

# Analysis of the Competitive Environment of Tourist Destinations Aiming at Attracting FDI by Applying Porter's Five Forces Model

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## ABSTRACT

**Aims:** The aim of this article is to come to the conclusion whether Porter's five forces model can be adjusted for the purpose of assessing competitive environment of the tourist destination, in order to attract Tourism Foreign Direct Investments (TFDI), and use it as such as an alternative method for comprehension and enhancement of competitive advantage.

**Study design:** Research paper.

**Methodology:** The research relies on the well-known Porter's five forces, which the author adjusted and applied on local tourism destination. It was tested whether in this way opportunities and threats for the development of tourism in the local destination could be found, and the possibility of strengthening its position in relation to the five forces, in order to enhance the competitive advantage of a destination, for the purpose of defining strategies for attracting TFDI.

**Results:** By applying the adjusted Porter's five forces on the example of Divčibare in Serbia, opportunities that allow the development of tourism products in line with world trends were recognized, the necessity of improving the quality of accommodation and services and the need for greater administrative and procedural efficiency of local self-government were pointed out, as well as trends and volume of FDI outflows that needs to follow in finding potential investors.

**Conclusion:** The research has shown that by applying the adopted Porter's five forces, tourist destinations are given an opportunity to see their position in the domestic market, compared to their competitors, consider the extent and trend of investment flows in the world and the trends in the global tourism market and develop their services and contents in accordance with them. Tourist destinations can also realize the opportunities that are offered to investors in other countries and compare and consider that await investors in making investment decisions in their country and local tourist destination.

**Keywords:** Porter's five forces, foreign direct investments, tourism, Serbia

## 1. INTRODUCTION

In recent decades, modern tourism has become the largest and fastest growing industry. International revenues generated by tourism in 2011 reached 1.030 billion dollars. New destinations, including former transition countries, the underdeveloped and developing

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25 countries, have won an increasing share of the international market in recent years. Their  
26 share, from 30%, as it was in the 1980s, increased to 47% in 2011, and according to the  
27 predictions, will reach 57% until 2013 [1]. Based on the above mentioned, it is not surprising  
28 that an increasing number of countries see tourism as an option for a stable economic and  
29 social development, and places tourism development in their political and development  
30 agendas.

31 Strategic decision-makers must be aware of the developments in a competitive environment  
32 in order to identify opportunities and dangers an organization faces [2]. This includes  
33 constant scanning and monitoring of environment and collecting data on the existing and  
34 potential competitors [3]. Porter's five forces model is widely used in analyzing the  
35 competitive environment, and it describes a competitive environment through five basic  
36 factors: entry of new competitors, the threat of substitutes, the bargaining power of buyers,  
37 the bargaining power of suppliers and the rivalry among the existing competitors [4]. The  
38 analysis of competitive forces provides the managers with "the groundwork for a strategic  
39 agenda of action" and enables them to "find a position in the industry where his or her  
40 company can best defend itself against these forces or can influence them in its favour" [5].

41 However, considerable investment and resources are required for the positioning in the  
42 international competitive market, and developing countries, such as Serbia, due to the  
43 limited resources available, see the FDI as efficient generator that can support the  
44 development of the tourism sector and enable modernization of offer, increase of export,  
45 employment and income but also prevention of migrations from undeveloped regions, where,  
46 due to preserved resources, tourism often can be the only opportunity for development.

47 Serbia is a Danube Basin, Central European and Balkan country and has diversified  
48 structure of attractions. Danube, as Europe's longest river, is a unique tourist potential of  
49 Serbia, not only due to the development of nautical tourism, but also due to variety of natural  
50 and anthropogenic tourist resources in its coastal zone. The mountain landscape of Serbia  
51 has a very differentiated geomorphologic, climatic and vegetation features, for which this  
52 resource provides a variety of opportunities for tourism development: from picnic and  
53 recreational on the lower and middle mountains to winter sports in the mountains above  
54 1500 m altitude. Spa tourism is also widely spread in Serbia, because there are more than  
55 130 mineral springs, which are a natural potential for development of health tourism. Serbia  
56 is also characterized by a rich cultural and historical heritage. Monasteries are one of the  
57 most important cultural, historical and spiritual values in Serbia. They were built in the period  
58 between XII and XVII century.

