

MECHANISMS OF PUBLIC ADMINISTRATION OF THE SMALL AND MEDIUM-SIZED ENTERPRISES

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Abstract. *The article is devoted to the problem of improving the efficiency of state mechanisms of tourism development. The article analyzes the trends in the development of small and medium-sized enterprises in the tourism industry, since these enterprises form the economic base of this industry. As a result of the analysis, the main approaches to the formation of the system of public administration mechanisms in tourism sector were identified and the system of marketing communications for the development of small and medium entrepreneurship was analyzed. The results of the analysis of domestic and foreign experience have shown that approaches to the formation of marketing communications at the state level differ significantly. The paper provides general recommendations for the establishment of the system of marketing communications of small and medium-sized enterprises in the tourism industry at the state level, as well as mechanisms for analyzing its efficiency by building an economic-mathematical model for forecasting optimistic, realistic and pessimistic scenarios.*

Keywords: *government support, public administration, tourism, marketing communications.*

Introduction

Tourism is the structural element of the most actively developing service sector, increasing the volume of tour flows, and is the industry with the highest profit growth rates. Despite the high degree of commercialization of this industry, due to its fulfillment of a number of social and socially important functions, tourism is a priority of economic and political development of states and regions. Consequently, the issue of analysis of prospects of formation of the system of state administration in the tourism sphere is topical. Tourism enterprises are predominantly in the form of small and medium-sized businesses, which, according to the world's leading entrepreneurs, have the additional benefits. Due to their advantages, the enterprises of the tourism industry are highly competitive, so building an effective marketing communication system is necessary for tourism enterprises to provide opportunities for effective development. Thus, given the relevance and practical importance of the topic, the article is devoted to the issues of building a marketing communication system for small and medium-sized businesses in the tourism industry through the implementation of public administration mechanisms (Sych et al. 2020; Bepalko 2019; Lashchuk 2021).

Many scientists have researched the problem of improving the efficiency of the public administration system in the tourism industry, particularly in the context of enhancing place and role of communication in public policy (Romanenko 2016; Kuznetsova and Khomenko 2020). This is due to the relevance and importance of this topic for the national economy. In particular, the Euro-integration vector of the development of the mechanisms of public administration in the tourism industry in accordance with the conditions and standards of European Union countries in the system of preparation for associate membership of Ukraine in the EU has been researched by V. Herasymenko and Ya. Honcharenko (2019), O.L. Mykhailiuk (2013). The research of the essence of the public administration mechanism in the operation of enterprises through the system of training of specialized personnel and further organizational activity for ensuring in the system of public administration the realization of the conformity assessment of personnel qualification is presented in the study by O.M. Nepomnyashchyy et al. (2019). L.M. Ivashova (2019) proposed the application of public-private partnership mechanisms in the public administration system in the tourism industry as an effective tool, which has a high degree of effective implementation in the countries of the European Union. In the monograph by S.O. Dombrovska and I.S. Lapina (2020), O.M. Bilotil (2015), A.L. Pomaza-Ponomarenko (2015) was presented the analysis of the legal framework and concepts of public administration, considering the specificity of the tourism industry.

M. Borushchak (2016) researched the issue of providing strategic prospects for tourism development at the state level, defining the complexity of tourism development problem. Analyzing the problems of information support of the tourism industry in the conditions of high competition, A.S. Blyzniuk (2019) researched the problems of developing a system of information and analytical support of the development of the tourism industry. Few papers are devoted to building a state marketing system, which is very important in the information society. In particular, A.M. Havryliuk (2018) provided

recommendations on the establishment of a state-level marketing system in the tourism industry. The management aspect of building marketing communications in the system of state regulation is presented in the study by K.I. Honcharenko (2018). However, the issue of building the effective marketing communications in the tourism industry at the state-level remains relevant due to the lack of common approaches to ensuring the efficiency of these processes in conditions of high commercialization of the industry and competition in the tourist services market.

