

DOMESTIC TOURISM IN GEORGIA: QUANTITATIVE ANALYSIS

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Abstract

Domestic tourism is an interesting direction. On the one hand, domestic tourism is the important part of the country economy, because, as it is known, domestic tourists spend money in their own country, as a result there is flow of money. On the other hand, domestic tourism plays an important role in the development of the regions of the country which does not have manufacturing resources and facilities. Therefore, for developing the domestic tourism and not only, also for growing the international tourists flow, it is very important to grow the awareness of the country as in the local population, also on international markets. In most cases, domestic tourists have demand on the same products that demand international ones. Domestic tourists use the infrastructure and objects which are designated for local population. The proper development of the domestic tourism will assist promotion and position strengthening of Georgian tourist product on the country's target touristic markets.

Keywords: Domestic tourism in Georgia, GDP, economic

Introduction

It is common knowledge that in many countries domestic tourism is dominant with respect to international flows in terms of both size and economic contribution. In spite of that, only recently researchers have started to concentrate on this phenomenon and its economic impact, as well as on its potential for reducing disparities in less developed world areas. It follows that study on the determinants of tourists choices within national borders are still rare and mainly concentrate on the impact of economic variables. There are, however, some recent contributions that have started to stress the potential role of non-economic factors for the domestic demand of a specific destination area, in the steps of the international tourism literature. Such factors may concern both the quality of local endowment of natural and cultural resources, and the capability of a destination to manage and organize its resources according to competitive strategies.

This paper aims to give a contribution in this line of research. It builds on a regional data and economic and social overview of Georgian economy. At this scope a large panel of explanatory variables is considered. It includes traditional economic demand-driven variables, such as price, income, export and in particular, the role of accommodation units, number of beds and characteristics of domestic tourism is explicitly investigated. This paper is organized as follows.

There are many countries where domestic tourism is dominant relative to international flows both in terms of size and economic contribution. Examples are: Domestic trips in the EU have been estimated at 510 million per year (Peeters *et al.* 2007). The US domestic market is much larger at 1.2 billion domestic trips (WTO 2005). Australia adds 72 million overnight tourists in 2005 (Australian Bureau of Statistics 2005). China counted some 1.21 billion domestic tourists in 2005 (National Bureau of Statistics of China 2007). India counted 309 million domestic tourist arrivals in 2003 (Ministry of Tourism 2004). 80 % of the tourists

visiting the popular tourism spot of Goa (Sawkar *et. al* 2005). Indonesia was reported to account for 108 million domestic tourist trips in 2004, at least 110 million by 2005 (Ministry of Culture and Tourism 2005). Thailand saw 80 million domestic tourist trips in 2005 (Tourism Authority 2006). In Latin American countries like Peru the number of domestic tourists exceeds that of international arrivals by an order of magnitude, comprising 10 million domestic trips (Prom Peru 2004a, Prom Peru 2004b).

Montfort, V. *et al.*, (2010) use different statistical techniques to highlight the importance of domestic demand for tourism services and to analyze inter-regional tourist flows in Spain in the period of 2005-2009. They use a “Gravity Model” for domestic travel flows between the various Spanish regions. The authors conclude that the annual volume of travel flows between each pair of regions depends on a set of specific variables, including the regions size, transportation costs, relative prices indicators, and a variable reflecting the importance of second homes in the destination region.

Athanasopoulos, G. *et al.*, propose an alternative tourism price variable based on purchasing power parity (PPP) to analyze the substitutability between domestic and outbound Australian tourism demand within the Almost Ideal Demand System (AIDS) framework. The authors conclude that domestic tourism is regarded as a necessity by Australians and their demand for domestic tourism is less price elastic than that for outbound tourism.

This view is also supported by Yap, G., (2010) and the main aim of this research is to achieve sustainability of domestic tourism businesses in Australia. This study reveals several distinct findings. First, the income elasticity for domestic visitors of friends and relatives and interstate trips is negative, implying that Australian households will not choose to travel domestically when there is an increase in household income. Second, an increase in the current prices of domestic travel can cause the demand for domestic trips to fall in the next one or two quarters ahead. Third, the coefficients for lagged dependent variables are negative, indicating perhaps, that trips are made on a periodic basis. The study concludes that dynamic panel data models are employed by adding lagged dependent variables to take account of tourist’s habit persistency.