59 Tourist destinations in Serbia are facing stiff competition from both destinations in other  
60 countries, which tend to attract foreign investors and tourists, and competition in the country,  
61 between domestic destinations. Therefore, the task of the strategic management is to  
62 develop a strategic plan to attract foreign investment and to determine how to compete with  
63 its competitors in order to create a competitive advantage in the market, at the same time  
64 making sure that this advantage becomes permanent in the market and those competitors  
65 cannot easily copy it or replace [3].

66 Divcibare, which is the subject of this paper, is a mountainous plateau on Maljen Mountain,  
67 only 117 km from Belgrade, the capital of Serbia and the international airport. This  
68 mountainous location has a variety of well-preserved tourist resources, which allow creation  
69 of various tourism products, such as mountain activity holiday, business tourism, health  
70 tourism, rural tourism, short breaks, special interests, touring and events, and favourable  
71 geographical position favours the development of transit tourism. When the ongoing  
72 construction of the highway completes, this mountain location will have a fast connection

with the capital of Serbia. The large number of tourism products of different seasonality creates conditions for development of tourism in the destination throughout the year.

This paper represents the author's original approach. The adjusted Porter's five forces model will be applied in this paper, for the purpose of comprehension of competitive environment of the mountain tourism destination Divčibare, in order to find a strategy for attracting TFDI and it will be examined whether it can be used as an alternative model for assessing competitive advantage. The force "the intensity of rivalry among competitors" is shown through "domestic market and competition", "entry barriers" through "conditions for attracting foreign investors in a host country", "bargaining power of buyers" through "customers of tourist service" and "threat of substitute products and services" through "competition from other host countries".

## 2. METHODOLOGY

The five forces model, which was developed by Michael Porter, is the most commonly used instrument for analysis and a very useful tool when examining the competitiveness of environment. Through Porter's five forces, competitive environment is described by the intensity of rivalry among competitors in one branch of industry, entry barriers, bargaining power of buyers, bargaining power of suppliers, threat of substitute products and services. Based on the analysis of these five factors, strategic decision makers can determine their opportunities and threats that exist in the competitive environment of a company.

### 2.1 The Intensity of Rivalry among Competitors

According to Porter, the level of rivalry among companies in the same industry is affected by seven circumstances [2]. First - when there are many equally balanced competitors. Second - when demand for a products of an industry declines and when the company, in order to continue to grow, has to win market share from competitors. Third - when due to the elimination of the high fixed costs, companies use the full capacity, forcing competitors to cut prices, thus strengthening the rivalry between them. The fourth circumstance occurs due to the lack of product differentiation and replacement costs, which is why customer makes a decision based on price and service. The fifth circumstance occurs when capacities are being increased on a larger scale, which inevitably leads to lower prices and tougher competition. The sixth circumstance arises when, due to the differences, is hard to predict how the competitors will act in a certain situation, especially when they are ready to reduce their profitability in order to achieve goal for high strategic stakes. The seventh circumstance occurs when there are high exit barriers, that is, when companies from certain economic, strategic, and emotional factors, are ready to do business with small profit or even negative business.

### 2.2. Entry Barriers (Threat of New Entry)

Entry barriers are obstacles to entry of new companies in an industry. According to Porter [5], there are six basic sources of entry barriers:

1. "Economy of scales" - when with increase in production, costs per a unit of product are decreased, which brings newcomers, in order to be competitive, before a choice to enter the market on a large scale, or work on smaller scale with high cost.

2. "Product differentiation" - when "newcomers" are faced with high costs, in order to cope with existing brands and their loyal customers.

123 3. "Capital requirements" - when newcomers need to invest substantial financial means in  
124 order to be competitive, especially if they do not have such resources at their disposal.

125 4. "Cost disadvantages independent of size" - which can derive from owning a technology for  
126 production of exclusive and propriety products, purchase of raw materials at affordable price,  
127 state subventions or favourable state policy."

128 5. "Access to distribution channels" - when "newcomers" are denied access to distribution  
129 channels.

130 6. "Government policy"- when government imposes laws and regulations (requirements for  
131 license and limits on access to raw materials, government restrictions operate in fields like  
132 ski-area).

