

THE EUROPEAN TOURISM INDUSTRY

A multi-sector with dynamic markets

Structures, developments and importance
for Europe's economy



Frankfurt



Stockholm



London



Paris



Salzburg



Hamburg



THE EUROPEAN TOURISM INDUSTRY

A multi-sector with dynamic markets

Structures, developments and importance for Europe's economy

Rüdiger Leidner

March 2004

**REPORT PREPARED FOR THE ENTERPRISE DG (UNIT D.3)
OF THE EUROPEAN COMMISSION**

This report, finalised in March 2004, was prepared by Rüdiger Leidner and Marion Bender (graphics and layout) and published by the European Commission.

The views expressed in this publication do not necessarily reflect the opinion or position of the European Commission.

e-mail address: Entr-tourism@cec.eu.int

*Europe Direct is a service to help you find answers
to your questions about the European Union*

Freephone number:

00 800 6 7 8 9 10 11

A great deal of additional information on the European Union is available on the Internet. It can be accessed through the Europa server (<http://europa.eu.int>).

Cataloguing data can be found at the end of this publication.

Luxembourg: Office for Official Publications of the European Communities, 2004

ISBN 92-894-7675-3

© European Communities, 2004
Reproduction is authorised provided the source is acknowledged.

Printed in Italy

PRINTED ON WHITE CHLORINE-FREE PAPER

Contents

Summary and conclusions	I
1. Introduction	1
1.1. General objectives of the report	1
1.2. The report in the context of the Enterprise DG's work	3
1.3. Overview	4
1.4. The consumer's views on the tourism product	9
1.5. Measuring the economic importance of the tourism sector	11
2. Tourists, the consumers on the tourism market	15
2.1. Rising incomes — increasing tourism demand	15
2.2. The new 30 % of tourists: differentiated needs demand flexible enterprises	16
2.3. Tourists' motives and selection criteria: Leisure at the seaside in first place, business tourism accompanies economic liberalisation	19
2.4. Regional and seasonal characteristics of consumer decisions: the summer period and seaside in first place	20
2.5. Quantitative development of tourism demand	21
2.5.1. Regional movements: rapid growth in Asia, Europe remains the most important region	21
2.5.2. The influence of tourism demand on subsectors varies widely	25
3. The enterprises: puzzling figures form a shimmery picture	27
3.1. Overview	28
3.2. Tourist information services	33
3.3. Tour operators and travel agents	34
3.4. Accommodation	36
3.4.1. Quantitative developments since 1990 — the number of hotel rooms corresponding to arrivals	37
3.4.2. Seasonal variations of capacity use: a reason for supplementary products	38
3.4.3. Structural aspects — slight concentration process, SMEs indispensable	39
4. Employment in the tourism sector	43
4.1. Tourism employment rises faster than total employment	43
4.2. Structural aspects	45
4.2.1. 50 % younger than 35 years old	45
4.2.2. Weekly working hours vary widely	46
4.2.3. Large variations of labour productivity among the subsectors	47

5. Structural change and competitiveness of the tourism industry	51
5.1. The new technologies, a challenge for tourists and tourism enterprises	51
5.1.1. Online travel: low share and rapid increase, requiring permanent monitoring	51
5.1.2. Business-to-business communication (B2B)	54
5.2. Environment and sustainability — considering opportunity costs and intensifying multi-stakeholder dialogue	55
5.3. Structural change on the supply side and the competitiveness of tourism enterprises	58
5.3.1. The travel organisers	60
5.3.2. Accommodation	64
5.3.3. Raising competitiveness	65
Boxes in the text	
Box 1: The tourism barometer — a German approach to measuring tourism demand	13
Box 2: Tourism satellite accounts	14
Box 3: The United Kingdom — a special case or leading the way?	32
Tables and figures	
Figure 1.3: International tourist arrivals, 1950–2020	4
Figure 1.4: The tourism product from the consumer’s viewpoint	9
Figure 1.5: Type of accommodation used (four nights or more)	12
Table 2.1: Breakdown of trips by organisational mode, 2000	16
Figure 2.2: Forecast changes in the demographic structure	17
Figure 2.5.1.a: Holidaymaking rate and breakdown of trips by destination, 2000	22
Figure 2.5.1.b: Individual regions — share of worldwide arrivals	23
Figure 2.5.2: Overnight stays by residents and non-residents, EU-15	25
Table 3.1.a: Number of enterprises corresponding to the NACE classification, 1999	28
Table 3.1.b: Number of enterprises in the tourism sector by size class, 1999	29
Figure 3.1.c: Distribution of turnover among the subsectors in the EU, 2000	30
Figure 3.1.d: Distribution of turnover among the subsectors in Member States, 2000	31
Figure 3.1.e: Average number of travel agents/tour operators per 100 000 inhabitants, 1999	32
Table 3.1.f: Turnover by size class of enterprises (number of employees) in the hotel and restaurant sector, 1996	32
Figure 3.1.g: Role of travel organisers and intermediaries	33
Table 3.3: Tourism turnover in million EUR by the largest European tour operators	36
Figure 3.4: Share of capacity of registered bed places of all accommodation, 2000	36
Figure 3.4.1: Average annual growth in the number of rooms in hotels and similar establishments	37

Figure 3.4.2:	Occupancy rates of bed places in selected Member States, 2000	39
Figure 3.4.3:	Percentage share of all branded rooms in Europe	40
Figure 4.1.a:	Annual percentage growth of persons working in the Horeca sector and in all branches in the EU, 1996–2001	44
Figure 4.1.b:	Annual growth rates of tourism employment in selected Member States, 1996–2001	44
Figure 4.2.1:	Employment in the Horeca sector and in all economic branches by age group in the EU, 2001	45
Table 4.2.2:	Working week in hotels and restaurants, 2001	46
Figure 4.2.3.a:	Labour productivity in market services in EU Member States, 2000	47
Table 4.2.3.b:	Apparent labour productivity in selected Member States	48
Table 4.2.3.c:	Wage-adjusted labour productivity in selected Member States	48
Figure 5.1.1:	The online travel market in 2002 by type of service or product category	53
Table 5.1.2:	Tourism industry: use of online technologies within the value chain, 2003	54
Figure 5.3:	Tourism industry and economy	59
Figure 5.3.1.a:	Market share of the main European tour operators, 1997	61
Figure 5.3.1.b:	Market share of the main European tour operators, 2002	61
Figure 5.3.1.c:	Virtual tour operator growth in Europe, 2002–2010	63
Annexes		
A1	Technical terms	69
A2	Composition of European sub-regions by country according to the WTO	71
A3	Occupancy rates in European hotels, 1990–2000	72
A4	National definitions of accommodation establishments in EU Member States	73
A5	Local hotel prices	74
A6	Involvement of the largest tour operators along the value chain, 2002	75
B1	Abbreviations	76
B2	Bibliography	77

Summary and conclusions

Summary

Steadily growing demand in the long run

Within the last 50 years, the tourism industry has become a sector of major economic importance. Even if the development of the number of international arrivals is only a weak indicator regarding the economic importance of tourism, their astronomical increase since 1950 gives an impression of the dynamism in the tourism sector. International arrivals in Europe rose from 25.3 million in 1950 to about 414 million in 2003 and are forecast to reach 717 million in 2020, which means they will have nearly doubled in two decades (2000–2020).

Having regard to this indicator, Europe is and — according to the forecasts of the World Tourism Organisation — will remain the world's most important tourist destination and tourism-generating region.

The main driving factors for this ongoing increase are twofold: on the one hand the growth of personal disposable income, a longer and healthier life expectancy in conjunction with a reduced annual and life-long working time; on the other hand the improved transport infrastructure in response to the evolvement of the airline industry and the use of cars in nearly all income groups.

The long-term perspective reveals that tourism demand is based on an enduring wish for temporal displacement that is influenced by the actual and expected economic development as well as personal and political security.

In the long run, no economic or political event was observed that led to a lasting stoppage of the ever-increasing global tourism demand. Periods of economic or political uncertainty, which caused at the most postponements of travel or the choice of other destinations respectively, demand shifts within the tourism sector such as the selection of alternative means of transport (which may affect the choice of destination).

Economic importance difficult to measure

These last remarks hint at the importance of the indicator problem regarding the definition of the tourism sector as a whole. Since there is no global figure that describes the development of the tourism sector, as for example with turnover in industrial sectors, developments in subsectors such as the hotel industry or travel organisers are treated separately.

This lack of a global figure for the tourism sector may create situations in which the activities of travel organisers are affected by a sudden decrease of outgoing tourism or changes in the means of transport, whereas domestic hotels profit from the tourists' decision to choose near-by destinations because of changed prefer-

ences. If the tourism sector was regarded as one sector, statistically the effects of this shift in demand could, at least partially, be neutralised.

Depending on the definition of the tourism sector, its contribution to the GDP of the European Union varies between 4 (tourism industry) and about 11 % (tourism economy) (1). Correspondingly, the number of people employed ranges from 7.3 to 20.6 million, respectively representing about 4 and 12 % of total employment.

The tourists' motives seem to be quite stable. Business tourism makes up for — as far as arrivals are concerned — about 20 % of all international arrivals in Europe. Its share has increased slightly by three percentage points since 1990, which can be attributed to the economic liberalisation in western Europe and the political changes in central and eastern Europe in that period.

Within the other 80 % — leisure/recreation tourism — the closeness to the sea is the most important selection criterion. The trend to more culture-oriented and nature-based tourism is difficult to evaluate, because of a lack of generally accepted definitions on the one hand and tourists' behaviour on the other, who in many cases choose a mixture of culture and recreation during the same holiday.

Structural changes of demand

Besides the trend to more but shorter holidays, tourism demand is affected by the demographic trend.

The trend to more and shorter breaks is mainly due to the reduction and greater flexibility of weekly working hours as well as to changes in the transport sector, for example low cost air travel and the evolvement of Internet booking that leads to less time and costs being used up by the journey itself and its preparation.

The demographic trend in Europe is characterised by a growing share of people older than 65 which will rise from 16.2 % in 1999 to 26.3 % in 2040. This growing part of the population is normally well used to travelling and might even create a new type of tourist, the 'residential tourist' that spends several months in particular during winter in a destination with a more comfortable climate.

The growing share of elderly tourists makes it foreseeable that the share of tourists with disabilities, whether with permanent or temporal activity limitations (about 25 % in 2000), will rise, since about half the people older than 65 are hampered to a greater or lesser extent.

The multi-sectoral and divided supply side

Since there is no formal statistical definition of the tourism sector, several groups of the NACE classification system such as hotels and similar establishments, campsites, restaurants, cafes, bars, tour operators and travel agencies are regarded as subsectors of the tourism sector, but the figures are not aggregated to a sectoral level.

(1) In this report the term 'tourism industry' is used with respect to the segments that belong to tourism in a narrow sense, e.g. accommodation establishments, restaurants, cafes, bars and canteens as well as travel agencies and tour operators according to the NACE classification. The term 'tourism economy' is used for the tourism sector in a broader sense and includes related sectors such as transport and branches that are dependent on the tourism industry.

About 97 % of enterprises in the tourism industry belong to the hotel, restaurant and cafe sector ⁽²⁾ creating 71 % of the turnover, whereas the others, in particular the tour operators and travel agencies that represent less than 3 % of the enterprises, make up 29 % of turnover. Some 99 % of the enterprises are SMEs, most of which (micro-enterprises) employ one to nine persons.

Even though there are only a few larger enterprises, it is to be noticed that their economic importance in terms of turnover is high and varies widely between the respective subsectors.

