

## STAKEHOLDERS' UNDERSTANDING OF FACTORS INFLUENCING TOURISM DEMAND CONDITIONS: THE CASE OF SLOVENIA

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### **Abstract**

The present paper aims to assess the importance of different factors influencing demand conditions for a tourist destination on the basis of individual stakeholder perceptions. The relationship between the tourist demand conditions and individual influential factors, such as inherited resources, created resources, supporting factors and resources, destination management and situational conditions is examined using regression analysis. Existing studies on tourism destination and tourism demand were reviewed and their limitations were identified. The study is limited to Slovenian as a tourist destination, but can be generalised to other regions. The study offers important contributions for research (an appropriate conceptual and measurement model of competitiveness indicators) and for practice (important information for tourism stakeholders is the obtained result about the significance of appropriate and qualified tourism managers). Mailed structured questionnaire data for this study were collected from tourism stakeholders on the supply side. The respondents were selected from tourism industry stakeholders, government officials, tourism school academics and postgraduate students on tourism courses. Out of 291 questionnaires sent, 118 or 41 % were returned. The principal components method was applied in the first phase. A new synthetic variable – a principal component for each of the six groups of variables was calculated. Before conducting a principal component analysis correlations among the variables in each of the six groups were calculated and we proceeded with Bartlett's test of sphericity, the Kaiser-Meyer-Olkin measure of sampling adequacy. At the end, the linear regression model was applied. The first independent variable, NACURES, has a weak, positive and not statistically significant influence on DEMCON. The second independent variable, CRERES, has a positive influence on demand conditions, DEMCON, but is not of convincing statistical significance. The third independent variable, SUPFAC, negatively influences the dependent variable, but this influence is weak and not statistically significant. The fourth independent variable, MGT, has a strong and statistically significant impact. The fifth independent variable, SITCON, has a statistically significant and negative influence on the DEMCON. This study examined factors determining tourism demand for Slovenia as a tourist destination. It gives valuable information, which hopefully will help tourism stakeholders, especially tourism managers to respect more the meaning of different factors influencing tourism demand.

**Keywords** Tourist Destination, Tourism Demand, Resources, Tourism Stakeholders, Regression Analysis

## INTRODUCTION

The advent of globalisation has coincided with a boom in the tourism sector and this has presented many new challenges. In the context of tourism, globalisation means dramatic increases in the number of destinations and also in distances among them. International tourism conditions have changed drastically and it has become necessary to address these challenges in order to increase demand for the destination and remain competitive in the tourism market. Development of new tourism products and destinations is one of the manifestations of the tourism sector shift towards increased productivity (Fadееva, 2003).

Tourism is a sector that involves a great number of economic determinants with specific characteristics at the national and international levels. The combination of demand and supply characteristics at the national and international levels creates some difficulties in planning the tourism functions as a whole. However, the increasing importance of the tourism sector in terms of its contribution to the national product, to employment and the balance of payments creates the need to investigate the determinants of demand conditions in a specific destination. The substantial contribution of tourism in Slovenia gives an explanation for the interest in explaining the determinants of tourism demand conditions and, therefore, the factors which can influence the decision of tourists to choose this country as a destination place.

Slovenia covers an area of 20,273 square kilometres and borders Hungary to the northeast, Austria to the north, Italy to the west, and Croatia to the east, south and west. The capital of Slovenia is Ljubljana. Slovenia is a traditional destination, mostly for independent travellers. It was introduced to the global tourism market in 1991 (Brezovec et. al, 2004). As Slovenia is located at the heart of Central Europe it is very easy to reach for tourists from the main European tourist markets such as Germany, Italy, and France and from emerging markets in Eastern Europe. In addition, the fact that EU tourists no longer need a passport to enter the country (a result of Slovenia's entrance into the Schengen zone), the scrapping of border controls, and the adoption of the Euro have all made travelling to Slovenia much easier and more desirable in recent years. The Euro adoption had an influence on the international attractiveness and competitiveness of Slovenia as a tourist destination (Nemec-Rudez and Bojnec, 2008). The quality of services and infrastructure in the country is improving fast and substantial investments are also being made in marketing Slovenia as a tourist destination. As a result, Slovenia is very much an emerging tourist destination and still has significant potential for further growth, both in terms of number of arrivals and incoming tourism expenditure.