133

### 134 **2.3. Bargaining power of buyers**

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136 "Buyer Power" occurs [2,3] when customers buy large quantities of product of a particular  
137 seller, thus in this situation the customer is more important to seller than the seller to the  
138 customer, or when buyer is faced with a low-cost replacement costs, because these  
139 products are not standard or even not differentiated. Low levels of personal income and the  
140 achievement of a small profit will also force the customer to reduce the cost of purchase,  
141 which manifests their bargaining power. In addition to the many factors that strengthen the  
142 bargaining power of buyers, we will also mention awareness of customers on current market  
143 prices, costs of suppliers etc., which gives them a much greater chance of getting better  
144 prices and makes their bargaining power greater.

145

### 146 **2.4. Bargaining power of suppliers**

147

148 Bargaining power of suppliers occurs [2, 3] when an industry has not many suppliers or if an  
149 industry consists of a large number of smaller buyers, that is, companies. However, the  
150 bargaining power of suppliers is reduced by substitute products if they are present in that  
151 branch of industry. If a supplier delivers its products to several production sectors, its  
152 bargaining power increases with larger number of customers to whom it supplies its  
153 products. The power of suppliers also grows if product of a supplier is a critical input for the  
154 customer. The supplier also strengthens their bargaining position when their products are  
155 differentiated and when there are replacement costs for customers. Finally, the bargaining  
156 power of suppliers increases if the supplier can perform business performed by the  
157 companies, and are more cheap. In such situation, if the buyer does not accept the terms of  
158 the supplier, supplier could acquire a new competitor in his branch of industry that would  
159 eventually shut him out of business.

160

### 161 **2.5. The Substitute Threat**

162

163 In order to assess the risk of substitute products, it is necessary to see whether the other  
164 production branches have products that can perform the same function as the original  
165 products of a manufacturer.

166 Therefore, the Porter's Five Forces Model provides „the framework for determining  
167 opportunities and threats both in economy and competitive environment"[2].

168

### 3. RESULTS AND DISCUSSION

The adopted Porter's five forces, shown in Figure 1, were adapted for the purpose of testing the competitive environment in order to attract TFDI and tourism development in mountain tourist destination Divcibare, through "home market and competition", "conditions for attracting investors", "customers of tourist services", "potential investors" and "competition from other host countries".