The sector of tour operators and travel agencies, for example, in the mid-1990s consisted of about 44 000 enterprises. At that time this market was already concentrated to a relatively high degree as the five largest EU travel organisers of 1997 represented a market share of 35 %. In the second half of the 1990s a rapid structural change took place resulting in an even higher market concentration of 70 % of the turnover yielded by the five largest enterprises in 2002.

The speed of this concentration process has slowed down, but competition pressure will continue, especially if it becomes true that the annual growth rate of the turnover of tour operators will be halved in the coming years.

The hotel subsector recorded a concentration process as well, but it was much slower than in the travel organisers' sector and did not lead to a similar degree of market concentration.

With considerable deviations between the Member States, the size of the average European hotel increased slightly from 45.3 to 48.0 rooms per hotel in the period from 1995 to 2001, but large hotel chains and brands only represent between 10 and 20 % of the total room capacity in Europe.

The occupancy rates of hotels increased slightly during the last decade of the 20th century. The market adapted its capacity to the slower growth of international arrivals in Europe.

In total, the number of European hotel rooms grew more slowly than hotel capacity worldwide, but with significant variations within Europe. The growth rate in central and eastern Europe is above the European average and corresponds to the predicted doubling of the share of international arrivals in that region of all international arrivals in Europe from 15 to 31 % by 2020.

Tourism raises employment

The tourism industry contributes to raising employment in general and especially to reducing youth unemployment.

Regarding the development of employment in the Horeca sector in all 15 Member States (93 % of the persons occupied in tourism work here) during the period 1996 to 2001, it can be observed that its growth rate was, with one year's exception, markedly higher than that of total employment in all branches. It must be noticed, however, that this is only true with respect to the development of EU-15 employment, whereas the performance in individual countries varied widely.

⁽²⁾ Horeca sector; NACE H 551-555.

The age structure of the persons employed in the Horeca sector differs significantly from that in the European economy in general. Nearly half are younger than 35 years old (37 % in all branches) and the share of the age group 15–24 years is twice as high as on average.

The impression of the tourism industry as a multi-sector is also reflected in terms of labour. It is known that the incomes yielded in the tourism sector are below average. Usually this is explained by low labour productivity that amounts only to about half that in all market services.

This picture, however, is determined by the predominance of the Horeca sector. The labour productivity in the subsector of travel organisers is significantly higher than that in the Horeca sector and is — at least in some countries — even higher than that of all market services.

But even in the Horeca sector, marked variations of labour productivity are to be observed. The general picture of low labour productivity is created by the extremely low labour productivity in restaurants, cafes, etc., whereas labour productivity in the hotel industry is apparently higher.

Since the wages depend on this per capita labour productivity, the income level in the tourism sector varies to a similar extent.

Structural changes on the supply side

The most important changes affecting the competition processes among enterprises and their organisation are the technological challenges induced by the spread of new information and communication technologies (ICTs) and the involvement of nature-based sustainable tourism.

Despite explosive growth (from 1998 to 2001, **turnover from online travel doubled its share in the travel market**) in terms of turnover, its share until recently remained rather small (3.6 % in 2002). However, available growth forecast by 2006 would result in an increase of turnover of about 120 % in just four years.

However, from the policy point of view, the question to be answered is not whether the share of online travel is lower or higher, but whether the enterprises react adequately to the market or if more could be done to raise their competitiveness.

Concerning customer relations, it seems that enterprises adapt themselves to the shopping habits of their customers. Some figures indicate that only 20 % of the people who use the Internet for information and travel-planning reserve or book online. This would mean that, in this respect, there is no difference in customer habits between the tourism sector and other branches. However, some recent survey results suggest that about one in three international trips involve Internet use, and in more than half of these cases booking is via the Internet.

Nevertheless, it seems that the vast majority of consumers prefer personal contact to transfer the result of their web search into a binding decision. It is for simple transactions such as buying airline tickets or reserving hotel rooms that customers seem to be changing their behaviour rapidly, as the extraordinary high growth rates in these areas show.

Regarding **B2B communication** it is to be observed that as in other sectors ICT is mostly used for purchasing and selling and to a much lesser extent for management purposes. Obviously the use of ICT for management purposes strongly corresponds to the company size, for with a growing complexity of management functions the use of ICT becomes more useful.

In the tourism sector, however, the use of ICT for this purpose is below average in all size classes. But the time in which ICT has been intensively used is so short and the speed of change so fast, that current statistics (because of their inevitable time lag) do not allow us to judge whether adaptations made by enterprises are sufficient or not.

Concerning the **ecological questions** of the impact of tourism on the environment on the one hand and of environmental protection measures and nature-based tourism on the other, the relations between tourism and environment are extremely difficult to evaluate. This is due to definitional problems as well as the operational problems of measuring the effects.

To measure the effects not only at local or regional levels (the destinations themselves), but also at a global level, environmental balance sheets and environment/tourism satellite accounts are indispensable to avoid counter-productive effects of political decisions.

At least the larger tourism enterprises have already reacted to the environmental challenge by employing people responsible for environmental affairs that consider the whole service chain. SMEs are usually involved in the discussion through their associations. As they cannot control the whole value chain, the networking of all players and private–public partnership is the optimal solution.

The Commission communication ‘Basic orientations for the sustainability of European tourism’ ⁽³⁾ is an important step in showing the way forward.

How to raise competitiveness — the crucial question

The rapid structural change in the subsector of travel organisers revealed that at the enterprise level change can be managed by the market but with the result of a markedly higher concentration.

In the accommodation sector structural change is taking place much more smoothly and has not yet increased the market concentration to an extent similar to that for the travel organisers’ market.

Concerning the competitiveness of countries, it must be taken into account that the criteria for judging the competitiveness of regions include factors such as the quality of public institutions, the skills of the labour force and macroeconomic conditions, e.g. economic growth.

With respect to these criteria, a broad economic policy aimed at improving the framework for more economic growth and employment encompasses simultaneously important measures from which the tourism industry benefits as well.

⁽³⁾ European Commission, ‘Basic orientations for the sustainability of European tourism’, COM(2003) 716, 21.11.2003.

However, because of the complexity of the tourism product, which is not only produced by several private suppliers (accommodation facilities, travel organisers, attractions and leisure activities) but also public or semi-public institutions (roads, municipal services, theatres, museums), a close private–public partnership is needed to raise the competitiveness not only of individual enterprises but of the destination as the conglomerate of all the product components needed to make a holiday.

Conclusions

1. All available statistics indicate that the tourism industry is of great economic importance and contributes to the main economic policy goals such as improving economic growth, structural change and employment.
2. The currently available statistics, however, do not allow us to measure sufficiently the economic importance of the tourism industry and its effects on other fields of the economy and economic policy. For this purpose tourism satellite accounts (TSAs) in all Member States and also at the Community level would be necessary ⁽⁴⁾.

First steps are undertaken to adapt the directive on tourism statistics ⁽⁵⁾.

Without a sufficient set of indicators aggregated in a system such as the TSAs, the use of single indicators could lead to problematic conclusions. It is not plausible, for example, to conclude from a diminishing share of international arrivals in Europe on all international arrivals worldwide that the economic importance or competitiveness of the European tourism industry will be deteriorating.

3. Even though tourism demand is a type of consumption that, in principle, can be cut down more easily than other consumption ⁽⁶⁾, political or economic uncertainties have never led to a decline or lasting stoppage of total tourism demand, but rather to shifts within the tourism sector (e.g. outbound tourism replaced by domestic tourism). Without the TSAs, it is not possible to evaluate whether and how much a certain political or economic event has hit the tourism industry in total or simply one or the other subsector or form of tourism.

The high income elasticity of tourism demand leads to a flexibility of consumer decisions which represent a risk for enterprises on the one hand but ensures on the other hand that the tourism industry automatically benefits from rising incomes. Thus an economic policy aiming at economic growth and employment is the best long-term insurance for increases of tourism demand. It may be accompanied by additional measures on the supply side to achieve specific economic policy goals.

4. Parts of the tourism industry such as the tour operators and travel agencies have undergone a rapid structural change that continues at a slower pace.

⁽⁴⁾ TSA is a concept suggested by the UN, the World Tourism Organisation and the OECD (adapted by Eurostat) to measure the impact of tourism demand on the economy (see also Box 2 on page 14).

⁽⁵⁾ European Commission, Council Directive 95/57/EC on the collection of statistical information in the field of tourism, COM(2000) 826 final.

⁽⁶⁾ Post-September 11 2001 reactions show that this holds true even for the so-called business tourism.

The world of tourism enterprises seems to be capable of adapting to the new challenges of respecting more sustainability and using new technologies to an adequate extent. The surveys available do not indicate that the tourism industry is in this respect behind other branches with a similar size structure of enterprises.

Since the use of the new technologies has increased explosively since 1998, it is — not least because of the statistical and perhaps also bureaucratic time lags — nearly impossible to judge whether promoting measures might still be necessary and what situation they would meet when they were coming into force.

5. As far as improvements of competitiveness are concerned several levels should be considered.

- At the enterprise level competitiveness in the tourism industry can be raised by general economic policy measures improving the competitiveness especially of SMEs. It must be considered, however, whether an increase of competitiveness can only be achieved at the price of a markedly higher market concentration (as happened in the subsector of the travel organisers) or if the structure of SMEs that is typical of the tourism industry — and which corresponds to the objective of a high degree of entrepreneurship and independence — is worth maintaining at its current level.

In the accommodation sector it should be taken into account that the family-run hotels — which represent the overwhelming majority — guarantee a variety of supply (especially in rural regions) that would never be maintained at comparable prices by brands only.

- Regarding the competitiveness of destinations offering the bundle of products (services, activities, attractions) necessary to satisfy tourists' demands, a close private–public partnership is indispensable.
- At the national or Community level, an increase of competitiveness at enterprise and/or destination level could be supported by informing all stakeholders about long-term trends in demand such as the shift in the age pyramid and its consequences for consumer wishes and needs, as well as necessary shifts of economic policy, e.g. towards more sustainability. This information management should be based on research and studies containing recommendations for the various stakeholders as well as networking tools.

1. Introduction

Until the middle of the 19th century, travel in Europe was mainly by road for both business and vocational purposes and largely confined to the travellers' own countries. Its volume was negligible and it involved only a small part of the population. Coaches, inns and hostelries were located along the main routes and main towns.

Over the next hundred years between 1850 and 1950 an ever increasing proportion of Europe's population travelled for purposes other than business. Holidays — mostly to nearby summer resorts — started to represent a reason of growing importance for a journey with railways and steamships.

The first hotels date from the 18th century but their development on any scale only occurred in the 19th century when transport developments allowed a sufficiently large volume of travellers to make the widespread development of hotels economic.

Since 1950, the motor car has become the main means of mobility and transport. A few years later aircraft took off as the main form of passenger transportation for long-distance travelling and the package holiday market.

This is the period when tourism became a factor of major economic importance.

Despite its enormous growth, however, awareness of its economic importance is still imperfect.

One of the major reasons for this knowledge deficit concerning the sector is related to the fact that it mainly consists of small and medium-sized enterprises (SMEs) and only a few large and well-known companies.

A second reason certainly is the absence of statistical data and indicators that would allow the evaluation of the impact of the tourism sector as a whole on the economy. This lack is prejudicial to the perception that the political decision-makers and the private actors have of that impact.

Though the European Union is experiencing its greatest enlargement, this report will refer only to the tourism industry in the 15 Member States before 1 May 2004. It is, in this respect, the last picture of the EU's tourism industry before enlargement. The next tourism sector analysis will have to consider the tourism sector of the enlarged Community and the developments and structural changes that will have taken place.