The purpose of this article is to elaborate proposals and to substantiate trends in improving the efficiency of marketing communications at the level of public administration in the tourism industry, taking into account the characteristics and distinctive features of small and medium-sized enterprises (The World Tourism Organization 2020). Following objectives were outlined: to analyze trends in the development of small and medium-sized enterprises in the tourism industry; to determine the main approaches to the formation of the system of state management mechanisms in the field of tourism; to analyze the marketing communications system for the development of small and medium-sized enterprises; to provide general recommendations on the establishment of a state-level marketing system for small and medium-sized tourism enterprises.

The General Trends in Global Development and in the National Tourist Services Market

Improving the standard of living, socio-cultural development and awareness-raising activities are among the priorities of forming a strong civil society, which is a priority of the state development. Therefore, the role of tourism in the development of socio-economic processes at the state level will only increase (Nepomnyashchyy et al. 2019; Lelechenko et al. 2020; Kalaur and Moskaliuk 2020). Trends in the development of the tourism industry in the world were analyzed. In particular, the trends of change in the international tourist arrivals across the globe over the last 17 years were determined. The results of the analysis are presented in Figure 1.

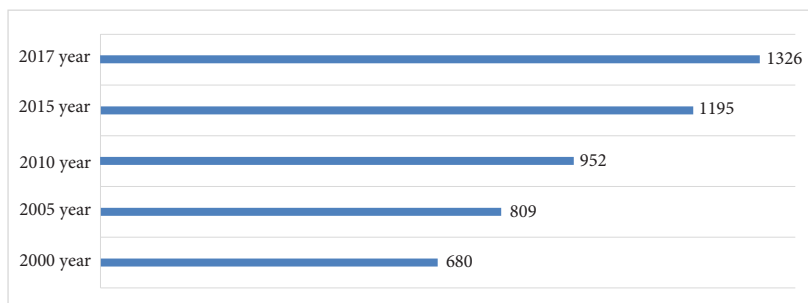


Figure 1. Dynamics of the international tourist arrivals, millions of people, 2000-2017 years

Source: State Statistics Service of Ukraine 2019

According to the analysis of statistics, presented by the World Tourism Organization (2020), a steady tendency for the growth of tourist arrivals in the world was determined. In line with the increase in the number of tourist arrivals, there is also an increase in revenues from the sale of tourism services at the global level. Trends are presented in Figure 2.

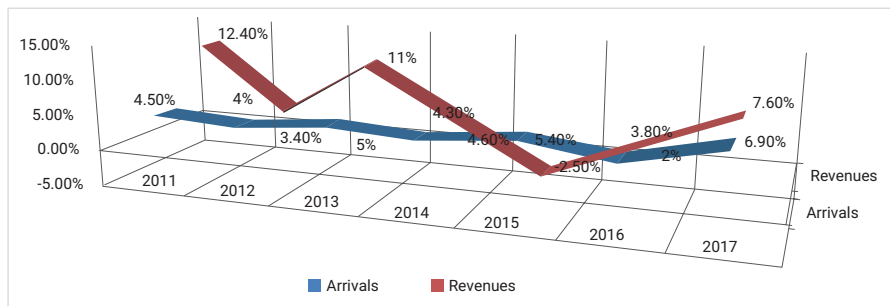


Figure 2. Percentage dynamics of changes in the level of world tourist arrivals and revenues from world tourist flows, 2000-2017 years

Source: State Statistics Service of Ukraine 2019

The results of the analysis presented in Figure 2 have shown that the volume of income from tourist arrivals is growing at a higher rate than the volume of tourist flows. This trend indicates not only an increase in the number of tourists globally, but also an increase in the cost of making a tourist trip per tourist.

The European tourism region holds the first place in terms of tourist flows and revenues from tourism activity (51% of world tourist arrivals). The Asia-Pacific region is developing most dynamically in terms of increasing tourist arrivals. Today, tourist arrivals in the Asia-Pacific region make up 24% and continue the dynamic of active growth. In the third place, by the number of tourist arrivals, is the American Region (16%), which is closely linked to its geographical location and less accessibility to large flows of tourists as compared with Europe. The African region is characterized by the development of only business tourism within the continent and the arrivals of international inbound tourists. However, due to the low standard of living, low social guarantees and security for tourists, the region does not fulfil its tourism potential and has only 5% of world tourist arrivals. The tourist region of the Middle East has high tourist potential, but does not fully utilize it due to the political instability and military and civil-military conflicts, as well as the high level of terrorist threat (Diegtiar 2020; Kuzmenko et al. 2020; Ivanova 2021). Figure 3 determines the system of marketing communications at the level of public administration by highlighting the features of the regions and the specificity of management at different organizational levels.