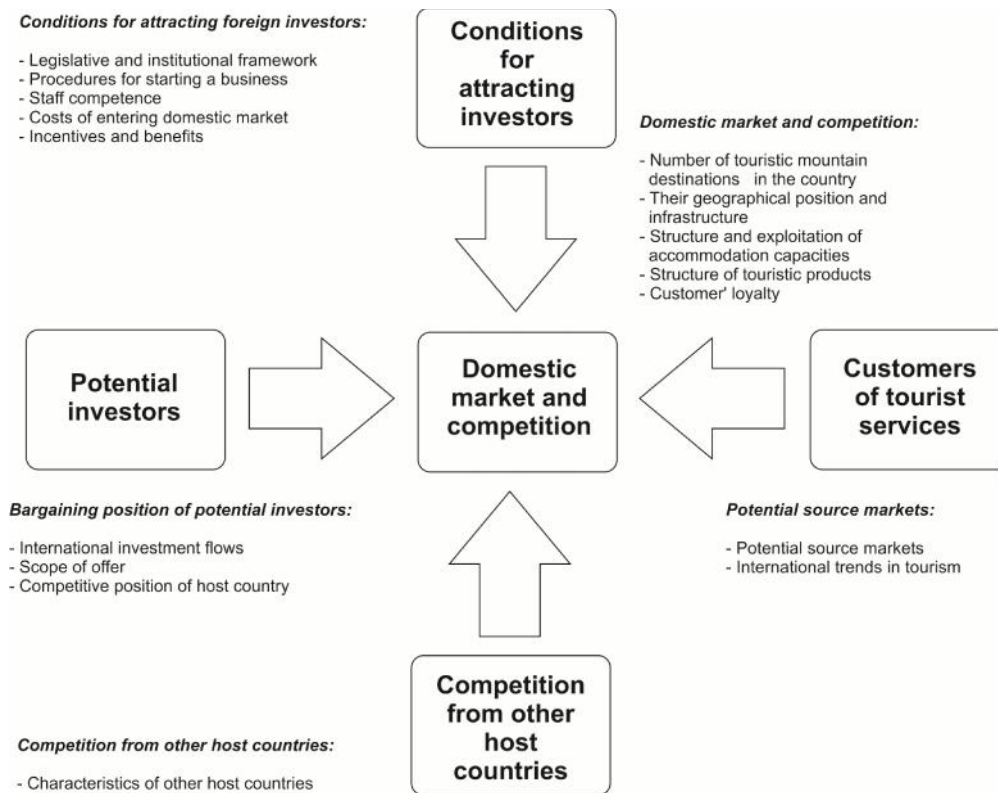


**Figure 1: Porter's Model of Competitiveness of Tourist Destinations, adopted by Author**

#### 3.1 Domestic Market and Competition

According to the Figure 1, "the intensity of rivalry among competitors" in the competitive environment of a destination, was defined as "Domestic Market and Competition", and within this force, the competitive mountain destinations in Serbia compared to Divcibare, their geographic location, tourist arrivals and registered overnight stays, structure and utilization of accommodation and differentiation of offer of their touristic products, will be observed.

Based on data taken from the Statistical Yearbook of the Republic of Serbia shown in the Table 1, the most famous mountain tourist destinations of Serbia and tourist traffic they achieved in 2011. were presented. From tourist destinations shown in the Table 1, as

already mentioned, by geographic location, the nearest destination to Belgrade and the international airport is Divčibare, while the route of the new highway, Corridor XI, whose construction should begin soon, will contribute to an easier and faster access to Rudnik, Ivanjica, Zlatibor and Tara. The number of tourist arrivals and registered overnight stays in Zlatibor, Kopaonik and Tara is far greater compared to Divčibare. Number of registered overnight stays in Divčibare is modest, while the share of foreign tourists is symbolic. (Table 1).

**Table 1: List of Visits to Mountain Places in 2011**

|                        | Tourist Arrivals |            | Nights  |            |
|------------------------|------------------|------------|---------|------------|
|                        | Total            | Foreigners | Total   | Foreigners |
| <b>Mountain Places</b> | 402221           | 47162      | 1590016 | 147803     |
| <b>Zlatibor</b>        | 118248           | 19650      | 483316  | 65046      |
| <b>Kopaonik</b>        | 65874            | 6524       | 270535  | 28978      |
| <b>Tara</b>            | 55482            | 3751       | 198314  | 12021      |
| <b>Divčibare</b>       | 30400            | 1475       | 128897  | 4766       |
| <b>Ivanjica</b>        | 16682            | 1256       | 85829   | 3210       |
| <b>Zlatar</b>          | 5572             | 749        | 15541   | 1863       |
| <b>Rudnik</b>          | 9812             | 511        | 62071   | 3892       |

Source: from [6]

When it comes to structure of accommodation facilities, more developed destinations such as Zlatibor and Kopaonik have accommodation facilities that are structurally better suited to the needs of the tourism market, however, their average utilization is insufficient.

Based on the number of tourist arrivals and registered overnight stays, utilization of accommodation facilities of mountain places can be derived. For the purposes of this paper, we will list the data contained in the Master Plan Zlatibor - Zlatar for the period 2001-2006: average utilization of facilities in Zlatibor was 20%, while in the seven famous hotels was 53%, and in Zlatar, in 2006, the average utilization was 25%, and 39% in hotels (2 in total) [7].

When it comes to Divčibare, according to the Feasibility Study for Designation of Divčibare as Tourist Area, the highest level of occupancy have resorts (55%), while the occupancy of hotels is unprofitable (from 25 to 33%, and 20% in inns [8]. For higher capacity utilization, it is necessary to raise the quality of accommodation and service.

Within this force, it is necessary to consider the differentiation of tourism products of the mentioned mountain destinations (Table 1). Based on their natural resources, it can be said that the potentials for development of tourism products are mostly similar. Differentiation exists in some tourism products. Thus, for example, Kopaonik is primarily positioned as a ski resort because of its altitude, the amount of snow cover, an extensive network of ski lifts and slopes. The range of tourism products that are developed and incorporated into these destinations' offer is mostly the same. Therefore, in these circumstances, for particular tourist products in destinations, pricing policy and the quality of service can be decisive for a customer.