Bui, H.T and Joliff, E., 2011, approach domestic tourism in Vietnam from a perspective of domestic travel motivations. They view Vietnamese domestic tourism within the context of the transition from a centrally planned to a market-driven economy. The authors conclude that domestic tourism in Vietnam is rapidly expanding. The domestic travelers are ‘pushed’ towards tourism by disposable income, a sense of family togetherness, and are motivated by the prospect for relaxation facilitated by their employer’s sponsorship.

According to Demunter, C and Dimitrakopoulou, C (2011) in Europe, total tourist expenditure on domestic trips exceeds that of outbound trips Europeans spend 77% of their holiday trips in their own countries and more than half of their holiday’s budget on domestic trips. The highest domestic expenditure was recorded in France 77 billion EUR. French and Austrian tourists were the biggest spenders with 400 and 362 EUR per trip respectively; they focus that the emphasis on domestic tourism as a major driver of tourism growth is focused in the national tourism policy and also in the policy of the state of Goa. Goa is the only state after Kerala where beaches are the focal points of the tourism industry. It is the reason that Goa is known as the beach country of India. In Ukraine tourism is one of the leading economic sectors of the economy and domestic tourism is a strong competitor in the market. (Gustul, D., 2011).

Euromonitor International (2011), points that domestic trips in Croatia registered a negative (compound annual growth rate) CAGR. Schänzel, H., (2010) mentions, that in New Zealand, 56 % of all tourism earnings come from domestic tourism. However, domestic tourism gets little credit, largely, because family holidays are perceived as less economically valuable than international tourists in New Zealand.

There are relatively few studies on domestic tourism in general and even fewer on Georgia in particular and, therefore, the literature on domestic tourism is quite scant and moves along the lines suggested by international tourism flow studies. GNTA (2011), analyzes Domestic tourist's statistic in Georgia, IESEC (2007) subscribes to GNTA and describes domestic tourism in Georgia and uses further statistical methods: Regression analysis, Multinomial logistic, Binary logistic, Cross tabulations , Factor analysis – Varimax method. Official sites are: www.gnta.ge, www.georgia.travel, www.geostat.ge, where you can find statistical data, information about accommodation, food service, embassy, museums, theatre, transportation and others.

Turkish resorts compete Georgian beach resorts with their lower prices and higher level of service. The prices on Georgian seashore resorts are high, so they go abroad for rest. Georgians are particularly attracted to Turkey and Egypt. The main reasons for it are visa-free system and a high level of service where price and quality are compatible with each other; also the nature of resorts helps it, because in the mentioned countries practically does not rain for 6-7 month.

Therefore, scant of researches and information about domestic tourism in Georgia needs proper scientific study. Hence, our goal is to study Domestic tourism in Georgia: a quantitative analysis.

Georgia is located at the crossroads of Western Asia and Eastern Europe. Georgia is bounded to the west by the Black Sea, to the north by Russia, to the south by Turkey and Armenia, to the southeast by Azerbaijan.

Georgia is divided into 10 regions and 1 autonomy republic, which are: Mtskheta-Mtaianeti, Kakheti, Adjara AR, Guria, Imereti, Samegrelo-Zemo Svaneti, Kvemo Kartli, Shida Kartli, Racha-Lechkumi and Kvemo Svaneti, Samtskhe-Javakheti and capital – Tbilisi.

Below to give a description of Georgia and the Georgian regions focusing, in particular, on economic and social description of regions, population, per capita GDP, consumption PC, consumer price index, foreign direct investments, export and the main focus will be on domestic tourism in Georgia.