Slovenia as a tourist destination is characterized by safety and accessibility, hospitality, ecological integrity, dynamism, and challenges. Moreover, Slovenia can pride itself on its rich natural and cultural heritage. In the first half of 2009, the economic depression left a strong mark on Slovenian tourism, as well. In the first six months, tourist arrivals and overnight stays decreased by 7% and 5%, respectively, in comparison to the same period last year. Also, in the first six months, foreign tourist arrivals and overnight stays decreased by 12% and 11%, respectively, in comparison to the same period last year. The number of arrivals of Slovenian tourists did not change in comparison to the

same period last year and thus remained the same, while the number of their overnight stays increased by 2%.

([http://www.slovenia.info/pictures%5CTB\\_board%5Catachments\\_1%5C2009%5CTURISTII%C3%84NO\\_OGLEDALO\\_8416.pdf](http://www.slovenia.info/pictures%5CTB_board%5Catachments_1%5C2009%5CTURISTII%C3%84NO_OGLEDALO_8416.pdf); 22<sup>nd</sup> of January 2010).

Although the importance of tourism in the Slovenia economy is widely recognised, empirical studies in explaining the international demand conditions of tourism in Slovenia are limited and the majority of these studies only consider demand factors (personal income and relative prices) as the main explanatory variables of the tourism demand. The supply factors have been systematically ignored when the demand conditions were estimated. Factors, such as inherited resources, created resources, supporting factors and resources, destination management and situational conditions have not been considered as potential arguments in attracting more tourism inflows.

The purpose of this study is to provide an empirical analysis that contemplates the weaknesses that have been observed with regard to the demand conditions of tourism in Slovenia. More specifically, we introduce into the demand conditions function supply factors.

## **1. THEORETICAL POSITIONS**

The development of the tourist industry within any country requires the creation of a demand for prospective tourists.

Destinations stimulate and motivate visits; they are the places where tourism products are created to be experienced by visitors. They are also the places where local residents experience the impacts of tourism. From a stakeholder's perspective, a destination can be seen as an open-social system of interdependent and multiple stakeholders. Unfortunately, many destinations 'suffer' from a scarcity of financial resources needed to establish a budget that is adequate for the development of a tourism marketing strategy that communicates messages about themselves and convinces tourists to visit their region, instead of other destinations (D'Angella and Go, 2009).

### **1.1. Tourism Destination – definitions**

A tourist destination is seen as a set of distinct natural, cultural, artistic or environmental resources, but also as an overall appealing product available in a certain area. It is a complex and integrated set of services offered by a destination that supplies a holiday experience which meets the needs of the tourist (Cracolici and Nijkamp, 2008). A tourist destination is the reason for travelling, and tourist attractions of a destination generate tourism demand. Bieger (2000, p. 74) defines a tourist destination in the sense of a geographic area (community, region, country, continent) that the respective visitor (or a visitor segment) selects as a travel destination. It encompasses all necessary amenities for a stay, including accommodation, catering, entertainment, and activities. According to Mathieson and Wall (1996, p. 12), a destination area is a place having characteristics which are known to a sufficient number of potential

visitors to justify its consideration as an entity, attracting travel independent of the attractions of other locations, and at its most basic, tourism is about the desire to visit destinations which constitute the centre of activities in that location. Gunn (1994, p. 27) defined destination as a geographic area containing a critical mass of development that satisfies travellers' objectives. Thus, the boundaries of a destination could be classified geographically, for example the whole country or a region within the country. The basic elements of a destination are transport connections and, thereby, access to one or several locations; further, one or several locations with an adequate offer of public services, series of attractions, and effective transport connections between locations and attractions. Meanwhile, Hu and Ritchie (1993, p.26) conceptualised the tourist destinations as a package of tourism facilities and services which, like any other consumer product, is composed of a number of multidimensional attributes. A destination can also be defined as a highly frequented location combining infrastructure, superstructure and a series of private business facilities providing tourism services to visitors. The majority of countries have more than one destination corresponding to the indicated definition, and local governmental organizations participate actively in and coordinate the activities on the supply side (Middleton, 1998). Murphy (1985) perceived destinations as a marketplace where supply and demand characteristics push for attention and consumption, suggesting that the tourism resources base is a combination of physical and human resources, has seasonal elements, and is associated with the four S's notion of sea, sand, sun, and sex. In contrast, Smith (1994) stated the importance of travel services in creating a product experience, and described how inputs from various destinations could produce experiential outputs for tourists. Tourist destinations are, in fact, a mixture of attractions, service activities, and transport system. If one of the above elements is missing, the tourism industry cannot develop. When considering the development of destinations, we must also mention the tourists. If tourists do not consider a destination worthwhile visiting, it will disappear from the tourist maps sooner or later. This can present a major problem for destinations where tourism is an important economic activity (Cooper et al., 1993, p. 77). Kozak (2001) asserted that it is important to undertake an empirical examination of tourists' motivation; such work will help to identify the destination's attributes that are to be marketed and to match tourist motivation with markets and destination features and resources. A useful destination definition was developed by Konecnik (2005, p. 53), where tourist destination is defined as 'a complex entity based on a variety of different products, services and experiences; managed by different stakeholders (tourism industry sector, public sector, government, destination management organization, locals) with a variety of ownership forms; and perceived from different perspectives (from the tourist's, local's and manager's perspectives)'.