### 3.2 Conditions for Attracting Foreign Investors

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233  
234 “Entry barriers”, according to the Figure 1, was defined through “conditions for attracting  
235 foreign investors in a host country”, and within this force, legislative and institutional  
236 framework in Serbia, procedures for starting a business, costs of entry into domestic market  
237 and incentives and benefits offered to foreign investors, will be observed.

238 Foreign direct investment in the tourism sector in Serbia are mostly regulated by laws and  
239 regulations related to the whole matter of FDI. In terms of the legal framework, for foreign  
240 investors and the safety of their investment, of particular importance is harmonization of  
241 legislation with the rules and principles of the WTO and EU regulations, on which Serbia was  
242 working intensively during the negotiations for membership in the WTO and preparations for  
243 European integration. Serbia has signed a number of Bilateral Investment Treaties (BITs) on  
244 mutual encouragement and protection of investments with many countries, as well as  
245 international agreements on avoidance of double taxation.

246 For foreign investors who are considering the option of investing in the tourism of a country,  
247 in addition to the legislation, which directly or indirectly has an impact on the tourism sector,  
248 of equal importance is institutional framework [9]. In Serbia, a key government body  
249 engaged in the development of tourism is the Ministry of Finance and Economy, and the  
250 National Tourism Development Corporation is responsible for providing information to  
251 potential investors about investment conditions, incentives that are given to them, market  
252 research and analysis, brownfield and greenfield investment sites, etc [10].

253 Within this force, very important is the indicator of the business cost. They vary in Serbia  
254 depending on the local government. Since recently, the business association “Naled”  
255 developed a calculator for comparing business, aiming at understanding and transparency of  
256 certain local taxes [11].

257 Finally, within this force, one should keep in mind that Serbia provides incentives to foreign  
258 investors, which includes the strategic projects in the field of tourism. „Regulation on  
259 Conditions and Ways for Attracting Foreign Direct Investments“ of 2012 provides for all cities  
260 and municipalities to have equal opportunity in terms of incentives, which for the services  
261 sector is from 2000 to 4000 Euros per employee, regardless of the number of employees  
262 [12].

### 263 264 **3.3 Customers of Tourist Services**

265  
266 According to the Figure 1, “bargaining power of customers”, has been defined as power of  
267 “customers of tourist service” and will be observed through potential source markets of a  
268 host country, taking into account current trends in tourism.

269 Bargaining power of customers increases when tourists can choose among a large number  
270 of destinations in the world and if the products are not differentiated. When tourism products  
271 are not differentiated, especially in the circumstances of the global crisis and lower living  
272 standards, the bargaining power of customers of tourist services is growing, because the  
273 need to reduce costs is especially pronounced.

274 In the case of Divcibare, in accordance with the existing level of development and  
275 accessibility of the destination, it is necessary to focus on attracting domestic tourists,  
276 tourists from neighbouring countries as well as non-residents from Serbia, especially from  
277 Belgrade, because of its proximity. With the arrival of foreign investors and completion of  
278 highway construction and high category accommodation with tourist attractions (golf,  
279 wellness, restaurants, tennis courts etc.) that meet the criteria of the demanding tourists

280 market, and by providing a higher level of service quality, source markets should also be  
281 sought in other EU countries, depending on the tourism product.

282 Potential source markets should be also sought on the basis of analysis of the ruling trends  
283 in the international tourist market (tourism “over sixty”, sustainable tourism, fewer household  
284 members, more single people, a growing interest in small market niches, etc.), and in  
285 accordance with the offer and potentials for development of tourist products of a destination.  
286 In this way, one can comprehend changes occurring in the market, objectively evaluate their  
287 own position, and realize needs and guidelines for further direction of development of tourist  
288 destinations, which also defines a guideline in terms of selection of necessary investments  
289 and their attraction to the destination.

