own information channels. In this regard, tourism companies have problems relating to the presentation of their product to customers, since the seller can only describe the benefits of the services they provide, and the assessment of the service will be performed by the client only after it is provided;

continuity of production and consumption - a tourist service will be provided only if the order comes in and the client appears, in contrast to the physical product, which passes several intermediate stages between its production and consumption (production - transportation - storage - sale - consumption), the production and consumption of a tourist product occur simultaneously;

the possibility of changing the quality of performance - the change in the quality of services in both the positive and the negative side is affected by the transformation of the internal and external environment of the enterprise itself, as well as changing personal requirements of the client to the process of providing services;

Inability to store - tourist service is non-material, it can not be stored. Since there is a time gap between sales and direct consumption of a tourist product, the guarantees of conformity of pre-determined characteristics of the tourist product and the real level of the rendered services become important.

Analyzing the works of Ukrainian and foreign scientists, it is possible to draw a conclusion on the ambiguous interpretation of the term "tourist service". Modern researches of scholars are diverse and aim at a wide range of scientific tasks, therefore the essence of the concept of "tourist service" is disclosed by the authors from different positions in accordance with the set research objectives. It has a positive impact on the development of general issues, as it promotes comprehensive consideration and tourism, as a socio-economic phenomenon, and tourism services, as the core of a complex of interrelated concepts of tourism. However, for the purpose of forming a scientifically grounded mechanism of state regulation of tourism, a clear understanding of the essence of the object of regulation, tourism service, is decisive.

The solution to this theoretical task is complicated by the multidimensionality of the initial category of "service".

In order to reveal the essence of this category at the highest level of abstraction, it is possible to use the scientific position of Ph. Kotler², who in his works devoted to the study of markets proceeds from the fact that the service is any activity that one party can offer to another, if it has immense nature and does not lead to the possession of anything. O. Lubitseva³ notes that the service is a "purposeful activity which results have a manifestation in the beneficial effect".

Summarizing the scientific developments of domestic and foreign researchers, it is possible to argue that the tourist service is a complex concept, which in its essence combines the process of tourist services by the subjects of entrepreneurial activity of consumers, which is carried out through the direct interaction of performers and consumers, and the result of these actions. Another result of the analysis of recent scientific studies is the conclusion that a large number of scientists constricts the concept of "tourist service" to transfer the types of activities of tourism enterprises.

² Kotler, Ph., *Marketing Management: Analysis, Planning, Implementation and Control* - New York, Prentice Hall, 2002. - 512 p.

³ Lubitseva O.O., Tretyakov O.V. *Types of destinations // Geography and Tourism*. - 2012. - N 17. - P. 3 - 9

Thus, in the work of O. O. Beidyk⁴, which claims to be a thesaurus for tourism, the tourist service is defined as a specific type of consumer services, which includes the services of the hotel industry, catering establishments, repair and service stations, hire points, enterprises entertainment and recreation.

As tourist services provide a wide range of services to tourists, for the purpose of regulation of tourism enterprises, it is necessary to determine the list of those services, which are a criterion for assigning the relevant business to the tourist. According to the art. 5 of the Law of Ukraine "On Tourism"⁵ the participants of tourist activity are those who create a tourist product, or carry out intermediary activities for the realization of tourist product. Art. 1 of the Law of Ukraine "On Tourism" stipulates that tourism product is a complex of tourist services, which combines not less than two such services that are sold or offered at a specified price, which includes transportation services, accommodation services and other tourist services.

Consequently, enterprises which provide only services for organizing visits to cultural, recreational and entertainment objects, only services for the transport of tourists or only sell souvenir products are not recognized by the subjects of tourism activity in accordance with the current legislation, therefore the relevant legal basis for tourism is not the basis of the activities of such enterprises. On the other hand, consumers of such disparate tourist services can not rely on the protection of the rights of consumers of tourist products, which is ensured by the rules of national law.

It is expedient to note that, unlike the legislation of Ukraine, which at this time is determine only the number of components of the tourist product, international law norms⁶ set a specific list of mandatory travel services, transportation and accommodation. Thus, the current version of the Law of Ukraine "On Tourism" establishes a conflict of rules of national and international law that needs to be resolved.

⁴ Beidyk O., Novosad N. Factor analysis of forming of streams of entrance tourism of Ukraine // Ukrainian Geographic Journal. – 2012. – N 1. – P. 44-49

⁵ The Law of Ukraine "On Tourism" [Electronic resource]: - Access mode: <http://zakon3.rada.gov.ua/laws/show/324>

⁶ Directive (EU) 2015/2302 of the European Parliament and of the Council of 25 November 2015 on package travel and linked travel arrangement // Official Journal of the European Union Volume 58 [Electronic resource]: - Access mode: <http://eur-lex.europa.eu/legal-content/>

Separate researchers argue the list of mandatory tourist services, which consists of transportation, accommodation, insurance, emergency medical care and information and communication services. Meanwhile O.O. Lyubitseva ⁷states that "tourism services can only be considered as a range of services to meet the diverse needs of tourists, rest, nutrition, movement and others who contribute to the purpose of travel".