Table 1. Economic of Georgia by Years (USD) and (thousands)

Year	Population	Per Capita GDP	Consumption PC	Consumer Price Index	Foreign Direct Investments	Export
2005	4321.5	1763.5	57.4		254.1	
2006	4401.3	2314.6	64.2		672.5	
2007	4394.7	2921.1	70.0		1138.3	1232
2008	4382.1	2455.2	84.9	61.9	883.6	1495
2009	4385.4	2623.0	85.1	62.1	371.9	1134
2010	4436.4	3230.7	96.0	57.4	460.1	1677
2011	4469.2	3523.4	107.5	60.5	631.1	2189
2012	4497.6	3596.6	119.8	61.2	515.0	2377
2013	4438.8			55.9	516.6	2909
2014				56.2		224

Source: National Statistics office of Georgia

Table 2. Economic of Georgia by Years (USD) and (thousands)

Year	Employment	Employed persons in hotels and restaurants	Average monthly nominal salary	Salary in the tourism sector
2005	1745	11437	115.3	56.4
2006	1747.3	11993	157.0	111.1
2007	1704.3	11554	207.9	134.7
2008	1601.9	11184	302.2	188.5
2009	1656.1	13540	314.5	206.1
2010	1628.1	16106	337.6	213.5
2011	1664.2	24003	359.3	193.5
2012	1724.0	27821	402.5	224.4
2013		23630		260.9

Source: National Statistics office of Georgia

Table 3. Regions of Georgia (USD) and (thousands)

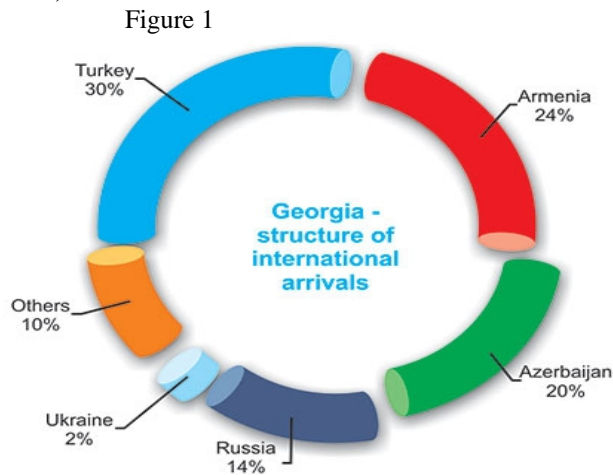
	Number of beds	Accommodation units	Average monthly income per capita	Hotel average price	Gross value added	Number of visitors in hotels	Average monthly remuneration of employed person's
Year			2012		2011	2013 (10m)	2013
Tbilisi	5 326	126	105.0	62.1	5601.2	4 766 705	536.1
Adjara AR	10266	263	97.6	58.1	916.32	2 289 398	370.9
Guria	2 797	56	128.3	42.3	319.4	583 966	222.5
Racha-Lelchkumi and Kvemo Svaneti	767	31	115.1	30.8	1.441.75	314 588	306.5
Samegrelo-Zemo Svaneti	1 956	111	115.1	44.6	852.8	1 463 552	322.0
Imereti	2 746	85	-	33.3	-	3 096 692	319.1
Kakheti	2 006	132	1137.7	42.3	649.5	1 540 575	247.6
Mtskheta-Mtianeti	2574	85	131.5	84.1	754.0	1 354 849	489.0
Samtskhe-Javakheti	5723	151	86.4	76.2	375.7	896 165	280.0
Kvemo Kartli	410	16	111.0	-	-	1 319 937	412.4
Shida Kartli	180	13		59.3	1.001.6	1 196 554	247.7

