

ICEST 2021**II International Conference on Economic and Social Trends for Sustainability of Modern Society****ANALYSIS AND EVALUATION OF BARRIERS TO THE MARKET
OF THE DEVELOPING COUNTRIES**

A. J. Toshboev (a)*, R. B. Azimov (b), G. B. Ergashev (c), K. M. Shodmonqulov (d)

*Corresponding author

(a) Department of Agribusiness and Investment Activity, Tashkent State Agrarian University, Tashkent, Republic of Uzbekistan, Abduraimtoshboev@gmail.com, 0000-0003-0258-2123

(b) Tashkent State Agrarian University, Tashkent, Republic of Uzbekistan

(c) Tashkent State Agrarian University, Tashkent, Republic of Uzbekistan

(d) Tashkent State Agrarian University, Tashkent, Republic of Uzbekistan

Abstract

The purpose of this article is to study the existing barriers to the development of tourism in Uzbekistan. The subject of our research is the industry barriers for companies to enter to the new markets in the tourism sector of Uzbekistan. As the main source of information, data from a survey involving 50 travel companies were used. The analysis of the macro-environment and micro-environment allows organizations to create a list of dangers and opportunities that they face in this environment. The assessment of the importance of industry barriers to entry for enterprises in the tourism sector of Uzbekistan showed that the most sensitive to the presence of entry barriers are small firms, as well as newcomers to the industry under study. In the process of studying the problem, it was found that behavioural barriers are the most effective tools for deterring entry to the tourism market. Based on the results of the conducted research, we can say that the main importance for the tourism sector is the characteristics of the reaction of economic agents to each other's actions, and not so much the structural and technological characteristics of the industry. It is concluded that the effective institutional ways of entering the market can be called franchising and direct investment.

2357-1330 © 2021 Published by European Publisher.

Keywords: Economy, market, entrepreneurship, competition, tourism, survey

1. Introduction

This article is devoted to the study of the development of the tourism market in Uzbekistan, as well as the problems faced by travel companies, especially newcomers to this industry. As in any branch of the economy, there are certain barriers that most firms and companies face when entering the market. In our opinion, studying the issues of overcoming such barriers is considered particularly relevant. This is due to the fact that the existence of industry barriers to entry into the tourism market of Uzbekistan determines the dynamics of economic growth and well-being of its population. The achievement by companies of reducing barriers or overcoming them becomes an element of the state's competitive policy and is considered as one of the most important tasks of the policy of improving market relations.

To assess the existing barriers to entry into the tourism industry, we used an econometric model. As the main source of information, data from a survey involving 50 travel companies were used. A SWOT analysis of competitor firms was conducted. Conclusions are drawn about the need to improve the marketing activities of travel companies.

2. Problem Statement

In Uzbekistan, the tourism industry is one of the youngest, but in its development it is ahead of many other industries. Statistics from the period of independence show the effective dynamics of its main indicators: the private sector is now represented by more than 1,500 enterprises, including more than 886 accommodation facilities and about 795 tour operators (Briglauer & Reichinger, 2008; Shvets, 2018; Staten, 1956).

Tourism services exports doubled between 2010 and 2017, reaching US \$ 546.9 million in 2017 and US \$ 1.041 million in 2018. By 2016, the average annual growth of foreign visitors was 8%, and in 2017-7% and increased by 2.69 million people.

By the end of 2018, about 5.3 million foreign tourists visited the country. The main stages of tourism development in 2019-2020. They are the creation of a solid legislative framework for the development of tourism, the implementation of institutional reforms to modernize the infrastructure and promote the country's brand. 2021-2025 years - increasing the share of tourism in the economy and increase the share of tourism in GDP is expected to be 5% and more than 9 million people, including 2 million of these are in foreign countries. Attracting more tourists is projected to increase tourism exports from \$ 951 billion to \$ 2.2 billion by 2025. These data indicate the high competition of the travel company "Agreement" Ltd, which we are studying, in the market of Uzbekistan.