## **1.2. Tourism demand**

It is important to treat the destination as a unit as it is noted that the destination can affect the competitiveness of both the destination and individual actors. Destinations are complex networks. This is why we have to take into account the challenges of developing strategies involving a large number of firms and other actors (local and regional authorities) when developing a destination (Haughland et al., 2011).

A review of the literature indicates that income and prices are the most important determinants of tourism demand (Lee et al., 1996: 532). Classical economic theory suggests that the major determinants of the demand for travel are the income of tourists and the price of goods and services relative to the price of substitutes. But the theory also indicates that marketing and promotional efforts, political situation, cost of living at the destination, the exchange rate, and special events may have an impact on demand conditions (Loeb, 1982; Stronge and Redman, 1982; Uysal and Crompton, 1984 cited in Vanegas and Croes, 2000: 950). Some studies included price as a composite of relative inflation rates, exchange rates, and most studies treated also the cost of transportation. Other explanatory variables were sometimes included, as the level of business activity /international trade, marketing expenditure, weather, travel distance, migration, population's supply factors, and dummy variables (special events, terrorism, oil crisis). We can find a real variety of substantive and methodology differences between studies (Crouch, 1996) The five most common explanatory variables used in tourism demand models were: income, relative prices, transportation costs, exchange rates and trend (Lim, 2006).

Frechtling (1996) classified possible determinants as push factors, pull factors, and resistance factors. Push factors are those characteristics of a population in an origin market that encourage travel away from home. These are population size, GDP and income trends, income distribution, age distribution, education distribution, leisure time, and family structure. Climate, friends, relatives, social/cultural ties, destination marketing programs, destination attractiveness, special events, and complementary destinations make part of the pull factors. The third group, resistance factors, includes determinants that constrain travelling between an origin and a destination, such as prices, distance, travel time, border control, customs and other border formalities, safety and physical barriers.

That is, people travel because they are pushed, for instance they have a desire to participate in sport, travel to historically important places, or experience adventure. At the same time, pull forces attempt to motivate tourists to experience diverse destination attractions.

In their OECD study Dwyer et al. (2001b) distinguished three groups of determinants of the demand for tourism:

- socio-economic and demographic factors (population, income in country of origin, leisure time, education, occupation etc.)
- qualitative factors – (variables such as tourist appeal, image, quality of tourist services, destination marketing and promotion, cultural ties etc.)
- price factors – (cost of tourism includes the cost of transport services to and from the destination and the cost of ground content).

In their study Hailin et al (2011) have also stressed that the image of a destination needs to be regarded as a basis for survival within a globally competitive marketplace where various destinations compete intensely. Destination becomes a business unit of the tourism offer and should be managed on new bases. Usually tourist demand factors help in creating an environment in which tourism is performed. The more a destination is able to meet the needs of the tourists, the more it is perceived to be attractive and the

more the destination is likely to be chosen. The attractiveness of a tourist destination encourages people to visit and spend time at the destination. When the demand declines, the destination managers efficiency becomes a major issue, mainly due to the competition pressure (Barros et.al., 2011). Studies, focused on the weaknesses and strengths of Slovenian tourism (Sirše and Mihalič, 1999; Gomezelj and Mihalic, 2008), have stated that tourism was stronger in any other factors than in its management's capability to add value. Indeed, management was the weakest point of Slovenian tourism.

Demands on the tourism market are inseparably linked to the competitiveness of a tourist destination, regardless of the way in which we define or measure competitiveness. Tourism destinations are unique as they are not competitive or uncompetitive but we can only treat them relative to competing destinations. We can compare destinations only establishing a set of determinants against which the competitiveness can be judged (Dwyer et al., 2011).