Source: National Statistics office of Georgia

Table 1, Table 2 and Table 3 report economic variables of the capital of Georgia - Tbilisi, Adjara AR and the nine regions. Foreign direct investment (FDI) is very important source and vital for the long-term economic growth of Georgia (Table 1). Fortunately, the role of foreign direct investment in the country's economy development is recognized and the government has expressed its readiness to assist them with implementation of protection measures to attract investments and a stable and predictable business environment. The gross value added (GVA) of Shida Kartli and Mtskheta-Mtianeti totalled 1755, 6 million USD in 2011, reflecting an increase of 18, 6% over the previous year and accounting only for 5, 5% of the country's GDP. It is comparatively low indicator for the population and territory of these two regions reflecting not only the relatively weak economic situation but also constraints to the economic growth due to the war with Russia and the economic crisis. In 2011, the industrial sector accounted for the largest share of the region's GVA – 22% of the total value. Salary in tourism sector from 2005 to 2013 was increased by 204.5 USD. The level of salaries in Kakheti is below average (in 2013, the average salary in Kakheti was 247, 6 USD while the average level in Georgia was 351, 9 USD). The leader is Tbilisi – 536, 1 USD. Kakheti ranks second just ahead of Shida Kartli in terms of incomes per household and per capita and it is also the second last in its expenditure levels. In turn, it means a low level

of consumption which slows down the economy (trade). The average monthly amount of remuneration attracted only Racha-Lechkhumi - Kvemo Svaneti and behind it are significantly ahead of other regions. In 2006-2011, the value added produced in the region of approximately 1.4-fold. Negative rate was observed in 2008 and 2009 what caused the results of the August 2008 war and the global economic crisis.

From the statistical point of view, the performance of the tourism industry in Georgia in 2013 can be characterized as a period of further growth. As for the international tourists, in 2013 the number of international arrivals grew by 22% over stepping the five million mark for the first time. The majority of all arrivals to Georgia in 2013, 88% (4,732,529), were from neighboring countries: Armenia, Azerbaijan, Russia and Turkey and only 12% arrived from other countries. In 2012, those countries' share was higher, 91%, suggesting a decreasing trend in this number. Turkey is the annual leader in terms of the number of international arrivals to Georgia. Although the number of arrivals from Armenia was greater in December with a total of 121,732 (27%), annual data showed Turkey to be in first place with 1,597,438 arrivals (an increase of 4%). (Figure 1)



Source: The Ministry of Internal Affairs of Georgia

The high growth rate in tourism was also highlighted by international organizations. According to the World Tourism Organization’s report, “UNWTO World Tourism Barometer” (December, 2013), the increase in the number of international arrivals in Georgia was rated as the highest in Europe. The expenditures of foreign guests in Georgia have a significant effect on the balance of payments. Approximately 58% of Georgia’s service export revenue comes from tourism. Revenues consisting of international tourism receipts demonstrated an increasing trend reaching USD 1, 72 billion in 2013. Although the share of tourism in gross domestic product (GDP) decreased in 2008 as a result of the global financial crisis, since then it has shown significant growth, accounting for almost 6, 5% of GDP in 2013 (Table 5).

Table 4 Purpose of Visit (2013)

	%
Visiting friends/Relatives	45%
Holiday, Leisure, Recreation	15%
Shopping	14%
Health and Medical Care	9%
Visit to Second Home	4%
Business or Professional	3%
Other	13%

Source: National Statistics office of Georgia

As for the domestic tourism in Georgia, in 2013 the most domestic trips were made by inhabitants of villages and mainly vacations were spent in the central cities of Georgia. While women and men make about the same number of domestic trips, a comparison between different age groups shows differences in travel behavior. Whereas people aged 18 to 24 were the most frequent travelers, taking 2.95 trips per year, people aged 55-64 took an average of 1.7 trips. Visitors’ average overnight trip length was 3 nights and varied by place of residence. Visitors from Tbilisi tend to stay for longer periods (4 nights on average) while other visitors spent 2 nights on average away from their usual environment. Domestic visitors most often travel for visiting friends or relatives (VFR) (45%), followed by 15% of trips for holiday, leisure and recreation. Only 3% traveled for business or professional purposes. Other frequently observed visiting purposes include shopping (12%), health and medical care (9%) and visits to the second home (4%) (Table 4). The most common destination was Tbilisi;