3. Research Questions

To clarify the choice of the direction of the travel agency, you need to create a picture of the market consisting of a number of segments. Since the segmentation of the market determines the adoption of strategic decisions and the direct development of the marketing mix. The segments of the tourist services market are shown in Table 1.

Table 1. Tourist priorities of different age groups of the population

Children and teenagers	Young people	Married couples from 25 to 45 years old	Age group from 46 to 65 years old	Pensioners 66 years and older
Visiting bars, clubs and discos	Passive recreation	Family holidays	Excursions	Excursions
Sunbathing	Delicious food	Passive recreation	Passive recreation	Trips to nature
Excursions	Excursions	Excursions	Trips to nature	Delicious food
Passive recreation	Family holidays	Sunbathing	Delicious food	Passive recreation
Trips to nature	Sunbathing	Delicious food	Sunbathing	Holidays with loved ones and others

The group of children and teenagers includes tourists from 0 to 14 years old. They usually travel with their parents, who make the decision about the trip for them. Most tourist services are provided to them at discounted rates. Discount often serve as the basis for further gradation of this category of travelers into smaller and more homogeneous parts: infants up to one year, which may be carried free of charge, children from a year to 5 years 6 to 11 years and 12 to 14 years (Law of the Republic of Uzbekistan about Tourism No. ZRU-549 18.07.2019, 2019).

The second group from 15 to 24 years old is formed by young people. Unlike the previous category of children, young people travel without their parents. Their funds for travel are usually limited, as they consist of college students by occupation.

The third segment of the tourist market consists of relatively young married couples. Their age ranges from 25 to 45 years, and many of them are economically active, that is, have a permanent occupation and financial stability.

The fourth category includes middle-aged people from 46 to 65 years. Many people at this age still remain economically active, and are also solvent. Since people of this age are no longer burdened with the care of children, their interests also do not coincide with the interests of the previous groups.

An independent segment is formed by older persons, mainly non-working pensioners. The tourism market for the elderly over the age of 66 has undergone profound changes over the past 10-20 years and is characterized by a high growth rate of tourist trips. Each age group has its own distinct pattern of behavior and sets different tourist priorities.

The main competitor of Ltd "Agreement" in the market of tourist services in Tashkent is the travel agency "Asian Tour", which provides services in the field of booking and selling air tickets, organizing inbound and outbound tourism, organizing charter flights both inside Uzbekistan and abroad, booking hotels, renting vehicles, issuing visas and visa support. Let's compare the financial results of these travel agencies in Table 2.

Table 2. Comparison of the financial results of Ltd "Agreement" and "Asian Tour" for 2019 (thousand US dollars)

Indicators	Ltd "Agreement"	Ltd "Asian Tour"	Difference (+,-)
Revenue from sales of services	178.6	178.6	+ 40.8
Gross profit from the sale of services	49.5	17.6	+ 31.9
Net profit for the reporting period	13.3	9.6	+ 3.7

Source: Financial statements of companies

The main factor affecting to the financial result is the cost of production. In our case, the cost of the services provided. As we can see from Table 2, the financial results of Ltd "Asian Tour" are worse than those of Ltd "Agreement". Based on the volume of revenue, there is also more gross and net profit.

To assess the competitiveness of an organization, we apply the method of scoring (Sutton, 1991).

Table 3. Score assessment of individual indicators of Ltd "Agreement" and "Asian Tour"

Indicator	Ltd "Agreement"	"Asian Tour"
Quality of management	9.1	8.1
Quality of services	9.3	8.5
Financial condition	9.0	8.2
Use of resources	8.5	8.8
Ability to work with staff	8.7	7.9
Long-term investment	8.3	6.6
Ability to innovate	8.7	7.8
Responsibility to society and nature	8.9	8.2

Source: Analysis results

As can be seen from Table 3, the highest level of competitiveness of Ltd "Agreement" - 8.9 points. The lowest score for the association "Asian Tour" is 8 points. The reason for this is the low score of long-term investments – 6.6 points and low ability to innovate – 7.8. This indicator indicates a strong competitive position of the travel agency we are studying in this market.