The nature of destination demand is regarded as being an important factor of destination competitiveness. Dwyer et. al (2001a) argues that demand conditions establish the providing grounds for the tourism industry. This is the reason for employing the Integrated model of competitiveness (Dwyer et al, 2001a), that includes inherited resources, created resources, supporting factors and resources, destination management, situational conditions, and demand conditions for analyzing the correlations between these factors and, finally, find out which factor is the most important for the tourism demand conditions.

From the perspective of our study, this model was the most relevant. It brings together the main elements of destination competitiveness, it provides a realistic display of the linkages between the various elements, the distinction between inherited and created resources deemed to be useful, and the category of Management, which was the important issue of our research included all relevant determinants that shape and influence the destination demand conditions.

Taken together, Inherited, Created and Supporting Resources provide various characteristics of a destination that make it attractive to visit. Inherited resources can be classified as Natural and Cultural. The Natural Resources include physiography, climate, flora and fauna etc. The culture and heritage, like the destinations' history, customs, architectural features, and traditions enhance the attractiveness of a tourism destination. Created Resources include tourism infrastructure, special events, entertainment, shopping and any available activities. The category Supporting factors and Resources provides the foundations for a successful tourism industry. They include general infrastructure, quality of services, hospitality, and accessibility of destination.

Destination Management includes factors that enhance the attractiveness of the inherited and created resources and strengthen the quality of the supporting factors.

The factors of Situational conditions can moderate modify or even mitigate destination attractiveness. This can be a positive or unlikely negative influence. There would seem to be many types of situational conditions. These are destination location, micro and

macro environment, the strategies of destination firms and organisations, security and safety and the political dimension. A better understanding of the interrelationships between tourism destination and demand conditions is appropriate for destinations' planning, development and marketing efforts to succeed. Furthermore, a more systematic approach shows that tourism exists due to the availability of resources and attractions, their operation and management, marketing, and product development. These components, especially management which is responsible also for efficient marketing, planning and product development, are of high importance to destinations' competitiveness in an increasingly fierce competitive marketplace.

If we want a demand to be effective, tourists must be aware of what a destination has to offer. The awareness, perception and preferences are three main elements of the tourism demand.

## 2. RESEARCH METHODOLOGY

The most common research methods in the tourism area are from visitors' perspectives. In our case this approach is limited due to the short period of visiting time and a limited knowledge of domestic and foreign visitors about a given destination, particularly about the destination management determinants. Although a lot of effort was invested in the achievement of success in the area of tourism demand, only few studies dealt with a tourism demand from a supply side perspective. There are many variables that visitors can not judge satisfactory because of their lack of familiarity with the destination (Bornhorst et al, 2010).

The use of tourism experts as tourism stakeholders has some benefits and advantages. Their knowledge about the entire portfolio of destination competitive resources can help to discover the tourist destination more appropriately. Numerous academic researchers have employed residents and stakeholders as respondents in their studies (Byrd et al., 2009, Diedrich and Garcí'a-Buades, 2009; Lee et al., 2010).

Following the integrated model, that aggregates the following variables: *inherited natural resources* (climate, mountains, lakes, rivers, sea, and beaches), *inherited cultural resources* (folk customs, language, habits, and historical sights), *created resources* (tourism infrastructure, exceptional events, offer of tourism activities, entertainment, and shopping), *supporting factors* (quality of services, accessibility of a destination, and hospitality), *situational conditions* (economic, social, cultural, demographic, and political conditions, technological development, and government incentives), *management* (development of a national tourism strategy, marketing, promotion, care for appropriate educational programmes, environmental protection legislation, and harmonious development of tourism and overall economy), and *demand conditions* (awareness, perception and preferences), a survey instrument was prepared and a survey was conducted.. In order to obtain a clearer picture of the answers provided by the respondents to the various questions, we grouped them into each of the six categories: Inherited Resources (9 questions), Created Resources (24 questions), Supporting Factors (12 questions), Situational Conditions (11 questions), Management (25 questions), and Demand (4 questions). The questionnaire did not

distinguish between these six groups, as it was not necessary for the respondent to distinguish between the groups of questions. It ends with questions on the sociodemographic characteristics of the respondents.

### **2.1. Sample description**

The respondents were selected from tourism stakeholders on the supply side, that is tourism industry stakeholders, government officials, tourism school academics and postgraduate students on tourism courses. Out of 291 questionnaires sent, 118 or 41 % were returned.