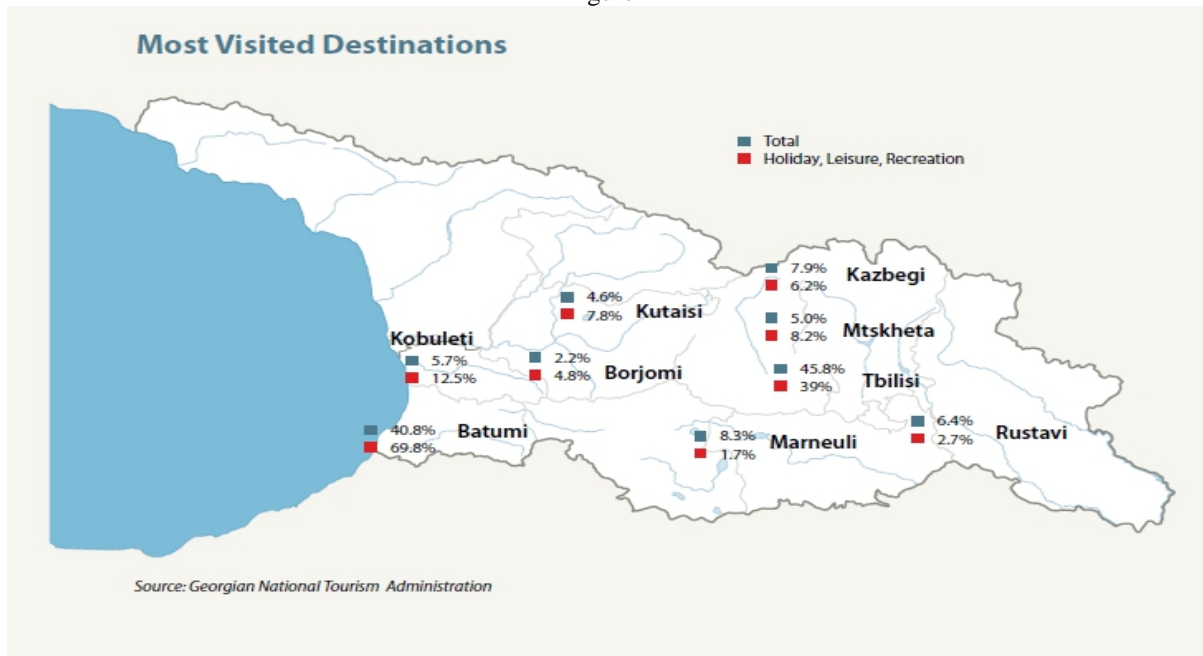
Table 5 Share of Tourism in GDP

Year	%
2007	6.9%
2008	6.2%
2009	5.8%
2010	6.1%
2011	6.0%
2012	6.1%
2013	6.5%

Source: National Statistics office of Georgia

25% of domestic trips were to the capital city of Georgia, followed by 8% of trips to Batumi and Kutaisi. Among other visited destinations were: Mtskheta (4%), Telavi (2%), Zugdidi (2%), Gori (2%) and Rustavi (2%). Between regions most popular places were Imereti, Ajara AR and Kakheti with 17%, 12% and 8% respectively. (Figure 2)

Figure2



63% of domestic travelers stayed in a private home of their relative or friend. This is partially due to the influence of the VFR segment. Considerably large number (14%) of Georgians stayed in their own houses, while 8% stopped in their second summer houses. In the fourth quarter of 2013, the total number of persons employed in tourism amounted to

168.8 thousand. The largest share is employed in the transport sector which accounts for 57% of all tourism employment. Other significant contributors are hotels and restaurants with 20% of tourism employment. Employment in hotels and restaurants has increased by 17%, while in transport by 6%. The decrease compared to the same period last year is 6%, due to decrease in employment in other tourism sectors. In 2012, the total contribution of tourism to employment was 10%. Between 2012 and 2013, the total value added in the tourism sector increased by 10% and reached 480, 35 million USD due to the increased demand. As a result, tourism's gross value added as a proportion of GDP increased from 6.1% to 6.5%. The additional value added in the tourism industry in 2013 was mainly driven by accommodation (+13%) and passenger traffic (air transport +28%, other transport +3%). According to the given figures, Adjara AR and Samtskhe-Javakheti dominate in terms of accommodation capacities. In March of 2014 there are 1075 facilities throughout the country with total capacity of 37 772 beds. The largest numbers of bed-places are in Adjara AR – 28%. As for Samtskhe-Javakheti region, it ensures the strong position of the region in the ranking and it is number two in the rankings – (6237), Tbilisi, the capital of Georgia holds the third position – (5 230). In the last 5 years, the number of hotels and other lodging facilities in the region has grown by 40% and the number of visitors to the region has also increased (approximately 40-45%). Currently there are 151 hotels registered in the region.