In a number of solid scientific works O.O. Lyubitseva notes that tourism is a multifunctional phenomenon and marks among the main recreational, social, cultural, economic, educational functions of tourism. At the same time, recreation as a biological function and social gain of mankind is a polyaspect concept. The essence of the recreational function of tourism is the restoration of the physiological and psychological forces of the traveling person. In more detailed analysis, scientists allocate five functions of recreation: therapeutic (recovery of health); cognitive (the development of the spiritual potential of the individual), entertainment (individual distraction from everyday life), sports (development of human physical strength) and recreational (recovery physiological forces man lost during employment).

Each of the functions of recreation activities corresponds to a certain number of elementary recreational activities, which are separate tourist services. To summarize, it is possible to note that recreational tourism services are aimed at restoring and enriching the human potential and personal abilities of the tourist. Restoration of physiological and psychological forces of a person is necessary for further work activity. On the other hand, tourist trips can be carried out in order to carry out labor functions; numerous statistical reports prove that business tourism in the world is developing at an accelerated pace. Consequently, it is possible to propose to distinguish between two groups of tourist services on the basis of the "purpose of travel": recreational and business. The constituent of these groups is inherent not only unique properties, but also specific methods of organization of tourist services.

⁷ Lyubitseva O.O. *Conception of forming supporting tourist framework as basis of introduction of strategy of steady development of tourism is in Ukraine // Geography and Tourism. – 2012. – N 14. – P. 3 - 8*

An important role in the tourism business has the promotion of tourism products to consumers, which covers a set of activities aimed at creating and preparing for the implementation of a tourist product or individual tourist services. Such measures include: organization of advertising and awareness-raising activities, holding or participation in specialized exhibitions, fairs, catalogs publishing, booklets, etc.

Increasing tourist flows, expansion and development of the tourism industry raises the importance of state regulation of market relations in the field of tourism. It is necessary to agree with scientists who argue that the market itself is unable to ensure economic stability, therefore, the government must stabilize the economy, mitigate economic downturns and escalation, activate entrepreneurial activity in the directions that are priorities for the development of the national economy and solve a wide range of current tasks.

Among the most important tasks that government faces in the field of tourism regulation, it is worth mentioning:

- creation of an effective tourism infrastructure working for the real sector of the economy;

- comprehensive implementation of economic reform, promotion of finding effective owners for state tourism enterprises and their support, introduction of advanced forms and methods of tourism activity;

- improvement of the existing legislative and regulatory framework;

- gradual restructuring of regional economies, certain types of activities, enterprises to reduce environmental pollution and ensure sustainable tourism development;

- promotion of demonopolization and development of competition, support of inbound and domestic tourism while simultaneously optimizing the structure and volume of the outgoing tourist flow.

The importance of the influence of state authorities on the development of the tourist services market is confirmed by world practice. Thus, the Hague Declaration on Tourism, adopted in 1989, states that state authorities should plan the development of tourism in an integrated and consistent manner, taking into account all aspects of

this phenomenon. In order to implement the state planning function in the field of tourism, it is necessary to develop and approve a scientifically grounded tourism development strategy and its state support. By implementing the strategy and policy of state regulation of tourism must be achieved:

- ensuring high efficiency of application and improvement of mechanisms of state regulation of tourism;

- protection of the interests of producers of domestic tourism product and support of domestic and foreign tourism;

- providing wide opportunities for meeting the needs of Ukrainian and foreign citizens in tourist services;

- development of international cooperation in the field of tourism and definition of mechanisms for its implementation;

- making a significant contribution to the development of the national economy;

- increase in the number of jobs, the flow of taxes to the local budget, the attraction of foreign currency, the protection and rational use of cultural and natural heritage;

- ensuring rational use and preservation of tourist resources;

- avoidance of possible serious environmental and socio-cultural problems caused by the growth of tourist flows.

So, summing up the above, it can be argued that the development of the tourism industry in Ukraine is hampered by the lack of an effective strategy and policy of state regulation of tourism, the imperfection of the regulatory framework, the lack of efficiency of the mechanisms of state regulation and management of enterprises in the field of tourism and resorts; insignificant volumes of investments in the development of the material and technical base of tourism infrastructure; inefficient use of recreational resources.

An effective strategy and policy of state regulation of tourism will become the basis for a systematic solution to a number of problems of the tourism industry, among which the most acute in Ukraine are: the inconsistency of the existing tourist infrastructure with the world level and the modern requirements of consumers of the

tourist market; low quality tourist services; lack of favorable investment climate; Visa, customs and border procedures are too complex in comparison with generally accepted international practice; departmental subordination of accommodation facilities, sanatorium and recreation facilities, which complicates the standardization of tourist services, enhancement of their quality and introduction of effective mechanisms of state regulation of tourism industry development, etc.