The advantage of Ltd "Agreement" over its competitor is the quality of management, stable financial condition, and the ability to innovate.

However, for a more accurate objective analysis of the competitiveness of enterprises, it is necessary to take into account the different impact on it (different significance) of each of the properties under consideration (Law of the Republic of Uzbekistan about Tourism No. ZRU-549 18.07.2019, 2019).

In this case, the maximum score of each competitiveness indicator is assumed to be equal to 5 points, and the sum of the weighting coefficients of the competitiveness indicators is equal to 1 point (Golodner, 2001).

The second condition is satisfied simply by applying the appropriate expert ranking methodology. The results obtained are shown in Table 4.

Table 4. Assessment of competitiveness taking into account the weight coefficients of Ltd "Agreement" and "Asian Tour"

Competitiveness indicator	"Asian Tour"		Ltd "Agreement"	
	K _B	P _a	K _B	P _B
Quality of management	0,17	4	0,68	3
Quality of services	0,15	3	0,45	4
Financial condition	0,14	4	0,56	2
Use of resources	0,08	2	0,16	4
Working with staff	0,10	3	0,3	3
Long-term investments	0,07	2	0,14	1
Ability to innovate	0,17	4	0,68	3
Responsibility to society	0,12	1	0,12	4

Source: Analysis results

Kv-weight coefficients of competitiveness indicators that characterize their significance in the overall assessment of the competitiveness of these organizations;

Ra - assessment of competitiveness indicators of Agreement Ltd»

Rb-assessment of the competitiveness indicators of the company "Agreement" Ltd»

The competitiveness of enterprises is determined by the formula:

$$K = \sum K_B P_i \tag{1}$$

Thus, the competitiveness of Ltd "Agreement":

$$K_a = 0.68 + 0.45 + 0.56 + 0.16 + 0.3 + 0.14 + 0.68 + 0.12 = 3.09 \text{ points.}$$

Competitiveness for the "Asian Tour":

$$K_b = 0.51 + 0.6 + 0.28 + 0.32 + 0.3 + 0.07 + 0.51 + 0.48 = 3.07 \text{ points.}$$

So, the assessment of competitiveness helped us to identify that the advantage of Ltd "Agreement" over its competitor is the quality of services, which positively affects the competitiveness of the organization.

The advantage of "Asian Tour" is long-term capital investment, increased responsibility to society. These qualities can earn the trust of customers, as well as strengthen their competitive position in the market of tourist services. A comparison of the two travel companies revealed that they have the preferred chances in the market. At the same time, the relative equality of competitiveness portends an aggravation of the competition between them.

Thus, the analysis of the macro-environment and microenvironment allows the organization to create a list of the dangers and opportunities that it faces in this environment. For successful planning, management must have a complete understanding of not only the significant external problems, but also the internal potential and shortcomings of the organization.

Using the SWOT analysis method, we will evaluate the weaknesses and strengths. The data of the SWOT analysis of Ltd "Agreement" are given in Table 5.

Table 5. Strengths and weaknesses of Ltd “Agreement”

Internal strengths (S):	Internal weaknesses (W):
Clearly demonstrated competence	Loss of some aspects of competence
Good understanding of service consumers	Unavailability of the finances needed to change the strategy
The use of economies of scope of services, cost advantage	Below-average market art
	The lack of analysis of information about consumers
	Lack of a clearly defined strategy, inconsistency in its implementation
	Outdated management structure
External features (O):	External threats (T):
The ability to serve additional groups of consumers	Weakening of market growth, unfavorable demographic changes in the introduction of new market segments
Expanding the range of service options	An unfavorable shift in foreign currency
The weakening of the restrictive legislation	Fierce competition
The weakening of the instability of the business	The increasing requirements of the customers

Source: Analysis results

Based on the results of the analysis, it can be concluded that the organization has more weaknesses than strengths. Moreover, there are also potential external threats. This indicates that it is necessary to develop measures to improve the competitiveness of the travel company.