Adjara AR has the longest coastline in the country and in many cases for the local communities' tourism is the only source of income. In summer season they rent their apartments. On the other hand, supportive policies, solid public and private investments enabled the coastal city of Batumi, which was very seasonal couple of years ago, to operate as MICE and gambling destination as well as to host many local and international cultural events throughout the year. As for the average rates, according to the Table 1, the highest average rate is in Kakheti – 86 USD. Kakheti is the fourth largest area after Imereti, Kvemo Kartli and Samegrelo-Zemo Svaneti. Around 132 number of accommodation, including hotels “Ambassador”, “Lopota” and “Kvarlis Tba” - operate in Kakheti. Therefore, there is the highest average price, because these hotels are expensive (202 USD). There are several international brand hotels in Tbilisi: Tbilisi Marriott, Courtyard by Marriott, Tbilisi Sheraton Metekhi Palace, Radisson Blue Iveria, Holiday Inn and Citadines. Other international chains are expanding in the city as well. Recently, Sheraton and Radisson Blue hotels were opened in Batumi. Major hotel projects under construction are the following: Kempinski, Hilton, Holiday Inn, Ritz-Carlton and Marriott. The majority of construction (88%) takes place in Tbilisi and Ajara AR, Samtskhe-Javakheti, Imereti and Kakheti regions. The estimated number of additional rooms being constructed is 4,000 with more than 7,000 beds. The average salary in tourism has increased steadily over the last three years. Maximum rate was fixed in Tbilisi – 548 USD and in Mtskheta-Mtianeti – 500 USD. The average monthly salary was 460 USD in Georgia in 2013 (second quarter). This data is compared to the same period in 2012 and was increased by 72.7 USD. In the second quarter of 2012, the average monthly salary is determined by 723.9 USD. To change the dynamics of wages give no reason in terms of the solution of poverty problem to talk about substantial positive changes. It is the truth by official data, the poverty level in 2004-2008 decreased from 24.6% - to 21%, but according to World Bank experts, in 2008, the poverty of the population exceeded to 54%. Volunteer family members, who represent the majority of self-employed people, are not actually employed. This part of self-employed people is forced to perform non-qualified work without any reimburse. This applies to residents of Georgia regions which are mainly employed in agriculture.

Conclusion

Summing up, to the best of our knowledge, research on the Georgian domestic tourism lacks studies aimed to understanding and comparing the role of alternative explanatory variables, both economic and non-economic. However, some interesting information arises from the existing literature. In particular, it seems that other factors such as distance, tourist services and infrastructure can strongly influence domestic tourist's choice, besides income and living costs. Natural and cultural recourses strongly matter as well, even though they only seem to give a comparative advantage to specific regions or areas. Georgian tourists seem to be particularly sensitive to differences in relative prices between their region and the possible destinations. The per capita GDP in the sending regions plays a significant role as well.

As the rates in Georgian costal destinations are quite high compared to the Mediterranean destinations and service quality is quite low. A number of citizens of Georgia prefer to spend holidays at Turkish beaches as well as in Egypt and in different European destinations where they experience best all inclusive services. They prefer to spend a little more money and relax in an environment of consistent with the price than spend money in Batumi and have less enjoyment.

Therefore, Georgian outbound tourists tend to travel to Turkey, Egypt and Spain. Out of the primary source outbound markets, Turkey is number one in terms of receiving Georgian holiday/vacation makers for sun and beach. The competitive advantages of the Turkish coastal destinations compared to the Georgians ones is mainly high service quality, seasonality and category of services. For instance, almost all accommodations in Adjara AR provide with only breakfast to the guest that is included in the room rate while Turkish suppliers provide all inclusive service.

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