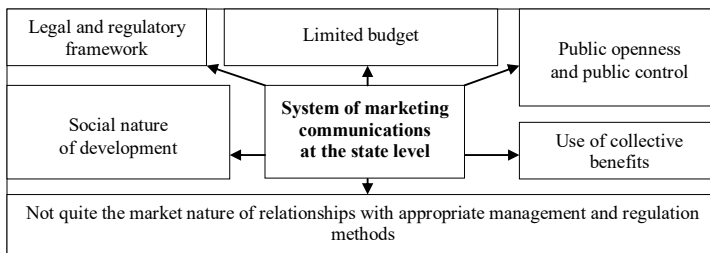


Figure 3. Special features of building of marketing communications in the system of public administration

Source: Berezhnytska 2019

Due to the fact that the tourism enterprises are in the form of small and medium-sized businesses, in order to develop proposals for building a system of marketing communications at the state level, it is advisable to present an analysis of trends in this area in Ukraine. So, the tourism sector is 100% represented by small and medium-sized enterprises (State Statistics Service... 2019). The number of tourism enterprises in Ukraine in 2010-2018 is presented in Figure 4. The structure of tourism enterprises is represented by travel agencies, tour operators and organizations providing other reservations services and related activities (for 2018, 81%, 7% and 12% respectively).

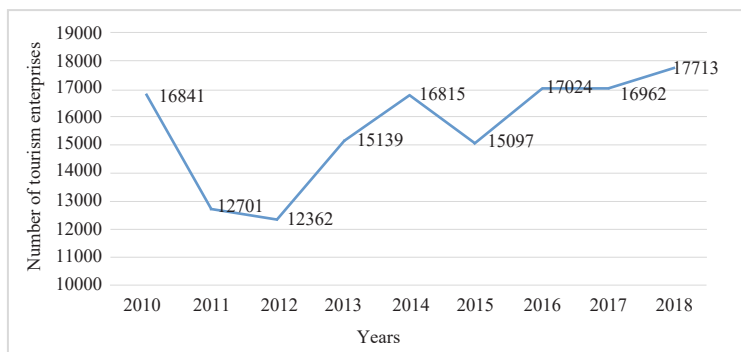


Figure 4. Number of tourism enterprises in Ukraine in 2010-2018

Source: Ptakhina et al. 2020

The number of employees in small and medium-sized tourism enterprises has decreased significantly in recent years. However, the same trend is observed in the total number of persons employed at Ukrainian enterprises. Therefore, such a reduction in the number of employees is not caused by the specifics of the industry. For the most part, small and medium-sized tourism businesses are profitable (Fig. 5). In particular, in 2018, 74% of tourism businesses made a profit (Fig. 6).

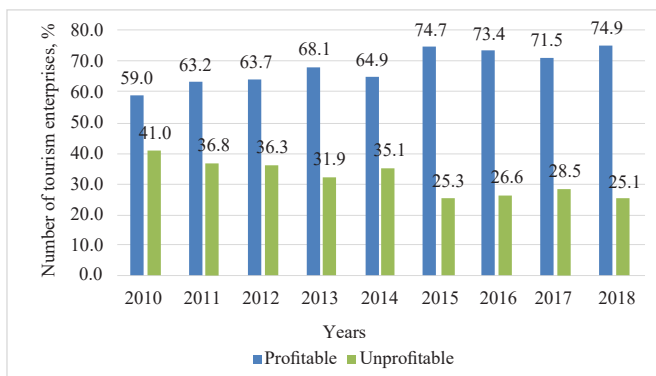


Figure 5. Number of profitable and unprofitable tourism enterprises in 2010-2018
Source: Ptakhina et al. 2020