The sample included 6.8 % government officials, 12.8 % tourist agency managers, 26.4 % hospitality sector managers, 6 % tourism school academics, 15 % tourism services managers, 12 % postgraduate students on tourism courses, 15 % employers in local tourist organisations and 6 % the others. The majority of the participants were young – up to 40 years of age (61.9 %). The respondents' average length of residence in Slovenia was 36 years (SD = 11.29). The results revealed that 2 (0.02 %) of respondents were residents for less than 20 years, 43 (36.4 %) of them were residents for between 20 and 30 years, 18 (15.2 %) of them for between 30 and 40 years, and 55 (48.38 %) of them for more than 40 years. Only four of them were not born in Slovenia, only one of all respondents has lived in Slovenia less than 13 years. The sample was not well balanced in terms of gender (66.1 % female, 33.9 % male). The majority of the participants had completed college or university (50.8 %), so most of the respondents were quite highly educated. This result implies that the survey questionnaires were collected from various tourism stakeholders who are currently involved in tourism-related organisations, associations and business.

### **2.2. Analysis**

Since the analysis ultimately aims at correlations among different groups of variables, we applied the principal components method in the first phase. This is the appropriate technique for forming new variables which are linear composites of the original variables. We defined one new variable for each of the six groups. We therefore created a new synthetic variable – a principal component for each of the six groups of variables. If a sufficiently large proportion of the common variance is accounted for by a few of the first principal components, these components can successfully replace the primary set of variables in further calculations. The principal components method thus allows us to reduce the size of our extensive database and, at the same time, ensures a minimal loss of information.

Before conducting a principal component analysis we calculated correlations among the variables in each of the six groups and proceeded with Bartlett's test of sphericity (used to test the null hypothesis which states that the correlation matrix is a unit matrix) and The Kaiser-Meyer-Olkin measure of sampling adequacy (used to measure the strength of the overall correlation between variables). As regards the data from all groups, Bartlett's test of sphericity has shown significant differences with the power p



= 0.000. The results of Kaiser-Meyer-Olkin measures of sampling adequacy are also sufficiently high. The lowest measure of adequacy (0.790) was established for the variables classified in the *Resources* group and the highest measure of adequacy (0.967) for the variables classified in the *Management* group. Since all the measures of adequacy are higher than 0.5, we conclude that all groups of data are suitable for the analysis of the principal components.

The starting point for analysis are the six correlation matrices showing the correlation coefficients and statistical significance of the variables for each group separately. In Table 1 we collected the highest and lowest correlation coefficients, which have proved to be statistically significant. This indicates which variables within each group of variables are most and which are least inter-correlated.

### 2.3. Results

Within Group A, presenting inherited natural and cultural resources the highest correlation was found between A7-Historic sites and A8-Heritage (0.78). This is in accordance with the meaning of these two variables. Following is the correlation (0.66) between A6-Artistic and architectural features and A7-Historic sites, which is reasonable. The lowest correlation coefficients were found between variable A1-Cleanliness, and all the other variables of this group, especially between A1-Cleanliness and A6-Artistic and architectural features (0.20). We also found low linear correlation (0.21) between A2-Attractiveness of climate for tourism and A8-Heritage. In the Group A we combined variables measuring natural and cultural resources and we recognized that high correlations among variables representing cultural resources exist, and low correlations were found when comparing one variable, which represents substantive natural resources, and another that represents the cultural content resources.

The Group B includes variables presenting created resources. The highest (0.74) correlation was found between B16-Variety of cuisine and B17-Food service facilities, as also (0.58) between B25-Special events/festivals and B26-Entertainment (eg. theatre, galleries, cinemas). High correlations between these two variables are not surprising, since they measure quite related factors. Among all variables measuring created resources, the lowest correlation (0.18) was found between B10-Water based activities (eg. swimming, surfing, boating, fishing) and B31-Diversity of shopping experience as also between B22-Accommodation (variety/quality) and B28-Community support for special events.

Variables presenting supporting factors were included in Group C. The highest correlation (0.74) was found between C39-Communication and trust between tourists and residents, and C42-Hospitality of residents towards tourists, as also (0.55) between C34-Financial institutions and currency exchange facilities and C37-Telecommunication system for tourists. These two high correlations are in accordance with the meanings of the variables. In the first case they both measure a certain kind of relation between tourists and local residents, while in the second case they measure accessibility conditions for destination visitors. The lowest correlations (0.19) were found between C38-Accessibility of destination and C40-Efficiency of

customs/immigration, as also between C34-Financial institutions and currency exchange facilities and C44-Visa requirements as impediment to visitation.