4. Purpose of the Study

The purpose of the study is to assess the existing industry barriers to entry into the tourism market of Uzbekistan and determine the most effective ways to overcome them.

5. Research Methods

Based on the basis of theoretical and methodological approaches to assessing the significance of industry barriers to entry into the market, we can form an econometric model, with the help of which we will assess the main barriers to entry into the tourism industry (Cherevichko, 2019; Morozov, 2017).

This study is of a local nature, and it was not possible to compile a complete list of entry barriers. Therefore, our research can only serve as an appendix to larger studies in this area. In the econometric model, we introduce three vectors describing the significance of barriers in terms of entry into the industry of a new participant: (Briglauer & Reichinger, 2008; Burke & To, 2001).

$$Ent = f(\text{SignD}, \text{SignA}, \text{SignT}). \quad (2)$$

The dependent variable (Enf) is the probability of a new company entering the industry, and the exogenous parameters are the significance (materiality) of entry barriers depending on the size of the firm (SignD), the influence on them from market agents (SignA) and their setting by technological or behavioral parameters of the functioning of economic agents (SignT).

The exogenous parameters of the equation are vectors of the significance of industry entry barriers depending on a number of "new" exogenous parameters. In the table, we have presented an assessment of

the significance of industry entry barriers depending on the subjects of the assessment, based on which, for example, the SignD vector can be represented as the result of simultaneous consideration of the influence of large (SignLEs), medium-sized and small companies (SignSMEs). The SignA, SignT vectors are constructed in a similar way (Golodner, 2001):

$$\text{SignD} = \text{fd}(\text{SignLEs}, \text{SignSMEs}), \quad (3)$$

$$\text{SignA} = \text{fa}(\text{SignInc}, \text{SignEnt}, \text{SignG}), \quad (4)$$

$$\text{SigriT} = \text{ft}(\text{SignST}, \text{SignBbe}). \quad (5)$$

The value of these parameters was estimated in each specific case using various analysis tools (statistical observations, econometric assessment, expert assessment system, etc.), depending on the market, technological and institutional conditions of Uzbekistan.

The choice of companies in the tourism industry is determined by the specifics of the study, since its main purpose is to assess the significance of industry barriers to entry and analyze ways to overcome them, then the most interesting for us were the dynamically developing industries, which include the tourism sector.

We used a statistical sampling method that takes into account the territorial distribution of the main population, as well as its structure, to which we attributed the age of the firms. The average level of employment in the selected enterprises is 37 people.

The sample includes enterprises that were established in the 2010s, and in general, about two-thirds of the surveyed enterprises were formed before 2019.

The questionnaire consisted of eight questions. Through the answers to them, it was possible to assess the structure of the tourism industry under study and the capabilities of the companies operating in it. The questionnaire questions contain suggestions to respondents to evaluate franchising, licensing agreements, and direct investment. We asked respondents to identify the most promising forms of overcoming barriers in the market under study. Another question allows us to identify the segment of the industry in which experts are ready to invest their funds.

All questions of the questionnaire can be divided into three groups:

- The first group analyzes the structure of the tourism market and the travel companies operating on it;
- in the second group, the most significant entry barriers are selected from the proposed ones;
- the third group allows us to identify those forms of company growth that are most promising for overcoming these barriers.

The results of the survey are evaluated by using the methods of econometric analysis.

6. Findings

As a result of the survey, 75% of respondents confirmed the existence of industry barriers to entry into the tourism industry of Uzbekistan. The remaining 25% believe that there are such barriers, but they

should not be afraid. Hence, it can be concluded that there are barriers to entry into the tourism sector. Each of the respondents agreed that the barriers to entry into the tourism industry in our country are rather behavioural in nature.