1.1. General objectives of the report

Because of its particular complexity and diversity the tourism sector is hardly comparable to other sectors of the economy, manufacturing industry as well as many business services.

The tourism sector comprises production and selling in hotels and restaurants on the one hand, travel agents and tour operators on the other hand, but also public activities such as providing the necessary conditions and infrastructure for a multitude of leisure activities, e.g. municipal services, museums, culturally or historically valuable buildings and amusement parks.

It is therefore not easy to speak about the tourism sector or the tourism industry as a whole, and it can frequently be observed that, depending on the economic situation or the interests of those involved, only certain segments of the tourism sector are considered. This may lead to misinterpretations in the public discussion (7).

The present report aims to provide the reader with the information necessary for better understanding the tourism industry, its structure, interdependences and the interactions of the various segments on the demand and the supply side.

For this purpose the analysis is presented in five main parts.

1. The introduction presents a general overview describing the main developments in the past to make the reader familiar with the historical background of the tourism industry since the 1950s.

After this retrospective look at the main lines of development, the introduction also deals with some analytical problems of measuring the demand in the tourism sector and its impact on the economy. In order not to overload the reader with economic and statistical details some of the proposals to measure demand in the tourism sector beyond the official statistics are presented in two separate boxes:

Box 1: The tourism barometer — a German approach to measuring tourism demand

Box 2: Tourism satellite accounts

2. The second part focuses on tourism demand, its development, types of demand and changes on the demand side. To understand the functioning of the whole sector, this section is particularly important. As the sector is demand-driven, the consumer's view of the attractiveness of a destination, his evaluation of the income development at home and the political situation abroad are important factors that lead to certain decisions. Each of these decisions whether to spend money on tourism, postpone the decision or spend the money for other purposes may cause successes or losses in tourist destinations or parts of the tourism industry.
3. The third part describes the other side of the market — the enterprises, characteristic structures and developments and how the supply side functions to meet the consumer's needs.
4. Just as there is no market without a consumer, no production can exist without labour. Therefore, the fourth part describes tourism employment, the impor-

(7) In this report the term 'tourism industry' is used with respect to the segments that belong to tourism in the narrow sense, e.g. accommodation establishments, restaurants, cafes, bars and canteens as well as travel agents and tour operators according to the NACE classification (see Chapter 3, p. 27). The term 'tourism economy' is used for the tourism sector in a broader sense and includes related sectors such as transport and branches that are dependent on the tourism industry.

tance of the tourism sector for overall employment goals as well as the employment situation in the tourism sector compared with other sectors of the economy.

5. The final part of the report focuses on the structural changes in the tourism industry, the existing challenges and the consequences for its competitiveness.

The reader should note that the expression 'competitiveness' — unlike its general use — not only refers to the competitiveness of enterprises in the tourism sector, but also to the competitiveness of destinations. In fact, one of the most important characteristics of the tourism sector is that all the decisions taken by consumers or enterprises are determined not only by economic factors such as price relations and the development of wages and interest rates, but also by changes in the perception of a destination.

1.2. The report in the context of the Enterprise DG's work

The Commission communication 'Working together for the future of European tourism' of 13 November 2001 ⁽⁸⁾ outlines an operational framework for this sector, based on the method of open coordination between all participants developed at the Lisbon European Council. It presents an essential and strategic contribution of the tourism policy in the general context of European enterprise policy and the Lisbon strategy.

Also in relation to tourism, the work of the Directorate-General for Enterprise must be seen in the framework of the objective laid down in Lisbon in 2000 of making the economy of the European Union the world's most competitive economy by 2010 ⁽⁹⁾.

In its communication 'Challenges for enterprise policy in the knowledge-driven economy' ⁽¹⁰⁾ the Commission has set out guidelines for a coherent framework. Drawing up a European charter for small enterprises has also formed an important part of this policy, as has the creation of the enterprise policy scoreboard.

The Feira European Council of 19 and 20 June 2000 approved the drafting of a European charter for small enterprises and set out guidelines for aspects such as education in entrepreneurship, the need for better regulation and the reform of tax systems and financial services. Since tourism is a sector dominated by SMEs these guidelines were important steps.

Then, the 23 and 24 March 2002 Special European Council in Barcelona called for a more favourable environment for entrepreneurship and competitiveness.

An important instrument to promote the development of SMEs, and thus also the tourism industry, is the multiannual programme for enterprise and entrepreneurship 2001–05. Under this programme the Commission launches projects with a

⁽⁸⁾ European Commission, 'Working together for the future of European tourism', Brussels, 13.11.2001, COM(2001) 665.

⁽⁹⁾ http://europa.eu.int/comm/lisbon_strategy/index_en.html

⁽¹⁰⁾ European Commission, 'Challenge for enterprise policy in the knowledge-driven economy', COM(2000) 256 final.

view to stimulating entrepreneurship in the EU, a number of which are specific to the tourism sector.

The Community measures which have an impact on the tourism sector are comprehensively presented in the regularly published, *Report on Community measures affecting tourism* ⁽¹⁾.

While those reports explain the Community measures and programmes, this sector analysis provides analytical data to evaluate the structural developments of the tourism sector in order to draw some conclusions regarding its strengths, weaknesses, opportunities and threats (SWOT). In this respect it also relates to the political goals of the Community measures in general and those of the Enterprise DG specifically.

1.3. Overview

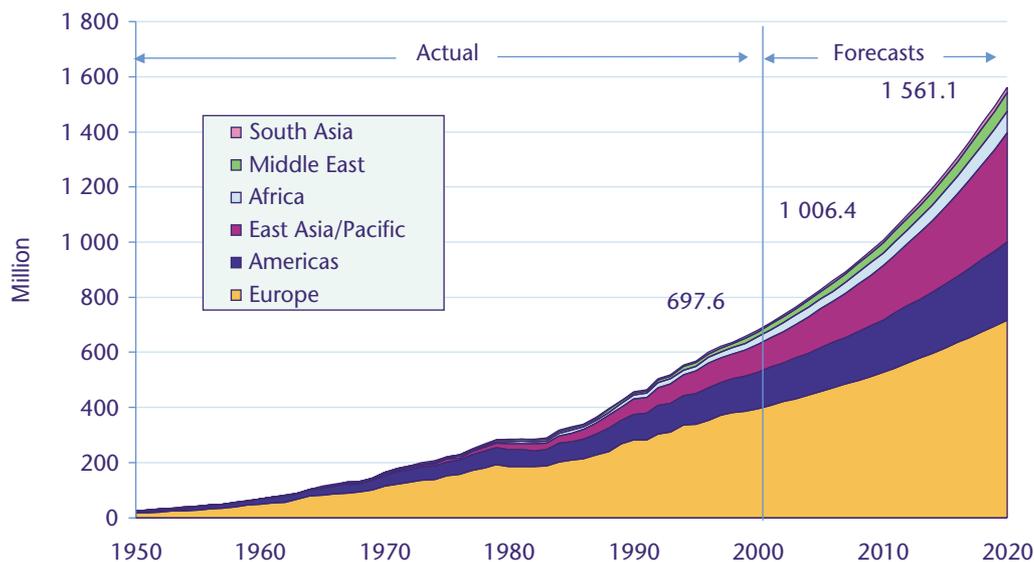
Tourism in the economic sense is much more than holiday and amusement. Estimates of its impact on the economy range from about 4 % (tourism industry in a restricted sense) to about 11 % (tourism economy).

Correspondingly the number of people employed in the tourism sector varies between 7.3 million and 20.6 million, or about 4 to 12 % of total employment ⁽¹²⁾.

Main steps of development

The tourism industry truly developed after the Second World War, in close relation to the growing economic importance of the middle classes. Increasing household

Figure 1.3: International tourist arrivals, 1950–2020



Source: WTO, *Tourism highlights edition 2003*, p. 7.

⁽¹⁾ European Commission, *Report on Community measures affecting tourism*, several publications (see Annex B2, bibliography on page 77).

⁽¹²⁾ As will be pointed out on page 11 other methods are necessary to estimate the impact of tourism on the economy.

income, along with lengthening life expectancy, the lowering of the retirement age, the reduction of the weekly working hours and increased paid holidays all played a part.

The arrivals of international tourists in Europe ⁽¹³⁾ grew from **25.3 million in 1950 to 414.4 million in 2002**, which represents a progression of **1 537 %** in half a century (see Figure 1.3, p. 4) ⁽¹⁴⁾.

Even though the growth of international tourism continues, its rhythm has gradually slowed down. The average annual rate of increase of arrivals in Europe, which was 10.9 % between 1950 and 1960, passed to 3.9 % between 1980 and 1999. It was even slightly negative after the boom year 2000, but increased again from 2001 to 2002 both in Europe and worldwide ⁽¹⁵⁾.

In 2003, international arrivals globally underwent a reduction of 1.2 % compared with 2002, caused by some unfavourable events such as SARS. The international arrivals in Europe remained at the same level as the previous year, though it should be noted that western Europe showed a fall of – 3 % whereas central and eastern Europe repeated their successes of 2002 ⁽¹⁶⁾.

One reason for this slow-down compared with the high growth rates at the beginning of the reporting period is certainly one of statistics, namely the low starting point in 1950. But it indicates too that tourism is to a high degree dependent on the overall economic and political environment. Irrespective of the reasons, such slow-downs reinforce the pressure towards structural change on the supply side.

- The oil crisis in the 1970s resulted in a considerable slow-down in international tourism arrivals. However, other factors encouraged the growth of tourism worldwide, for example the fall of air transport tariffs as a result of the deregulation of air tariffs from 1975, which led to the opening of intense competition between the airlines and the development of charter companies.
- The period 1985–90 recorded annual average growth of arrivals of 5.6 %, because of other factors which marked the joint **development of the offer of tourist products and of the structuring of the companies**. The adoption of a more structured tourism has been developed since 1985, more particularly on the North American continent and in the countries from the north of Europe. We have witnessed the gradual development of single products for a high density tourism, based on the tourist service combination sold for selected destinations and for groups of customers.
- 1990 to 1998 was a period of **rationalisation of the tourist production system**, encouraged by the release of households' leisure time budget, the increase in the expenditure of the middle classes on holidays, the increased mobility of pensioners and the constant development of business tourism.

On the one hand, one observes important **industrial changes** which are connected with **improving professionalism** and diversification of the sector, in

⁽¹³⁾ The WTO does not publish figures referring to the European Union but to Europe as a geographical region. See also Annex A2 on page 71.

⁽¹⁴⁾ WTO, *Tourism market trends*, 2003 edition, annex.

⁽¹⁵⁾ This does not mean that the increase of tourism demand has slowed down as well, for the money spent on tourism depends on many other factors than the number of arrivals, e.g. length of stay, travel distance, activities (see also Section 1.4).

⁽¹⁶⁾ WTO, News releases, Madrid, 27.1.2004.

order to meet the needs resulting from segmentation of the markets by typology of targeted customers, and on the other hand the reduction of costs.

- 1998–2000 was the period characterised by an **increasing integration of new information technologies** and direct tourist marketing, addressing consumers online which caused problems of adaptation for certain intermediaries (travel agents) who saw their existence as part of the distribution chain jeopardised. Repositioning was and is necessary to make better use of their scope for action vis-à-vis online sales.
- The years after 1998 were also marked by **improvement of the ratio on quality/prices** as well as the evolvement of low-cost airlines and the rapidly growing use of the Internet. In a tourist universe where the consumer's power does not cease to grow, quality constitutes one of its prime requirements.