290

### 291 3.4 Potential Investors

292

293 According to the Figure 1, potential “power of suppliers” was shown as bargaining position of  
294 “potential investors”. Bearing in mind that only a few countries keep statistics on FDI in  
295 tourism and that international standards for the TFDI analysis do not recognize the tourism  
296 industry in its full meaning, a small number of studies have been carried out on this topic and  
297 the potential benefits of such data is still not well determined [9]. Therefore, the total global  
298 investment flows will be observed based on the data of the World Investment Report (WIR)  
299 2011, in order to assess the trends and the extent of their investment [13].

300 Developed economies have a key role in FDI outflows (as well as in FDI inflows). Particularly  
301 large is the share of the European Union and the USA. However, developing economies are  
302 becoming increasingly important, both as host countries and as investors. Among them, the  
303 biggest investors were from countries of South, East and South-East Asia. The sudden drop  
304 of FDI outflows in 2009, which was a result of the global crisis, was stopped in 2010. In  
305 developed countries, in 2010, their slight increase of 10% compared to 2009 was recorded,  
306 while flows of countries of South-East Europe and the CIS grew by 24%, reaching almost 61  
307 billion USD [13].

308 Therefore, the scope of FDI outflows is also changing. Although still the largest scope of  
309 investments comes from developed economies, participation of developing economies and  
310 economies in transition is growing.

311

312

**Table 2: FDI Outflows, by Regions and Selected Economies, 2005-2010**

| Region                                 | FDI outflows (USD) |           |           |           |           |           |
|----------------------------------------|--------------------|-----------|-----------|-----------|-----------|-----------|
|                                        | 2005               | 2006      | 2007      | 2008      | 2009      | 2010      |
| <b>World</b>                           | 882.132            | 1.405.389 | 2.174.803 | 1.910.509 | 1.170.527 | 1.323.337 |
| <b>Developed Economies</b>             | 745.679            | 1.154.983 | 1.829.044 | 1.541.232 | 850.975   | 935.190   |
| <b>European Union</b>                  | 605.515            | 690030    | 1.199.325 | 306.199   | 370.016   | 407.251   |
| <b>USA</b>                             | 15.369             | 224.220   | 393.518   | 308.296   | 282.686   | 328.905   |
| <b>Developing Economies</b>            | 122.143            | 226.683   | 294.177   | 308.891   | 270.750   | 327.564   |
| <b>Asia and Oceania</b>                | 86.176             | 151.611   | 221.727   | 218.560   | 219.579   | 244.656   |
| <b>South, East and South-East Asia</b> | 73.599             | 128.997   | 187.513   | 178.256   | 193.191   | 231.585   |
| <b>Latin America and the Caribbean</b> | 33.999             | 68.129    | 61.731    | 80.580    | 45.544    | 76.273    |

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|                                      |        |        |        |        |        |        |
|--------------------------------------|--------|--------|--------|--------|--------|--------|
| <b>Africa</b>                        | 1.968  | 6.943  | 10.719 | 9.750  | 5.627  | 6.636  |
| <b>South-East Europe and the CIS</b> | 13.310 | 23.723 | 51.581 | 60.386 | 48.802 | 60.584 |

Source: from [13]

The bargaining power of investors is also affected by the competitive position of the host country, and in this sense, they can get information from the reports of various international organizations and institutions, which contain indicators of utmost importance for them. In the Table 3, some of the indicators of the elements of economic environment in Serbia were shown, according to the World Bank report, out of 185 economies.

Based on the presented data, far biggest administrative obstacle in the development of business in Serbia is obtaining construction permits, registering properties and paying taxes, which means that administrative and procedural efficiency did not improve, but on the contrary, it went worse in relation to previous year. In order to solve these problems, it is necessary to implement public sector reform, simplify and shorten procedures, which will also result in reduction of costs. Significant step forward is recorded in starting business, where Serbia improved its ranking by 49 places compared to 2012.