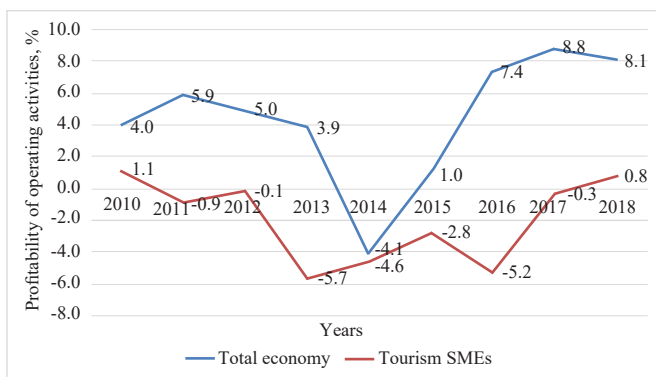


Figure 6. Profitability of operating activities of tourism SMEs and total economy in 2010-2018
Source: Ptakhina et al. 2020

The profitability of tourism enterprises is much lower than in the whole economy, therefore supporting small and medium-sized tourism enterprises is extremely important. A positive experience in this area is the COSME grant competition, which aims to promote the development of small and medium-sized enterprises in the tourism sector through transnational cooperation, which enables the exchange of experience and enhances the competitiveness of such enterprises. Based on the analysis, the main conceptual approaches to the system of state management mechanisms in the direction of development of small and medium-sized enterprises, in particular the sphere of tourism, are highlighted:

- 1) state deregulation of entrepreneurial activity should contain indirect measures that stimulate the development of small and medium-sized enterprises. At the same time, given Ukraine's competitive advantages in the tourism sector and the considerable

tourism potential of our country, we can predict that the saturation of small and medium-sized enterprises, as the most progressive sector of the national economy will be sufficiently concentrated and significant. That is, small and medium-sized enterprises need stimulating state support;

- 2) instruments of such state support in the tourism sector may be the following: financial support mechanisms (direct financial assistance, financial guarantee of repayment of loans (mechanism of operation of the loan guarantee fund), partial compensation of interest rates on loans, micro-credit through credit unions at the expense of state funds, etc.), organizational and resource support (activities of business accelerators, office-type business incubators, production and technological incubators, access to free production areas, industry clustering of activities, etc.), providing information and support measures (publishing information and presentation materials, ensuring participation of small and medium-sized enterprises in exhibitions, fairs, tourist forums, etc.), training and consulting support of activities (organization of information seminars on topical issues of doing business and functioning of the tourism industry, organization and conducting of trainings, individual consulting);
- 3) it is advisable to introduce state assistance and support measures through the provision of activities of the institutions of the infrastructure for promoting business development. At the same time, it is necessary to keep the priority areas of business development, in particular the tourism industry, as a promising service sector.

Thus, the author's approach implies the application of measures of state support for the development of small and medium-sized tourism business, based on the principles of functioning of socially oriented market economy (neoliberalism), which will strengthen the effect and ensure harmonization with the system of marketing management of the sphere of marketing communications. The state management of the development of small and medium-sized enterprises in the tourism industry should be comprehensive, versatile, and at the same time implemented within the framework of the state support system for small and medium-sized enterprises in the country. Based on an analysis, recommendations for establishment the system of marketing communications in tourism at the state level were made, namely:

- use of a powerful system of the state sustainable resource for using channels of presentation of information on directions of development of the tourism industry;
- attracting Internet resources and social networks to build a positive tourist image, work of websites, Internet guides, on-line pages in social networks and more;
- development of the systems of online voting, video tours and presentation materials on the largest tourist sites of Ukraine;
- use of a worldwide network of cultural and educational websites;
- involvement of human potential in the development of tourism brands and marketing communication systems through the open competitions for tourism development projects, with the further promotion of the project winners to civil service posts related to tourism development;
- work with tourist booklets, guides to promote the tourism brand in other countries of the world through the popular tourist exhibitions, presentations, fairs, etc.;

- publication of articles in the press, analytical journals of the relevant profile and pages on social networks on the development of tourist sites of the country, such as leading resources: World Tourism Organization, media resources “National Geographic”, “Discovery”;
- creating a rhodium tourism system around the tourist industry facilities to attract additional attention to these sites and to develop some reliable tools for promoting them.