Tourism companies, at world and European level, have to manage the exponential growth of the volume of demand expected in 2010–20 and adapt to it. In this spirit, the clear identification of the real difficulties of repositioning each subsector in Europe is a major issue for the years to come.

In the 1990s the EU became the world's most important tourism market, not only in its traditional role as leading destination in terms of tourist arrivals, but also as tourism-generating region ⁽¹⁷⁾.

The development of arrivals during the past 50 years shows that the main sources of tourism are a certain level and expected increase of personal income and the reduction of working days per week and per year ⁽¹⁸⁾.

Main factors of demand and structural change

In this respect the tourism sector is not only important for the economy as a whole and the employment situation, but it is also highly dependent on overall economic development.

The fact that high-density tourism evolved after a certain level of mass income had been reached indicates that travel is — compared with food and drink — not one of the basic needs. Holidays, leisure and recreation are certainly essential wishes but — in situations of economic or political uncertainty — they can be met, at least for some time, without travelling long distances. This is also true for business travel.

Economic certainty and political security

This very elastic demand is — compared with other sectors — a higher risk from the point of view of the enterprises. This may be reinforced by the fact that an essential part of tourism enterprises, the hotels and restaurants, are immobile. They can-

⁽¹⁷⁾ In the 1990s Europe recorded about 60 % of all international arrivals and generated about 55 % of all international arrivals. *Source: WTO, Vision 2020, Volume 4, p. 48.*

⁽¹⁸⁾ For the development of tourism demand, the reduction of working days weekly and annually is much more important than that of working hours. The reduction of daily working hours in the last 30 years was more or less swallowed up by more television watching than tourism-related activities. *Source: WTO, 'Global forecasts and profiles of market segments', Vision 2020, Volume 7, 2001, p. 61.*

not follow regional movements of demand as other enterprises that offer transportable products can.

But for the last 50 years of steadily growing tourism, it can be seen that postponements of travel because of economically or politically uncertain situations never last very long. Very soon after the consumers regain confidence in the situation, they continue with their postponed plans.

This turned out to be true in 2003 in the context of the Iraq crisis. A survey published by the European Tourism Institute in Trier (Germany) after the summer holidays revealed that in contrast to the projections of the beginning of the year the German holiday-making rate of 2003 will be nearly the same as in the previous year ⁽¹⁹⁾. Neither the military actions nor the economic situation influenced the holiday-making rate. The economic impact of tourism, however, could be less than in the year before, for travellers reduced their expenditure.

As to the judgment of the economic consequences of critical situations for some segments of the tourism sector, it should be considered that, **because of insufficient statistics regarding the tourism sector as a whole ⁽²⁰⁾, it is nearly impossible to say if a 'crisis' really affects the whole sector negatively or if consumers just changed from one segment to another**, e.g. substituted air travel by trains and closer destinations.

Business travel at least 20 % of tourism demand

In addition it should be noted that tourism comprises more than travelling to visit friends for a weekend or to go on holiday. The so-called 'business and congress tourism', including travelling for improving professional qualifications, is a demand of great importance for the tourism sector and is estimated to amount to about 20 % of arrivals ⁽²¹⁾.

The high income elasticity of tourism demand and the importance of business travel indicate that a necessary condition for a successful tourism policy is a broad economic policy that leads to steady increases in personal income and reduces unemployment.

Regarding the role of business travel for the tourism industry, the abolition of barriers hindering the exchange of goods and services must not be neglected. The EU's policy towards the creation of a single market within the EU and the liberalisation of economic relations with non-EU countries has also supported the growth in the tourism sector.

Demand structures

Even a steadily growing number of tourists, however, does not mean that there are not considerable changes in the types of tourism.

⁽¹⁹⁾ Europäisches Tourismusinstitut (ETI), *Sommerurlaub 2003, Urlaub in der Krise?*, Trier, September 2003, p. 18. According to the German statistical office, the number of overnight stays in 2003 remained constant compared with 2002, whereas turnover decreased. *Source*: Statistisches Bundesamt, 'Tourismus, Ergebnisse der monatlichen Beherbergungsstatistik', *Fachserie 6, Reihe 7.1*, February 2004, Wiesbaden, Germany.

⁽²⁰⁾ See page 11.

⁽²¹⁾ See also Section 2.3, p. 19.

Besides pure leisure activities such as swimming, skiing or sunbathing other types have gained importance, for example cultural and nature-based tourism. The enterprises have to react to such changes and to adapt their products.

The **demographic changes** reinforce these trends. The growing share of people over 50 increases the demand for these more specific tourist products.

The increasing proportion of elderly people in society goes together with a rising number of disabled people. The barriers, which people with disabilities or temporary mobility impairments meet, prevent them from travelling and hinder the use of a considerable market potential.

Supply-side structures

As technical progress led to a much higher degree of tourist mobility, increasing efforts are needed on the supply side to adjust to this change in demand.

About 99 % of tourism enterprises belong to the group of SMEs ⁽²²⁾ and only very few are multinational enterprises that can react globally to spatial movements of demand.

To meet the consumer's very complex needs that arise around a journey with overnight stays, starting with the travel agents for satisfying his needs for information and consultation, the enterprise sector consists of a variety of enterprises which belong to several branches (e.g. hotels, tour operators, attractions).

As the consumers' needs or expectations regarding the tourism product are quite complex ⁽²³⁾, larger enterprises — hotels as well as, for example, tour operators — can much better meet those expectations by diversifying their range of products.

Leisure or recreational activities are already widely offered in hotels, but diversification could also lead to the supply of products a tourist could need during his journey such as suitcases, after-shave, etc., which means that the ongoing concentration process in the tourism industry — within the airlines as well as in the accommodation sector and among the tour operators — will lead to larger enterprises that offer a variety of products to meet the tourists diverse expectations.

One must also take into account environmental factors as well as the cyclical phenomena and the principal assets and weaknesses of the companies, according to their sizes.

In the light of recent studies, undertaken by the European Union in 2001, on the phenomena of concentration and of restructuring, two categories of companies seem to coexist:

- the traditional SME-type companies. They seek a second breath, in order to become international and try to adapt their services to the new requirements of domestic and international demand, by the introduction of innovations (constitution of purchase networks and regionalisation of supply);
- the corporate companies which specialise in large-scale tourism, according to strategies of cost rationalisation. They entered into heavy restructuring operations, directing them towards increased integration of subsectors.

⁽²²⁾ Some 95 % of them are micro-enterprises employing one to nine persons.

⁽²³⁾ See the figure on page 9.

The vertical and horizontal concentration movements certainly are one of the most outstanding characteristics of the industrial economy field. The concentration operations within the tourism sector should be observed on an international and European scale as well as in terms of the impact on the destinations and local providers.

1.4. The consumer's views on the tourism product

The consumer's decision in the tourism sector is very complex because he demands services in several areas of the economy. It begins with the 'pre-journey segment', such as the information services to choose a destination, which may be covered by an Internet provider or a travel agency; it may include preparations such as the purchase of cameras, suntan oil or skis; he may use public or air transport, sleep in a hotel and undertake various activities, e.g. culture or sports, in the destination.

In this respect the consumer's decision in the tourism sector is close to that in the housing sector. The product in the housing market is characterised by features which are inseparably connected with the product and features which cannot be influenced by the enterprise such as location and environmental quality.

From a consumer's point of view, the tourism product, however, is much more complex, for the travelling costs are much greater. Taking journey costs as a proportion of the total costs, there is hardly a product to be found in the economy which is as sensitive to transport costs.

Regarding the 80 % of leisure tourism, where the destination can be freely chosen, the tourist in deciding on a certain product tries to find a balance between the various components (distance/travelling costs, quality of accommodation and quality and variety of activities in the destination). Most other segments are largely determined by non-personal imperatives leaving little more than a yes/no decision.

Figure 1.4: The tourism product from the consumer's viewpoint



The consumer's decision can be illustrated as a hexagon, the sides of which represent the various components involved. A balanced decision takes place within this hexagon, showing that a higher level reached with respect to one component can lead to a lower level of another because of income and time constraints.

According to the European Commission, the scenery, climate, cost of travel and cost of accommodation are the most important criteria for European holiday makers when choosing a destination ⁽²⁴⁾.

Many branches to meet the tourist's demand

Unlike other industries where the product of a company is under its control from production until it reaches the final consumer, the supply side of the tourism sector is very fragmented.

Nearly every one of the product components shown above can be offered by independent enterprises:

- accommodation
- travel organisers and intermediaries
- transport
- catering
- attractions
- information, reservation and guide services.

In addition, a large variety of 'secondary services', which are not only used by tourists — e.g. taxis, public museums and sports facilities — are also part of tourism demand.

This fragmentation of the supply means that none of these individual enterprises can completely meet the consumer's needs, although the consumer's personal balance among the components of this complex product affects each of them in either a positive or negative way.

As it is well known that in the public/political discussion only those who fear losses complain, it is — according to the lack of statistical information related to the tourism sector as a whole (see below) — nearly impossible to decide whether the sector in total is affected by a certain development or only certain segments, others silently enjoying the advantages of the same consumer decision.

Large travel organiser companies facilitate the consumer's decision process to a certain extent, as they offer several of these product components simultaneously in various combinations which make it easier for him to compare the tourism product as a whole.

⁽²⁴⁾ European Commission, *Facts and figures on the Europeans on holidays*, executive summary, 1997–98, p. 12.

This way of, particularly, 'selling holidays' seems to be a successful and economically sustainable strategy in an increasingly segmented market with growing competition pressures. Mercer Management Consulting (MMC) ⁽²⁵⁾ suggests therefore, despite a greater market dynamism in certain segments, that the package tour business should not be reduced.

But even big travel organisers cannot offer a product fully under their control, because the destination always has a certain geographical location and is thus characterised by factors such as climate, public infrastructure and small service providers (pubs, shops, amenities).

The public infrastructure not only comprises accessibility by means of transport, but also the quantity and quality of general municipal services — likewise available to tourists and residents — and of attractions such as museums or historical sites.

The complexity of the consumer's view on the tourism product on the one hand and the fragmentation of the supply side on the other explain the permanent pressure either for (horizontal or vertical) concentration or cooperation for a 'product' to meet the consumer's demand.

Moreover it shows that **close cooperation between the private and the public sector is a prerequisite for an efficient marketing of the 'tourist destination' product.**

1.5. Measuring the economic importance of the tourism sector

For the various branches of the economy, the official statistics — the EU statistics (Eurostat) as well as the statistical offices of the Member States — provide data which describe all the relevant economic items of that sector (e.g. production, number and type of enterprise) on several levels of aggregation up to the sector as a whole.

In branches such as manufacturing, handicraft and agriculture, the statistical data reflect the development of demand and supply correctly, because a consumer's decision to buy, for example a car, leads to a sale in the automobile industry. Thus a nearly 1:1 relationship exists between the development of the production figures and trade balance in the statistics and the development of the demand for these products.

In all these branches, where the data are aggregated for the sector as a whole, it is therefore possible to evaluate the economic importance of a sector in percentage points of GDP.

In contrast, **the statistical treatment of tourism is completely different.** A consumer's decision to go on holiday or a business journey leads to turnover in several statistics. To satisfy his needs, a traveller may buy a variety of services, beginning with his Internet provider or a travel agency, followed by transportation services and the hotel in the destination, not to mention the activities he is going to undertake, as well as the purchase of other goods before and during the trip.

These tourism-related services are covered by separate statistics and are not aggregated to a figure representing the total demand or supply of the tourism sector.