**Table 3: Serbia's Position in the World by Conditions for Doing Business**

| <b>Category</b>                             | <b>Rank<br/>2013</b> | <b>Rank<br/>2012</b> | <b>Change<br/>in Rank</b> |
|---------------------------------------------|----------------------|----------------------|---------------------------|
| Starting a Business (rank)                  | 42                   | 91                   | 49                        |
| Dealing with Construction<br>Permits (rank) | 179                  | 178                  | -1                        |
| Registering Property (rank)                 | 41                   | 40                   | -1                        |
| Getting credit (rank)                       | 40                   | 38                   | -2                        |
| Protecting Investors (rank)                 | 82                   | 79                   | -3                        |
| Paying Taxes (rank)                         | 149                  | 145                  | -4                        |
| Trading Across Borders<br>(rank)            | 94                   | 92                   | -2                        |

Source: from [14]

In the context of the observation of this force, it should be kept in mind that the investor's bargaining power is affected by a growing number of destinations, that is, countries that are interested in the development of the tourism sector and see in it the opportunity for development and employment growth.

### 3.5 Competition from Other Host Countries

According to the Figure 1, the power of "substitutes" was presented through "competition from other host countries", where analysis of characteristics from competitive countries with similar geographical characteristics and tourist resources is carried out. Starting from the geographical position of Serbia and its belonging to both the Balkans and Central European cultural circle, and respecting the existing resource base and Serbia, the Tourism

Development Strategy of Serbia has defined Bulgaria, Romania, Czech Republic, Slovakia and Hungary as a real competitive circuit within which the long-term development of tourism in Serbia should be planned [15]. The rank of these countries in the world and Europe is shown in the Table 4.

**Table 4: Ranking of Countries from Serbia's Competitive Environment in 2011**

|                       | Index | Rank in the world | Rank in Europe |
|-----------------------|-------|-------------------|----------------|
| <b>Bulgaria</b>       | 4,39  | 48                | 27             |
| <b>Romania</b>        | 4,17  | 63                | 34             |
| <b>Czech Republic</b> | 4,77  | 31                | 22             |
| <b>Slovakia</b>       | 4,35  | 54                | 31             |
| <b>Hungary</b>        | 4,54  | 38                | 26             |
| <b>Serbia</b>         | 3,85  | 82                | 38             |

*Source: from [16]*

Out of the countries shown in Table 4, the Czech Republic as a continental country, one of the newer EU members, which attracts the attention of investors from around the world and records continuous growth in capital investments in all sectors, including tourism, was examined in the paper.

The geographical position of the Czech Republic is very favourable. It is located in the centre of Europe, represents a crossroads of major transit corridors. Czech Republic has a highly developed transportation network and 91 airports. By becoming the EU member, it became an integral part of the single market of 27 European countries, with 502 million users [17].

Total number of employees in the tourism sector of the Czech Republic in 2009. amounted to 239,500. and accounted for 4.6% of total employment [18].

Thanks to Prague as a strong tourist attraction, Czech Republic has been able to develop tourism and provide a significant source of revenue needed for economic development.

Czech Republic participates with 4% in international arrivals in Europe, while in revenues its share is 2.6%, which compared to Serbia's competitive countries, is by far the largest revenue [1].

As the result of the application of the adjusted Porter's five forces model in order to attract TFDI and develop tourism, on the example of Divcibare, the opportunities for development of tourist products in accordance with current international trends in tourism, near Belgrade, international airport and highway under construction, were recognized in its natural resources. Five forces model pointed out the necessity of improving the quality of accommodation and services, as well as the need to achieve even greater administrative and procedural efficiency, such as obtaining construction permits, registering property in the area falling under the jurisdiction of local self-governments. Finally, by applying this model, a framework for finding potential investors was also recognized by taking into account outflows in the world.

#### 4. CONCLUSION

The basic idea of this paper is to reach a conclusion whether Porter's five forces model can be adapted for the purposes of assessing the competitive environment of a local tourism

destination in order to attract TFDI and develop tourism, and as such use it as an alternative method for evaluation and enhancement of competitive advantage. The Porter's five forces model proved to be a very useful tool that allows tourist destinations in the country to see their position in the domestic market, compared to their competitors, consider the extent and trend of investment flows in the world and the trends prevailing in the global tourism market and develop their services and contents in accordance with them. By applying this analysis, tourist destinations can also realize the opportunities that are offered to investors in other countries and at the same time compare and consider all the conditions that await investors in making investment decisions in their country and local tourist destination.

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## COMPETING INTERESTS

"Authors have declared that no competing interests exist."

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