**Table 1:** Correlation coefficients (the highest and the lowest coefficients within different groups of variables)

Variables	High correlation		Low correlation	
	Group A	A7-A8 0.780** p = 0.000	A6-A7 0.662** p = 0.000	A1-A6 0.199* p = 0.030
Group B	B16-B17 0.735** p = 0.000	B25-B26 0.579** p = 0.000	B10-B31 0.181* p = 0.050	B22-B28 0.181* p = 0.050
Group C	C39-C42 0.743** p = 0.000	C34-C37 0.550** p = 0.000	C38-C40 0.187* p = 0.043	C34-C44 0.193* p = 0.036
Group D	D71-D73 0.662** p = 0.000	D63-D64 0.642** p = 0.000	D61-D65 0.197* p = 0.033	D69-D72 0.205* p = 0.026
Group E	E47-E48 0.839** p = 0.000	E54-E55 0.678** p = 0.000	E46-E49 0.183* p = 0.047	E53-E59 0.184* p = 0.046
Group F	F83-F85 0.788** p = 0.000	F82-F83 0.623** p = 0.000	F83-F84 0.582** p = 0.000	F82-F84 0.602** p = 0.000

n = 118; p – significance level

\* Correlation is significant at the 0.05 level (2-tailed).

\*\* Correlation is significant at the 0.01 level (2-tailed).

Source: Author's Research

Within Group D, presenting management, the highest linear correlation (0.66) was found between D71-Government co-operation in development of tourism policy and D73-Public sector commitment to tourism / hospitality education and training, as also between D63-Destination vision reflecting tourist values and D64-Destination vision reflecting resident values (0.64). These two high correlations are in accordance with the meanings of the variables. Variables D71 and D73 are related. Indeed, if the government is actively implementing the training of human resources in the tourism branch, this results in higher tourism culture among local residents. Actively implementing the training policy also means persuading the individuals about the benefits, economic and social, that can appear as a consequence of tourism development of the destination. The lowest linear correlations (0.20) were found between D61-Existence of adequacy tourism education programs and D65-Destination vision reflecting stakeholder values, as also between D69-Quality of research input to tourism policy, planning, development and D72-Resident support for tourism development.

Among variables in Group E, presenting situational conditions, the highest correlation (0.84) was found between E47-Value for money in destination tourism experiences and E48-Value for money in accommodation. This means that the accommodation prices, as also other tourism services prices, according to our respondents, are in the same relation with the quality of accommodation or respectively, with the quality of other tourism services. Between E54-Use of e-commerce and E55-Use of IT by firms there is a strong correlation too (0.68). Indeed, if an organization uses IT, and if it has a well developed ICT system inside the organisation, then there is a strong possibility that they will have developed the e-marketing and all kinds of e-commerce. The lowest correlations (0.18) were found between E46-Political stability and E49-Manager capabilities, as also between E53-Value for money in shopping items and E59-Investment environment.

The Group F of variables presents demand conditions. We found high correlations among all four variables (from 0.58 to 0.79). However, the highest correlation exists between F83-International awareness of destination and F85-International awareness of destination products. These two variables are comprehensively related. If we can succeed in improving the awareness of Slovenia, tourists will choose it more frequently for their tourism destination.

In terms of correlations among variables, there exists the possibility of variables reduction using the principal components method. For the data from all six groups of variables, the Bartlett's test of sphericity is significant ( $p = 0.000$ ). The Kaiser-Meyer-Olkinove sample adequacy rates are also high enough. The KMO measures the sampling adequacy, which should be greater than 0.5 for a satisfactory factor analysis to proceed. In our case the lowest rate is 0.790; since all the dimensions are greater than 0.5, we assumed that all of the data are suitable for principal components analysis.

In our next step, we will determine the principal component (new factors) for each group of variables. The total variances kept with new computed factors for each group and the intervals of factor loadings are presented in Table 2. We named the new factors as presented in Table 2.