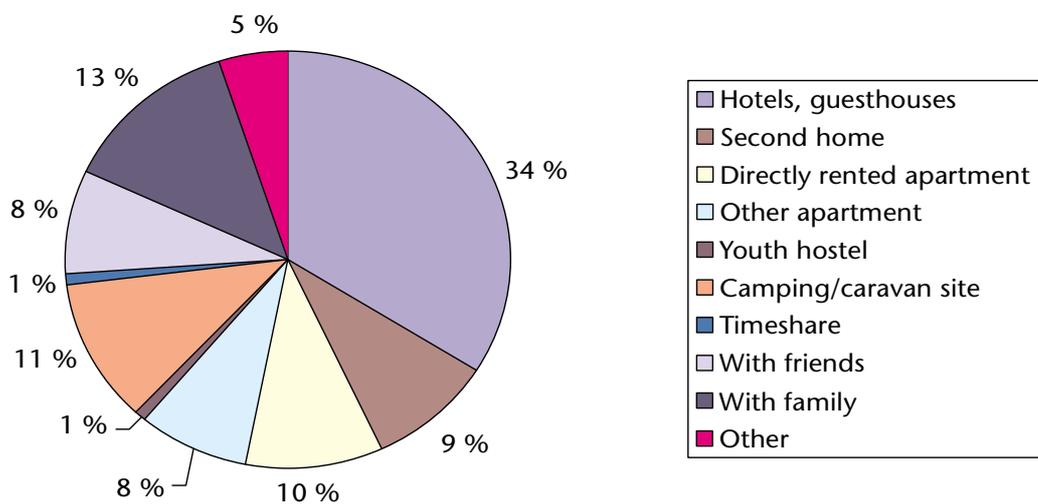
⁽²⁵⁾ Source: Touristik report 14/2003, 20.6.2003, p. 6 www.touristikreport.de.

To measure tourism, physical indicators such as the number of arrivals (World Tourism Organisation) and overnight stays (Eurostat) are usually used, and not indicators representing the monetary flows.

But there are more tourist flows than the statistics of arrivals and overnight stays present. The number of tourists who stay in the houses of relatives or friends should not be neglected when the question arises to what extent a planned tourist attraction will be frequented and how public transport and infrastructure will be used.

In a study undertaken for the European Commission, PricewaterhouseCoopers (PWC) estimated the proportion of travellers staying with friends and family as up to 21 % (see Figure 1.5 below).

Figure 1.5: Type of accommodation used (four nights or more)



Source: European Commission, Enterprise DG publication, *Structure, performance and competitiveness of European tourism and its enterprises*, p. 23.

Taking into account the number of overnight stays with friends, this proportion must be relativised. But at the regional level, it seems that the proportion of tourism not covered by official statistics may reach up to 50 % as reported from some rural regions of Germany.

The German Research Institute for Tourism Economics at the University of Munich developed the so-called 'Tourism barometer' which is applied in seven German *Länder* ⁽²⁶⁾. With stays at friends included, this instrument can be an important means of regional planning and a useful source of information for the banks financing a tourism attraction.

⁽²⁶⁾ See Box 1, The tourism barometer, on p. 13.

Box 1**The tourism barometer — a German approach to measuring tourism demand** ⁽²⁷⁾

The official tourism statistics only partially record demand and supply in the tourism sector. Concerning hotels and similar facilities for example, only establishments with more than eight beds are considered in Germany. The tourism market, however, consists of many other segments.

In addition there is some interest — for example from investment banks and other enterprises — in data on the use of public infrastructure and attractions.

These questions are addressed by the tourism barometer which was developed by the German Research Institute for Tourism Economics at the University of Munich ⁽²⁷⁾ in 1998.

The tourism barometer observes the developments in tourism at municipal and regional level, for the time being in seven *Länder*.

It consists of two components: one — which is a regular part of the publication — focuses on cyclical developments, the other analyses special subjects which are presented by a committee made up of representatives of local banks, the municipalities and ministries of economics (at regional and federal level).

One of these special subjects was the so-called 'grey accommodation market' which consists, according to Deutsches Wirtschaftswissenschaftliches Institut für Fremdenverkehr an der Universität München (DWIF), not only of hotels and pensions with less than eight beds but also overnight stays in second homes and with friends and relatives. Taking these displacements into account, the DWIF estimated that in some regions the tourist flows were two or even three times higher than recorded in the official statistics. This large difference shows that these unrecorded flows can be of great importance for the use of public infrastructure facilities and leisure and amusement offers. These figures are also of great interest for investment banks and regional authorities providing financial aid for regional development.

To achieve conclusive results concerning the European tourism sector as a whole, its economic importance as well as consequences of external factors (development of income, political events in destination countries) one needs data concerning demand and supply in the tourism sector in total.

The European Commission undertook an initiative to provide such data by the Member States offering financial aid for the **development of 'tourism satellite accounts (TSAs)'** ⁽²⁸⁾.

The activity of the European Commission in that area is necessary to ensure that all TSAs are based on the same methodology (published in a Eurostat manual). Only in this case can the data be compared and aggregated at a European level ⁽²⁹⁾.

When all Member States have decided to use the Eurostat concept of TSAs, an analysis of the tourism sector in Europe can be written on a more reliable database and the necessary information for the evaluation of developments in the tourism sector and political decisions will be available.

⁽²⁷⁾ Deutsches Wirtschaftswissenschaftliches Institut für Fremdenverkehr an der Universität München (DWIF), <http://www.dwif.de>, link: Projekte.

⁽²⁸⁾ See Box 2, Tourism satellite accounts, on the following page.

⁽²⁹⁾ In 2002 four Member States presented proposals to participate in this programme, in 2003 eight Member States (of which three were accession countries) joined. First results confirm the widely varying contribution of the tourism sector to GDP. The three calculations that are already concluded show a share of the value added of the tourism sector on the national GDP of 2.5 % in the Netherlands, 3.2 % in Germany and 7.1 % in Italy.

Box 2

Tourism satellite accounts

Unlike output-defined industries, such as agriculture or manufacturing, the primarily demand-defined tourism industry is not measured as a sector in its own right in national accounts. Most of the statistical information provided on the specifics and developments of tourism is primarily based on arrivals and overnight stay statistics as well as balance-of-payments' information.

The currently available statistics do not really grasp the whole economic phenomenon of tourism. In the late 1980s, the OECD, UN and WTO encouraged the evolution of a tourism-specific economic data system which is coherent with the concepts, classifications and definitions of national accounting standards.

This standard framework for organising statistical data on tourism became more sophisticated in the 1990s — especially against the backdrop of the revision of the system of national accounts (SNA). The current SNA is based on the concept for measuring the size of specific economic activities by functions in theme-specific economic accounts — the so-called satellite accounts ⁽³⁰⁾.

A tourism satellite account (TSA) is a statistical accountant framework in the field of tourism and measures the goods and services according to international standards of concepts, classifications and definitions which allow valid comparisons with other industries and from country to country in a consistent manner. The central database is the system of national accounts and statistics with respect to consumption of visitors and tourism industries. Eurostat has worked out an implementation manual ⁽³¹⁾ for the EU with the aim to provide operating guidelines for empirical compilation of the tourism satellite accounts in an efficient procedure.

The TSAs provide macroeconomic aggregates to describe the size and the economic importance of tourism, such as tourism value added and tourism gross domestic product. These aggregates are fully consistent with similar aggregates for the total economy, for other productive activities and functional areas of interest. In addition, detailed data on visitor consumption and how this consumption is met by domestic supply and imports are provided. These data are derived directly from disaggregated supply and use tables of the national accounts. A complete TSA contains detailed production accounts of the tourism industries and their linkages to other industries, employment, capital formation and additional non-monetary information on tourism.

⁽³⁰⁾ United Nations, *Handbook of national accounting: Integrated environmental and economic accounting*, [SNA 93], New York, 1993.

⁽³¹⁾ Eurostat, *European implementation manual on tourism satellite accounts (TSA)*, Luxembourg, 2001.

2. Tourists, the consumers on the tourism market

As Figure 1.4 on page 9 shows, the demand side of the tourism market is determined by several factors, one of which is the level of current and expected income. But the development of income sets only the quantitative framework conditions, whereas the decisions taken by consumers on the tourism market ⁽³²⁾ depend also on their motives for being away from their usual environment for a certain time.

Changes in the motives governing the criteria to choose tourist destinations or products may depend on individual changes of consumer preferences — influenced by price relations — as well as on external factors such as the reduction of transportation costs and societal factors such as the growing share of aged and disabled people.

2.1. Rising incomes — increasing tourism demand

Due to the fact that the growth of demand for services is in the long run higher than that of income, which explains the growth of tourism during the past 50 years, it can be observed that income levels not only influence the propensity to go on holiday within a society but also lead to differences between Member States.

This dependence of holidaymaking and travel expenditure on the income level is not only true for Europe but is one of the main reasons for the forecast rise in tourism markets in Asia until 2020 ⁽³³⁾.

The level of income is not only important in this more or less quantitative respect, but it also influences the structure of tourism demand and thus that of the tourism industry. The relevance of package tours for the tourism industry of a country, for example, is — according to a survey of Mercer Management Consulting (MMC) — related to the per-capita GDP of the country ⁽³⁴⁾.

This is also true considering the use of travel agents, which is more frequent in higher income groups (see Table 2.1, p. 16), although national patterns of consumption and purchasing may interfere with this correlation.

⁽³²⁾ Not only holidaymakers but also those travelling for professional reasons.

⁽³³⁾ See page 24.

⁽³⁴⁾ See www.mercermc.de, link: Themen und Branchen, link: Travel & Transportation, press release 7.7.2003 (accessed: 21.1.2004).

Table 2.1: Breakdown of trips by organisational mode, 2000

%	Direct reservation	Travel agent/Tour operator			Number of type of organisation	Unspecified
		Total	Package	Other		
Countries (*)			of which			
		Total	Package	Other		
Belgium	62.8	31.9	73.8	26.2	:	5.3
Denmark	54.2	45.8	67.7	32.3	:	
Germany	56.6	43.4	84.5	15.5	:	
Greece	81.9	2.2	56.2	43.8	14.5	1.4
Spain	18.2	22.5	45.6	54.4	56.7	2.6
Italy	30.8	22.7	59.5	40.5	46	0.5
Luxembourg	30.8	44.7	46.6	53.4	24.4	0.1
Netherlands	37.9	37.5	62.1	37.9	24.2	0.4
Austria	64.8	35.2	77.6	22.4	:	:
Portugal	45.2	14.8	34.9	65.1	39.9	0.1
Finland	17.4	24.1	70.9	29.1	5	53.5
Sweden	33.5	66.5	72.6	27.4	:	:

(*) France, Ireland, UK n.a.

Source: Eurostat, 'How Europeans go on holiday', *Statistics in Focus*, 20.3.2002, Theme 4 — 15/2002, p. 7.

This again indicates that the higher degree of service orientation with rising income levels is not only true considering the division of income between goods and services but also within the tourism sector.

It is doubtful, however, whether the higher share of package tours in these countries proves ⁽³⁵⁾ that they are more 'developed tourism markets' than the Mediterranean countries with a lower share of holidaymakers in their population and a share of package tours below the European Union average.

A conclusion, such as that drawn by MMC, is not compelling. On the one hand MMC considers only travel expenditure related to outbound tourism, and on the other hand there are other important factors especially in the Mediterranean Member States that can explain their lower share of holidaymakers and package tours ⁽³⁶⁾.