The majority of respondents confirmed the overcoming of industry barriers to entry and the effectiveness of franchising and direct investment.

To test the qualitative conclusions, we used econometric models of binary choice (Probit models) (Barrell & Holland, 2000; Gollier, 2001).

Based on the proposed model for assessing the significance of industry barriers (equations (1) - (4)), the binary choice model we evaluate has the following general form (Sutton, 1991):

$$P(\text{Enf} = 1) = F(B_0 + B_1 \text{SignD} + B_2 \text{SignA} + B_3 \text{SignT} + e), \quad (6)$$

where: Enf - the probability of a new company entering the industry,

F - is the cumulative function of the normal distribution.

The assessment of the importance of industry barriers to entry for enterprises in the tourism sector of Uzbekistan showed that newly created small firms are the most sensitive to the presence of entry barriers.

We found that behavioural barriers are the most effective tools to deter entry. Based on this result, it can be said that the characteristics of the reaction of economic agents to each other's actions, rather than the characteristics of the industry, are of dominant importance for the tourism sector.

The analysis of the survey results showed the effectiveness of franchising, which makes it possible to cover the cost of advertising, taking into account consumer demand. Direct investment allows you to overcome such entry barriers as investment risks. So, we see that the analysis of industry barriers to entry as an instrument of competition restriction policy is one of the topical issues of the development of the modern economy, in particular in the development of effective tourism policy tools.

The analysis of industry barriers to entry and ways to overcome them indicates the feasibility of the proposed models.

7. Conclusion

The analysis of the macro-environment and microenvironment allows the organization to create a list of the dangers and opportunities that it faces in this environment.

The SWOT analysis data of Ltd "Agreement" showed the weaknesses of the travel agency, which can serve as an entry barrier. They can be divided into two groups, depending on the company and independent of it.

- dependent barriers: loss of some aspects of competence, unavailability of the finances necessary to change the strategy, below-average market skill, lack of analysis of consumer information, lack of a clearly defined strategy, inconsistency in its implementation, outdated management structure;
- independent barriers: weakening of market growth, unfavourable demographic changes in the introduction of new market segments, unfavourable shift in exchange rates, fierce competition.

Studies have shown that the existing industry barriers can be overcome, and franchising and the direct investment can be considered the most effective institutional ways to enter the tourism market of Uzbekistan.

References

- Barrell, R., & Holland, D. (2000). Foreign direct investment and enterprise restructuring in Central Europe. *Economics of Transition*, 8(2), 477-504.
- Briglauer, W., & Reichinger, K. (2008). Chances of contestability in communications. *Intereconomics*, 43(1), 51-64.
- Burke, A. E., & To, T. (2001). Can reduced entry barriers worsen market performance? A model of employee entry. *International Journal of Industrial Organization*, 19(5), 695-704.
- Cherevichko, T. V. (2019). *Economics of tourism*. Moscow.
- Gollier, C. (2001). *Wage Differentials, the Insider-Outsider Dilemma, and Entry Deterrence*. Oxford Economic Papers, 43(3), 391-408.
- Golodner, A. M. (2001). Antitrust, innovation, entrepreneurship and small business, *Small Business Economics*, 16, 3135.
- Law of the Republic of Uzbekistan about Tourism No. ZRU-549 18.07.2019. (2019). <https://uzbekistan.travel/en/tourism-laws/>
- Morozov, M. A. (2017). *Economics and entrepreneurship in socio-cultural service and tourism*. Akademiya.
- Shvets, I. Yu. (2018). *Regional management of competitiveness of tourist services: methodology and practice*. PE Enterprise Phoenix.
- Staten, J. (1956). *Bain Barriers to New Competition: Their Character and Consequences in Manufacturing Industries*. Harvard University Press.
- Sutton, J. (1991). *Sunk cost and market structure: price competition, advertising, and the evolution of concentration*. MA: MIT Press.