**Table 2:** New factors, computed using principal components analysis

Groups	Factors	Total variance	Interval
Inherited natural and cultural resources	NACURES	40.7 %	0.32 to 0.78
Created resources	CRERES	31.6 %	0.39 to 0.67
Supporting factors	SUPFAC	38.1 %	0.48 to 0.70
Management	MGT	42.9 %	0.50 to 0.77
Situational conditions	SITCON	35.6 %	0.40 to 0.74
Demand conditions	DEMCON	73.3 %	0.82 to 0.90

Source: Author's Research

The correlation between variables is usually checked if we are interested only in the direction and strength of this relationship. If we want to explore what sort of relationship is significant for the variables, we use a regression. A regression analysis includes techniques for analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. More specifically, regression analysis helps us understand how the typical value of the dependent variable changes when any one of the independent variables is varied, while the other independent variables are held fixed. The most simple method is a linear regression, where the model specification is that the dependent variable is a linear combination of the independent ones. In the social and natural sciences multiple regression procedures are very widely used in research. In general, multiple regression allows the researcher to ask (and hopefully answer) the general question "what is the best predictor of ...?". In our case we chose the DEMCON (factor, computed from variables presenting demand conditions) for the dependent variable and all other factors (NACURES, CRERES, SUPFAC, MGT, and SITCON) for independent variables. The reason is that we were interested in what are the predictors of demand conditions. Knowing this, it would be easy to decide which instruments to employ for improving the demand conditions in Slovenia. We decided to use the Enter variable selection method.

The results are presented in Table 3.

**Table 3:** Regression coefficients using the Enter method

Variable	Coefficients	t	p
NACURES	7.52 E-02	1.027	0.307
CRERES	0.140	1.311	0.192
SUPFAC	-1.45 E-02	-0.149	0.882
MGT	0.824	7.801	0.000*
SITCON	-0.244	-2.318	0.022*

p – significance level, \* Correlation is significant at the 0.05 level (2-tailed).

Source: Author's Research

In the linear regression model, the coefficient of determination,  $R^2$ , summarizes the proportion of variance in the dependent variable associated with the independent variables, with larger  $R^2$  values indicating that more of the variation is explained by the model, to a maximum of 1. The degree to which independent variables are related to the dependent variable is expressed in the correlation coefficient  $R$ , which is the square root of  $R$ -square. In multiple regression,  $R$  can assume values between 0 and 1. Table 3 shows the coefficients of the regression. On the basis of the results presented in Table 3 we can make the following conclusions.

The multiple coefficient of determination  $R$  is to 0.77, is the degree to which independent variables are related to the dependent variable. Its large value indicates a strong relationship. Usually we take into consideration the  $R$ -square, in our case equal

to 0.6, which explains that 60 % of proportion of variance in the dependent variable is associated with the independent variables. Hence, the R-square statistic is a measure of the extent to which the total variation of the dependent variable is explained by the regression. It is not difficult to show that the R-square statistic necessarily takes on a value between zero and one. A high value of the R-square, suggesting that the regression model well explains the variation in the dependent variable, is obviously important if one wishes to use the model for predictive or forecasting purposes. Taking into consideration the high R-square coefficient and the statistically significant F test (F test value 33.40), we can consider our model as suitable for the analysis.

We can explain the econometric estimates as following:

The first independent variable, NACURES, has a weak, positive and not statistically significant influence on DEMCON. The second independent variable, CRERES, has a positive influence on demand conditions, DEMCON, but is not of convincing statistical significance. The third independent variable, SUPFAC, negatively influences the dependent variable, but this influence is weak and not statistically significant. The fourth independent variable, MGT, has a strong and statistically significant impact. The fifth independent variable, SITCON, has a statistically significant and negative influence on the DEMCON.

Since the individual coefficient estimations are so different, some of them being statistically non significant, we found it reasonable to additionally carry out the so called Stepwise procedure of estimating our model parameters (see Novak, 2003). The results are presented in Table 4.

**Table 4:** Regression coefficients using the Stepwise method

Variable	Coefficients	t	p
MGT	0.755	0.755	0.000

Source: Author's Research

It was found that by using the Stepwise procedure, only the MGT (the principal component of the fourth group of variables) variable was included in the model as an independent variable. The multiple coefficient of determination R is up to 0.75, i.e. the degree to which independent variables are related to the dependent variable. Its large value indicates a strong relationship. The R-square is equal to 0.57, which indicates that 57 % of proportion of variance in the dependent variable is associated with the independent variables. We can therefore conclude that a small part of the variance is lost by leaving out of the model the independent variables (1) NACURES (the principal component of the first group of variables – *inherited natural resources*, i.e. climate, mountains, lakes, rivers, sea, and beaches and *inherited cultural resources*, i.e. folk customs, language, habits, and historical sites), (2) CRERES (the principal component of the second group of variables – *created resources*, i.e. tourism infrastructure, exceptional events, offer of tourism activities, entertainment, and shopping), (3) SUPFAC (the principal component of the third group of variables – *supporting factors*, i.e. quality of services, accessibility of a destination, and hospitality), and (4) SITCON (the principal component of the fifth group of variables – *situational conditions*,

*i.e.*(economic, social, cultural, demographic, and political conditions, technological development, and government incentives).