2.2. The new 30 % of tourists: differentiated needs demand flexible enterprises

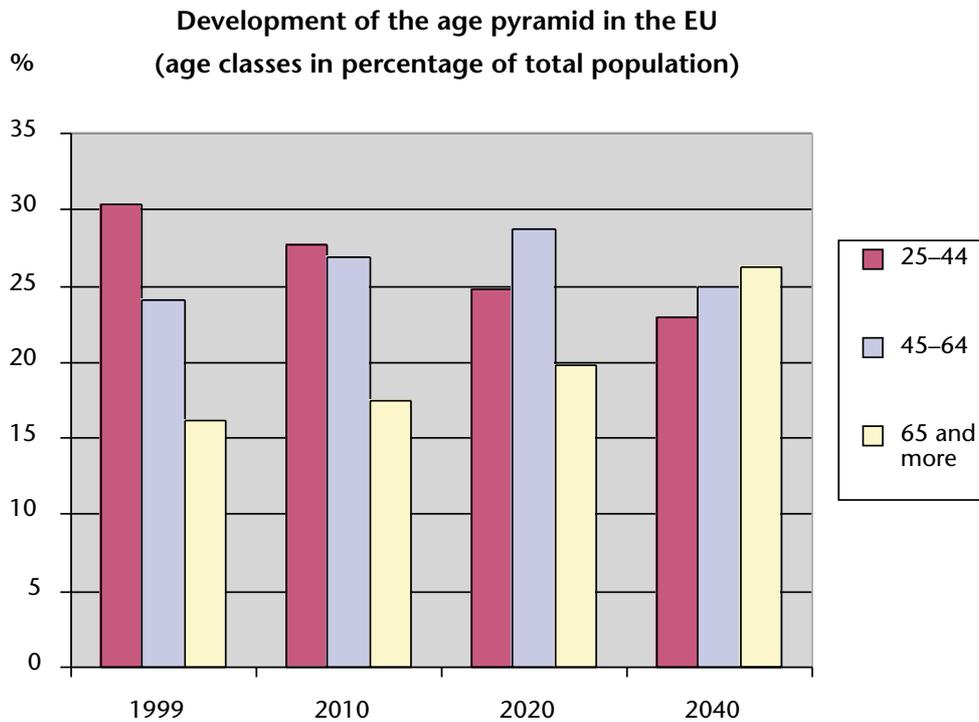
For the time being, the main share of holidaymakers is in the age group between 25 and 44 ⁽³⁷⁾. But, as demographic projections of the age pyramid show, the share of this age group will decrease steadily in Europe, whereas the share of people older than 65 will grow.

⁽³⁵⁾ See www.mercermc.de, link: Themen und Branchen, link: Travel & Transportation, press release 7.7.2003 (accessed: 21.1.2004).

⁽³⁶⁾ See page 23.

⁽³⁷⁾ Eurostat, 'How Europeans go on holiday', *Statistics in Focus*, 20.3.2002, Theme 4 — 15/2002, p. 3.

Figure 2.2: Forecast changes in the demographic structure



Source: Eurostat (NewCronos), Theme 3, demo, dpop + dpro, own calculation.

There will be a significant change in the social structure of European tourism demand that will induce corresponding changes on the supply side which the enterprises have to face. **Health, spa and 'keep fit' tourism are likely to be among the segments to benefit particularly from the increasing economic importance of elderly tourists.**

Moreover they increasingly spend longer periods in tourist destinations that they consider provide pleasant living conditions, in particular in southern Europe in the off-season⁽³⁸⁾. This change, which might indicate the evolvement of a new form of 'residential tourism', can lead in the long run to a growing importance of off-season tourism which is not only of interest to the tourism industry, because of a better use of its capacities, but also in the reduction of transport infrastructure congestion and the pressure on the environment.

The change in the demographic structure will also result in a demand for new products because these tourists are likely to be more interested in a higher service quality and activities to maintain their fitness and health.

In this demographic trend another group of holidaymakers gains importance: people with disabilities. In the year 2000, their share of the population of the European Union was estimated — according to official statistics — at 9 %, representing 33.8 million people. As this is purely the number of people who are officially registered as severely hampered due to the national definitions, the number of

⁽³⁸⁾ Many of them even shift their residence more or less permanently to such regions, which are already important tourist destinations or have the potential to be so.

people that are severely and to some extent impaired is much higher (estimated at about 25 % equating to 94 million people). If the number of people who are temporarily hampered was included this figure would be even higher ⁽³⁹⁾.

As the share of people with disabilities or activity limitations rises in the higher age groups, it will increase with the growing number of older people. The age group of 75 and older will nearly double its share of the EU population from 7.5 % in 2003 to 14.4 % in 2040 ⁽⁴⁰⁾.

Surveys show that many disabled people do not go on holiday, not because of insufficient holiday budgets, but because of too many barriers ⁽⁴¹⁾. A study by Neumann-Consult (Germany) that is based on 4 000 disabled people in Germany replying to a questionnaire shows that 40 % of them had done so at least once because of existing barriers, in other words a lack of suitable offers and tourist products (including the indispensable transport infrastructure).

This quite impressive share means that there is a still unsatisfied potential on the demand side. As most tourists do not travel alone, which is also true for people with disabilities, the lack of turnover is much greater than is to be expected by the number of disabled people alone.

Touche et al. estimated the number of disabled people in Europe who are financially and physically able to travel as 22 million day visitors, 15 million domestic trips and 8 million trips abroad ⁽⁴²⁾. This assumes that the number of trips per person in this group would be the same as in the average population.

Touche et al. derive from these figures a potential demand in commercial accommodation of 351 million nights. Bearing in mind the fact that disabled people are accompanied by at least one other person, the number of nights spent by this group is estimated at 630 million ⁽⁴³⁾.

As the number of people with activity limitations is growing and is at least partially congruent with the rising share of elderly holidaymakers, it would be — not only from the point of view of social integration — a risky if not wrong strategy to develop a special market segment called ‘tourism for the disabled’.

As it is to be assumed that the motives and wishes of this group are as diverse as that of tourists in general, a separated strategy would be very risky considering its costs and the probability of the necessary financial return.

A much better way to open up this market potential seems to be to adapt the offers in such a way that nobody is excluded because of age or activity limitations ⁽⁴⁴⁾.

⁽³⁹⁾ Eurostat, NewCronos, Theme 3, demo/health.

⁽⁴⁰⁾ Final report of the group of experts ‘2010 — A Europe accessible for all’ set up by the European Commission, October 2003, pp. 6.

⁽⁴¹⁾ Bundesministerium für Wirtschaft und Arbeit, ‘Economic impulses of accessible tourism for all’, Documentation No 526, November 2003, www.bmwi.de.

⁽⁴²⁾ Touche, Ross, ‘Profiting from opportunities’, 1993, Section 2.3.3, *Potential level of disabled tourism in Europe*.

⁽⁴³⁾ Touche et al., *ibid.*. Touche took into account that some of the companions might be recorded in the tourism statistics and calculated the multiplier effect conservatively only by 0.5 companion per disabled tourist.

⁽⁴⁴⁾ Useful information for enterprises and planners involved in tourism is contained in the *Guidelines for barrier free tourism for all* published by the German Automobile Club (ADAC), *Barrierefreier Tourismus für Alle Planungsleitfaden für Anbieter im Tourismus*, Munich, September 2003.

2.3. Tourists' motives and selection criteria: Leisure at the seaside in first place, business tourism accompanies economic liberalisation

The official tourism statistics split the reasons for undertaking a journey into only two categories: business and leisure/recreation.

The share of international arrivals of business travellers of all international arrivals in Europe increased in the decade 1990–2000 from 17 to 20 % ⁽⁴⁵⁾. This increase in business tourism in Europe in the 1990s is supposed to be a consequence of the reform policies of central and east European countries, the accession process, as well as liberalisation within the EU, especially the completion of the internal market.

This close coherence shows the interdependence between tourism and economic development on the one hand and the positive effects of economic liberalisation for the development of the tourism sector on the other hand. A broad economic liberalisation is thus a good foundation especially for increases in business-oriented tourism.

The 20 % share of arrivals that relates to business tourism, however, does not describe its economic impact at all.

A German survey estimates that the airline tickets booked by business travellers vary among airlines from about 20 to 60 % ⁽⁴⁶⁾. Another survey, commissioned by the German Business Travel Association, estimates that in Germany the turnover created by business travel (EUR 48 700 million) is nearly the same as that of leisure travel (EUR 51 600 million) ⁽⁴⁷⁾.

Other approximations of business travel in the EU estimate its share at about 25 % of the non-business travel expenditure and forecast roughly the same growth rates for both groups (+ 3.1 and + 3.7 % per annum respectively) within the forthcoming 10 years ⁽⁴⁸⁾. From available statistical data it can be concluded that foreign business travellers may spend an amount per night in the country visited that can be several times that of a foreign leisure tourist.

Moreover, as far as big conferences are concerned one should add not only the daily travel expenditure but also the turnover related to congress logistical services.

Motives for leisure travel

Regarding the many motives for recreation and leisure, scenery and climate still hold first place when choosing a destination ⁽⁴⁹⁾, followed by urban tourism,

⁽⁴⁵⁾ WTO, *Tourism market trends*, 2002, p. 32.

⁽⁴⁶⁾ Source: *Der Spiegel*, Germany, 3.11.2003, 45/2003. This study of the University of Münster quoted by *Der Spiegel*, however, does not distinguish between same-day visitors and tourists (travellers that stay at least for one night).

⁽⁴⁷⁾ Source: Verband Deutsches Reisemanagement e. V. (VDR) (in collaboration with Bearing Point, ed. 2003), *Geschäftsreiseanalyse 2003*. Both amounts are not really comparable because the definitions vary. Concerning leisure tourism, only trips with more than four overnight stays were considered, whereas regarding business travels all travels were considered reimbursed by a company.

⁽⁴⁸⁾ See WTTTC, www.wttc.org (link: TSA research, link: world regions, European Union), 'The 2003 travel & tourism economic research', European Union, *A world of opportunity*, p. 11.

⁽⁴⁹⁾ European Commission, *Facts and figures on the Europeans on holidays, 1997–98*, executive summary, p. 9.

whereas safety played a roll in decision-making for only 18 % of those questioned.

The stability of closeness to the sea as a selection criterion seems at first glance to contradict the commonly held opinion of a dramatic change of motives that is supposed to lead to a growing importance of cultural interests and nature-based tourism.

The relatively low share of the safety criterion in a 1998 published survey indicates that this criterion is of a rather volatile importance. It pops up when the situation changes but falls back quickly when security improves. **Experience shows that a lack of safety leads to a postponement or regional redirection of holiday making rather than to a total renunciation.**

The change in the consumer's attitude towards holidaymaking is difficult to comprehend in tourism statistics.

The greatest and as yet unsolved problem in that context is the problem of categorising new and alternative types of tourism. As the tourist's preferences have changed and are much more varied today, it is nearly impossible to classify a holiday, which starts with a city tour including cultural programmes and ends at the beach or a golf course, under any particular heading.

The problems of defining and categorising nature-based or so-called eco-tourism are even more complicated. When should a holiday be classified in this category? When the tourist chooses animal watching but stays in a normally managed hotel which he can only reach by his own car, when he stays in a usually managed hotel but prefers to walk and enjoy the landscape or when he decides on a bicycle ride through the Himalayas ⁽⁵⁰⁾?