An important indicator of the efficiency of the application of the system of marketing communications at the state level is the determination of marketing costs per unit of sales. It should be noted that the tourist expenses include not only the costs of purchasing the tour itself, but also the costs of traveling (preparatory) and along with travel (food, shopping, transport, souvenir shopping, etc.).

Analysis of the Cost Efficiency of Implementing the System of Marketing Communications in Tourism at the State Level

Marketing expenditures in tourism per unit of services provided will be the main indicator of the analysis (Eqs. 1, 2):

$$E_p = C_p : C_o; \quad (1)$$

$$E_f = C_f : C_o; \quad (2)$$

where: E is the cost; C_p – marketing costs per unit of service rendered, planned, \$; C_f – marketing costs per unit of services rendered, actual in the reporting period, \$; C_o – marketing costs per unit of services rendered, actual in the base period, \$; p – planning period; F – actual indicators.

Conducting the analysis begins with the calculation of actual marketing costs per unit of service. Then, the data is compared to a planning period and there is a delta that reflects the differences between planned and actual marketing costs. For further calculations, an economic and mathematical modeling of the pessimistic, realistic and optimistic scenarios of economic return on marketing costs per unit of services rendered is carried out (Eqs. 3-5):

$$S_p = C_p - C_o; \quad (3)$$

$$S_r = C_f - C_p; \quad (4)$$

$$S_o = C_f - C_o \quad (5)$$

where: S_p is the return on marketing costs, the pessimistic scenario; S_r – the return on marketing costs, the realistic scenario; S_o – the return on marketing costs, the optimistic scenario.

For further analysis, it is advisable to determine the planned, over-planned and actual cost savings of the state for marketing communications (Eqs. 6-8):

$$EK_p = (C_p - C_o) * Q_1; \quad (6)$$

$$EK_{nm} = (C_f - C_o) * Q_1; \quad (7)$$

$$EK_f = (C_f - C_o) * Q_1 \quad (8)$$

where: EK_p is the planned economic efficiency; EK_{nm} – economic efficiency (over-planned); EK_f – actual economic efficiency; Q_1 – cost index of the unit of service provided.

We will calculate the following data. Suppose that the state expenditures on the tourism industry amounted to 15 290 thousand UAH. The cost of marketing communications in the base period amounted to 325 thousand UAH. During the reporting period, the cost of marketing communications amounted to 320 thousand UAH. The actual figure is 314 thousand UAH. We define the following indices. Planned Efficiency Index = 314:325=0.96. According to the results of the calculations, the Planned Efficiency Index from the use of the marketing communications system in the tourism industry at the state level amounted to 96% of marketing expenditures.

Over-planned Performance Index = 314:320=0.98. According to the results of the calculations, the Over-planned Performance Index from the use of the marketing communications system in the tourism industry at the state level amounted to 98% of marketing expenditures.

Actual Performance Index = 314:325 = 0.985. According to the results of the calculations, the Actual Performance Index from the use of the marketing communications system in the tourism industry at the state level amounted to 98.5% of marketing expenditures.

Conclusions

1. Consequently, the main trends in the tourism industry, which is 100% represented by small and medium-sized enterprises, were analyzed. In conditions of high competition and commercialization, a steady trend is the increase in the number of tourists and the geometric progression of the growth of income from the tourism industry. Since tourism has a number of social functions, the state's attention to the development of this area is important.
2. In conditions of high competition, tourism development is possible only if the mechanisms of building a marketing communication system are used. As a result of developing proposals for the use of marketing communications in tourism at the state level, a model for estimating the cost of marketing communications through economic efficiency indices in a pessimistic, optimistic and realistic scenario was proposed. Calculations, which are presented in the article, confirm the efficiency of the marketing communications system in the development of the tourism industry at the state level.
3. It is determined that the return on marketing expenditures for the development of the tourism industry at the state level will amount to an average of 98% increase in revenues compared to the expenditures, which indicates the high economic efficiency of marketing communications and the need for their development at the level of public administration in tourism.

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