This can be explained by a strong linkage between factors representing management of the destination and factors of demand conditions.

### **3. IMPLICATIONS AND LIMITATIONS**

Results of this study can be generalized to some extent, because a variety of tourism stakeholders were included in the sample. Future research, preferably including several different countries in a comparative study, is needed to confirm the results.

Our research has some limitations. The analyse was performed on the basis of data collected with a questionnaire, which used perceptual measures, which are subjective in nature but capture detailed information about the concepts studied. The acquired data only represent the situation in Slovenia as a tourist destination companies on a certain date; a longitudinal component could lead to a better validity and applicability the results. Our model certainly does not include all elements of tourism destination competitiveness, but it can be considered relatively complex. Despite the limitations this study is makes important contributions and implications.

The study has important implications for researchers and practitioners. An important issue for the researchers is the selection of an appropriate conceptual and measurement model of competitiveness indicators, demand conditions and all the independent variables influencing tourism demand. Modelling tourism demand by using multiple dimensions, a more complete and accurate approximation of the factors structure should be achieved and empirically tested.

In practice, the important information for tourism stakeholders is the obtained result about the significance of appropriate and qualified tourism managers. The tourism managers' skills and knowledge can have beneficial effects on the tourism demand and further on the destination competitiveness. Tourism destinations with better management are more likely to succeed in the tourism market. A logical further extension of the present study would include the development of the improved model, including more meaningful indicators of tourism demand. A similar study examining only different smaller parts of Slovenia as a tourism destination would help to establish what part of Slovenia is more problematic for competitiveness. There is also a need to further explore complementary models and develop a strategy to promote the improvement of tourism management.

### **CONCLUSION**

In this article we analyse the demand conditions for Slovenia as a tourist destination. Following the reference literature, we establish six main groups of variables: Inherited resources, Created resources, Supporting factors, Situational conditions, Management, and Demand. On the basis of the empirical results obtained, we can reveal areas where

improvements should be made to Slovenia as a tourist destination. In the recent years the development of Slovenian tourism sector has been based on construction of the physical infrastructure. Elements such as the quality of services, educational programmes and development of human resources, stimulation of creativity and innovation, and formation of new interesting tourism products, have been neglected. The development of tourism destination management, which is one of most important factors for tourism demand conditions, has been unsuccessful. The main problem seems to be the danger that, because of the ineffectiveness in the phase of development and marketing of tourism products, the destination is losing the potential premium for the comparative advantages. This can be the reason for the diminution of the added value. It is possible that the tourism sector does not benefit enough from government support for the planned development of the destination, and the marketing endeavours do not work in the desired direction.

All kinds of management activities and actions can be considered as destination strategies that can enable Slovenia as a tourist destination to enhance the tourism demand. Management should be concerned with creating and integrating value in tourism products and resources so that Slovenia as a tourist destination could achieve a better market position (for details about the use of decision making information see for instance Ivankovič and Jerman 2010).

The unfavourable environment for foreign investment in the destination tourism industry remains an obstacle to the faster development of Slovenian tourism. This is particularly important for the segment of small and medium enterprises, which represent 98 % of all tourism business subjects. Ensuring a healthy investment climate is an essential task for tourism management. Investment in new products and services may also help to overcome seasonal constraints.

Every destination comprises many public and private sector actors. In practice, a strategic framework is required to outline their respective roles as well as their opportunities. Both should play their roles and achieve their specific goals and objectives. However, the cooperation between managers in the public and private sector has been rated as quite low. It is increasingly appreciated that a strong spirit of partnership and collaboration is required among all stakeholders to realize the potential of destination and to maximize available resources. Slovenia is still in a transition period. Privatization of tourism enterprises has just started. All these circumstances do not favour an ideal public-private partnership.

The presented research represents only one single step in the analysis of tourism demand conditions for Slovenia as a tourist destination. We have listed only some of the main dimensions and indicators. The first aim of this paper was to indicate the weak points of Slovene tourism industry. The results manifest the importance of efficient tourism management.

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