Some studies on cultural tourism reveal — despite all the definitional problems — that there are some economic reasons for the growing interest in so-called 'cultural tourism'. Tourists that classify themselves as 'cultural tourists' seem to have an income significantly higher than the average tourist and spend more money on holidays (not for cultural purposes but in general).

As long as consumers prefer to satisfy a mix of holiday motives during the same journey — this is true also for the self-classified cultural tourists — and not a different journey for each, the tour operators, the accommodation establishments, and the attraction facilities must present the multiple opportunities and right mix in their estimation to be successful in the market.

2.4. Regional and seasonal characteristics of consumer decisions: the summer period and seaside in first place

The predominance of climate, combined with scenery, as the holiday motive is the main reason for the strong regional and temporal concentration of tourism demand as one of its dominant characteristics.

⁽⁵⁰⁾ On the problems of defining eco-tourism see also Kurte, Bernadette, 'Der Ökotourismus-Begriff', Materialien zur Fremdenverkehrsgeographie, Heft 59, Trier University, 2002.

Generally, the demand is concentrated between April and October, with peaks between July and September. August remains the peak month, even if there are differences between holiday start dates between southern and northern Europe.

For about 60 % of the trips with at least four overnight stays, European tourists select the seaside and therefore preferably the summer season. This choice generates the majority of displacements and stays towards the south of Europe. For the remainder of the year, studies demonstrate a diversity of selected destinations, located, for about a quarter each, in mountain areas (winter and summer sport tourism), in the countryside (rural tourism) and in the cities (cultural tourism) ⁽⁵¹⁾.

The high seasonality of demand has consequences not only for the use of capacity of the enterprises but also for the employment situation and causes road congestion.

On the demand side it is hardly possible to improve the situation significantly, except maybe through the **coordination and staggering of the regulation of school holidays** between Member States in order to spread the time of school holidays over a longer period.

On the supply side it is in the enterprises' own interest to develop supplementary tourist products to make their offer more independent of the seasonal variations of demand. One important prerequisite for this purpose is flexible working conditions in all subsectors.

2.5. Quantitative development of tourism demand

2.5.1. Regional movements: rapid growth in Asia, Europe remains the most important region

Despite the growing importance of long-haul arrivals that have risen in total faster than interregional arrivals (from 60.8 million to 123.7 million between 1985 and 2000), by far the overwhelming majority of European holidaymakers (about 87 %) stay within Europe ⁽⁵²⁾. This is due to the fact that the cost of transportation is of much greater importance than in all other markets.

This high share of 'intra-continental' tourism results in reduced competition with destinations of other continents, whose regional markets are more or less separated. From the consumer's viewpoint there is no market price competition between short- and long-haul-destinations ⁽⁵³⁾, but among the travel organisers offering journeys to a given destination.

Regarding the great importance of the transportation cost component for the travel decisions of the majority of tourists, it seems less probable to attract a greater number of tourists from other continents travelling to Europe. Considering transportation costs, it looks more plausible to prevent short-haul tourists from turning to outbound tourism (see also page 24). Studies on the price elasticity of tourism demand show that long-haul tourism to low cost destinations in Asia fails to be

⁽⁵¹⁾ Source: Eurostat, *Consumers in Europe, facts and figures, data 1996–2000*, p. 239, Table 7.37; these figures do not add up to 100 %, because multiple answers were allowed.

⁽⁵²⁾ The figures refer to arrivals and not overnight stays. Source: WTO, *Tourism 2020 vision*, 2000, p. 35 ff.

⁽⁵³⁾ According to the price competitiveness index calculated by the WTTC, European countries have an extremely low competitiveness, see Section 5.3.3, p. 65. This shows that for the consumers' decision, transportation costs and the time used for travel to and from the destination is much more important.

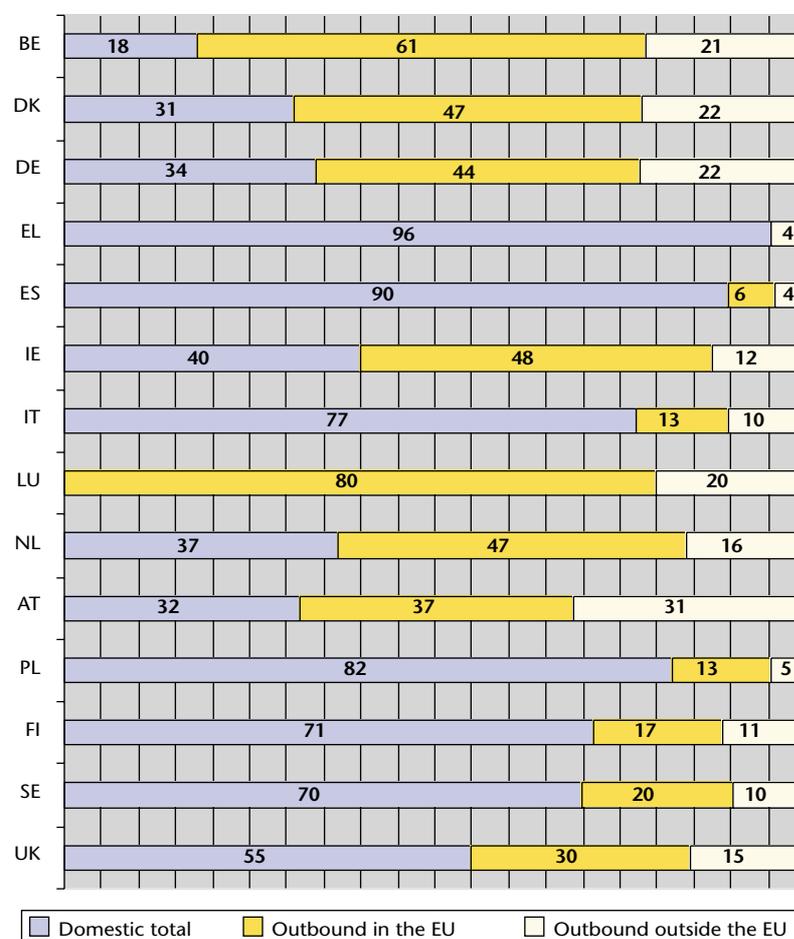
significantly increased by lower local prices, but rather by quality improvements, for example, of service ⁽⁵⁴⁾.

This leads us to conclude that regarding the competition among regions or destinations, besides external factors such as the climate or the closeness to the sea, quality and attractiveness of a destination as a whole are much more important factors of competitiveness than the simple price competitiveness ⁽⁵⁵⁾.

Within the European Union, as the distances are shorter, the share of intra-EU outbound tourism is higher than outbound tourism to other continents generated in Europe ⁽⁵⁶⁾.

Figure 2.5.1.a shows a significant difference between the Mediterranean Member States, where domestic tourism is obviously of great importance, and all the others.

Figure 2.5.1.a: Holidaymaking rate and breakdown of trips by destination, 2000 (%)



Source: Eurostat, 'How Europeans go on holiday', *Statistics in Focus*, 20.3.2002, Theme 4 — 15/2002, Table 1, p. 2 (France n.a.).

⁽⁵⁴⁾ Source: Travel and Tourism Research Association, *Journal of Travel Research*, August 2003, p. 58. <http://www.ttra.com>

⁽⁵⁵⁾ See also Section 5.3.3, p. 65.

⁽⁵⁶⁾ These figures do not represent the full economic impact of trips. If trips with stays of one night and more are considered, the share of domestic holidaymakers is supposed to rise to about 50 % in many countries, whereas the relationship between outbound tourism in Europe and out of Europe is nearly the same. Data, however, concerning domestic trips of one night and more are not recorded by Eurostat.

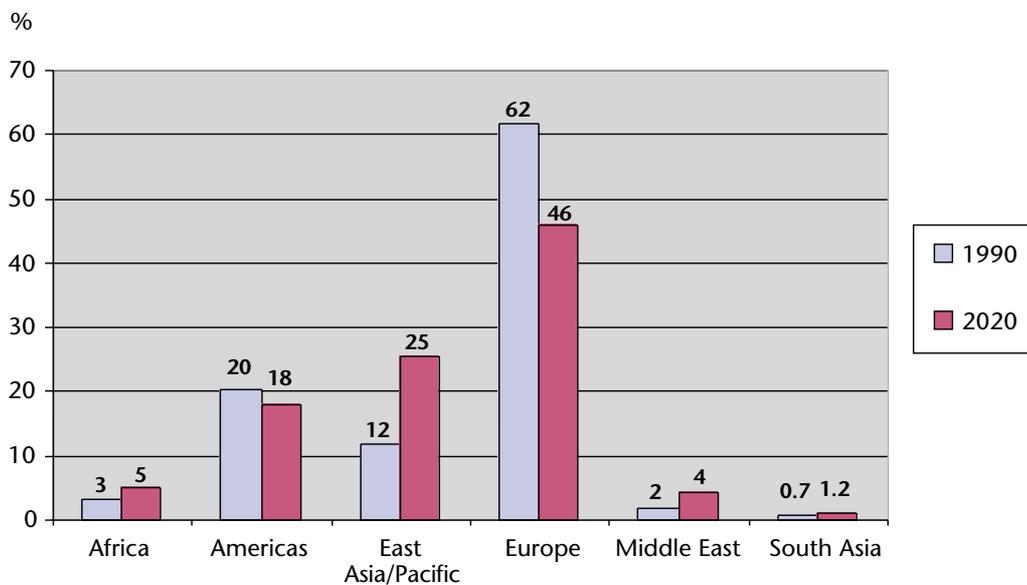
MMC concludes from the lower share of package tours in the Mediterranean countries that they are markets with a high expansion potential. But if one takes into account that the most important selection criterion for choosing a destination is the sea ⁽⁵⁷⁾ (combined with favourable weather), it is a purely rational economic behaviour of a consumer to satisfy his need for low transportation costs ⁽⁵⁸⁾. And as the distances to the sea are shorter in the Mediterranean countries this might be a quite plausible explanation for the lower share of package tours in these countries.

Is Europe's tourism industry losing ground?

On the global level, Europe is — as far as international arrivals are concerned — the most important tourism region as a tourism-generating region as well as for arrivals in Europe. This is true even in respect of tourism receipts ⁽⁵⁹⁾.

Nevertheless the World Tourism Organisation (WTO) estimates that until 2020 the share of international tourist arrivals in Europe will diminish by nearly a quarter from 59.8 % in 1995 to 45.9 % in 2020.

Figure 2.5.1.b: Individual regions — share of worldwide arrivals



Source: WTO, *Tourism 2020 vision*, Volume 4, p. 35.

Within Europe the greatest slow-down would take place in western and southern Europe whereas eastern and south-eastern Europe would be much better off ⁽⁶⁰⁾.

But this prospective development does not contradict the statement that the tourism markets at the continental level are more or less separated. As the number of international arrivals in Europe in absolute figures is — according to the WTO

⁽⁵⁷⁾ See page 20.

⁽⁵⁸⁾ And even the higher share of outbound tourism in the UK and the Netherlands which have similarly short distances to the seaside are in this respect not an indicator of 'higher development' but of the importance of the second selection criterion, the climate.

⁽⁵⁹⁾ WTO, *Tourism market trends*, Europe, 2003 edition, annex.

⁽⁶⁰⁾ To the composition of European regions by countries according to the WTO nomenclature (see Annex A2 on page 71).

projections — still increasing, the diminishing share of European tourism is primarily a consequence of the fact that Asia and especially south Asia are recording a growth far beyond the worldwide average. The market share of south Asia in international arrivals is estimated to rise from 14 to 25 %, in particular due to the enormous increase expected in international/intraregional travels undertaken by Chinese and, gradually, Indian citizens.

The economic reasons for this development are the rapidly growing income and the prospective reduction of working time in this part of the world, a development that took place in Europe soon after the Second World War.

But to consider the question whether the forecast reduction of Europe's share in the world's international arrivals means a loss of its attractiveness or tourism industry, there should clearly be a distinction made between intraregional and long-haul tourism.

As long as international arrivals in general are taken into account, the forecast reduction could be caused by a cut of intra-European arrivals as well.

According to the WTO forecasts, long-haul arrivals, i.e. intercontinental travels, are of an extraordinary importance for south Asia (75 % of the international arrivals to that region). Their share will increase to 85 % by 2020.

But even this development is no proof that Europe will lose importance as a tourist destination because of the growth in the Asian regions. **Long-haul arrivals in Europe are forecast to rise from 12 to 15 %, by 2020, at exactly the same rate as long-haul arrivals globally (from 18 to 24 %) (61), whereas their relative increase in south Asia records merely half of this.**

On the side of outbound tourism, nearly the same development takes place. Although Europe remains the largest tourism-generating region, according to the WTO's 2020 vision its share would diminish — despite an increase of international arrivals generated in Europe from 312.6 million in 1995 to 728.7 million in 2020 — from 55.3 % in 1995 to 46.7 % in 2020 (62).

But in the case of outbound tourism from Europe, i.e. long-haul, the picture is very different: whereas the long-haul arrivals to Europe will be growing at the same rate as globally, outbound tourism from Europe is, according to the WTO, growing with a rate twice as high as intra-European outbound tourism (63).

These forecasts do not therefore reveal a decline of Europe's attractiveness as a destination in the world, but towards European tourists. This corresponds to the changes of the share of arrivals within Europe, where the traditional destinations in western and southern Europe will lose in favour of eastern and east Mediterranean Europe.

To come to conclusive results, however, statistics would be needed that record not only data such as the length of stay and the money spent but also the net effects of inbound and outbound tourism. The promotion of tourism satellite accounts by the EU Commission in the Member States pursues this objective to obtain data that allow the evaluation of the economic impact of the tourism industry.

(61) WTO, *Tourism 2020 vision*, 2000, pp. 34, 45.

(62) WTO, *Tourism 2020 vision*, 2000, p. 48.

(63) WTO, *Tourism 2020 vision*, 2000, p. 11.

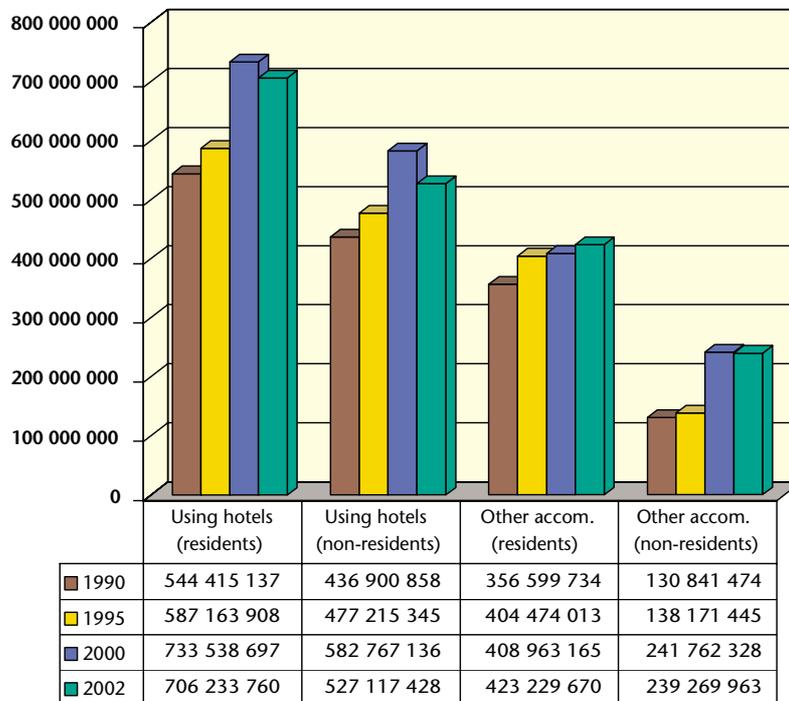
According to other TSA-based estimations, the annual growth rate of real tourism demand in the EU in the period 2003–2013 is only 0.4 percentage points (less than 10 %) below that of global tourism demand ⁽⁶⁴⁾, whereas according to WTO's forecasts of international arrivals the difference amounts to 1.1 percentage points, or about 30 % ⁽⁶⁵⁾. Generally it can be said that, while the number of arrivals might increase at the forecast rates, the number of nights spent will do so at lower rates, because of shorter stays; tourism expenditure might only grow as available income does.

2.5.2. The influence of tourism demand on subsectors varies widely

The growth of tourism demand is reflected in the development of overnight stays in the EU. Between the years 1990–2002 domestic and foreign overnight stays in commercial accommodation establishments grew — despite a reduction after the boom year 2000 — by around 30 % up to nearly 2 000 million ⁽⁶⁶⁾.

In the second half of the 1990s, domestic overnight stays recorded a significant rise. This goes along with the acceleration of annual GDP growth in the EU after 1997 ⁽⁶⁷⁾.

Figure 2.5.2: Overnight stays by residents and non-residents, EU-15



Source: Eurostat (NewCronos), Theme 4, tour, sect b (in 2002 Greece is not available, in 1990 Ireland only available for hotels (residents)).

⁽⁶⁴⁾ + 4.2 % (EU) compared with + 4.6 % (world). Source: WTTC, www.wttc.org (link: TSA research, link: world regions).

⁽⁶⁵⁾ + 3 % in Europe compared to + 4.1 % (world). WTO, *Tourism 2020 vision*, 2000, volume 4, p. 9. The difference would be even greater if only arrivals in the EU were considered because the increase of arrivals in western and southern Europe is significantly lower than that in eastern and east Mediterranean Europe.

⁽⁶⁶⁾ Preliminary data regarding the year 2003 reveal that the decline was stopped. Source: Eurostat, 'Tourism in the EU in 2003', *Statistics in Focus*, ed. 25.2.2004, Theme 4, 12/2004, p. 2.

⁽⁶⁷⁾ European Commission, *Employment in Europe 2002*, report, July 2002, p. 166.

Regarding the types of accommodation there are significant differences to be observed between the Member States. In many countries, especially of southern Europe but also Sweden and Finland, private accommodation for domestic tourism is preferred, whereas in Germany and Luxembourg between 40 and 50 % of the overnight stays are spent in hotels ⁽⁶⁸⁾. One explanation for this variation might be a difference in the importance of business tourism in these countries.

Irrespective of the reasons for these differences, they indicate that the hotel sector in individual countries is quite differently affected by changes of tourism demand.

Regarding the modes of transport one can also observe major differences between the countries. In first place lies the use of the private car, especially for domestic holidays, followed by air travel, bus/coach and railway ⁽⁶⁹⁾. The use of air travel is above average in the UK, Denmark, Luxembourg, Austria and Germany. The higher share of the UK can most likely be explained by the geographical location of the country, whereas the above average shares in Denmark, Luxembourg, Germany and Austria correspond to their higher share of outbound and package travel tourism (see Figure 2.5.1.a on page 22).

These differences in the 'consumption patterns', the use of different accommodation types and modes of transport, demonstrate that — due to the heterogeneity of the sector — in each country different subsectors profit from the same level of travel expenditure and its development. Owing to the greater importance of air travel in the UK for example, the UK airline industry would benefit from a general increase in income and tourism demand more than air travel in other countries. In Germany and Luxembourg, the hotel industry would profit above the average because of the greater use of hotels for overnight stays in these countries. Of course, the contrary becomes true in periods of sluggish tourism demand. This makes it difficult to evaluate whether a country's tourism sector in total is winning or losing compared with other countries.

⁽⁶⁸⁾ Source: Eurostat, 'How Europeans go on holiday', *Statistics in Focus*, op. cit., Table 5, page 6.

⁽⁶⁹⁾ Source: Eurostat, 'How Europeans go on holiday', *Statistics in Focus*, op. cit., Table 4, page 5.

3. The enterprises: puzzling figures form a shimmery picture

The official statistics make it difficult to describe and evaluate the sector called 'tourism industry'.

If one defines the sector from the consumer's point of view, all products and services should be taken into account that are consumed by tourists.

However, the official statistics record, according to the NACE classification, only a number of subsectors such as:

- H 551: Hotels and motels
- H 552: Hotels, campsites, other provision of short-stay accommodation
- H 553: Restaurants
- H 554: Bars
- H 555: Canteens and catering
- I 633: Activities of travel agents and tour operators; tourist assistance activities not elsewhere classified
- O 9233: Fair and amusement park activities.

Whereas accommodation establishments, travel agents and tour operators are uncontestedly an inherent part of the tourism sector, one can raise the question to what extent restaurants, cafes and bars as well as transportation should be included.

The statistics do not allow us to judge whether a guest in a bar is a tourist or an inhabitant of the city, nor whether a restaurant or bar is located in a tourist destination and therefore probably mainly visited by tourists or not ⁽⁷⁰⁾.

The most obvious suggestion, to focus the analysis on accommodation establishments alone, would not solve the problem either, because the national definitions of which hotels should be recorded in the statistics vary widely. In most Member States a minimum number of bed places (e.g. 8 beds in Germany, 40 beds in Denmark) is required ⁽⁷¹⁾ for collecting figures referring to hotels.

This would lead to some under-estimation of overnight stays if those in accommodation establishments not counted in the official statistics are not estimated by other sources.

Moreover, the official statistics do not present figures on the performance of attractions in the EU Member States, not even fairs and amusement parks (NACE O 9233).

⁽⁷⁰⁾ Such differentiations will be made by tourism satellite accounts. See Box 2 on page 14.

⁽⁷¹⁾ For all the national definitions, see Annex A4 on page 73.

Studies show that spending on European amusement parks in 1999 amounted to EUR 2 100 million and is forecast to rise by a rate of 8 % until 2004 up to EUR 3 100 million ⁽⁷²⁾.

As many attractions are cultural installations (e.g. museums, castles and cathedrals) this means that important and dynamic parts of the supply side, which are of great importance for the attractiveness of destinations, and a seasonally more independent capacity use of hotels located nearby cannot be analysed in this report.

Furthermore, the contribution of the transport sector as part of the broader tourism economy and indispensable for its functioning, cannot be evaluated on the basis of the NACE classification because the extent to which its capacities are used by tourists and other passengers cannot be distinguished.

At least the airline industry should be regarded as an integral part of the tourism sector ⁽⁷³⁾, although one-day return trips are increasingly undertaken by plane ⁽⁷⁴⁾.

These problems with the official statistics cannot be solved by this report ⁽⁷⁵⁾.

Thus in this report — as long as data based on tourism satellite accounts are not available — restaurants and cafes will be included. The inevitable ‘over-estimation’ of this procedure is regarded as correction of the statistical under-estimation because of the non-observance of a large quantity of overnight stays, attractions and the transportation sector.

3.1. Overview

About 1.3 million companies are identified in the EU under the characteristic activities of tourism, listed in the NACE nomenclature. If the segment of attractions is included, one must add nearly 100 000 enterprises and concerning transports another 50 000 ⁽⁷⁶⁾.

In 1997, the SMEs in the tourism sector accounted for 7.4 % of the total number of SMEs in Europe and 6.5 % of the turnover of European SMEs ⁽⁷⁷⁾.

Based on the available Eurostat figures, the numbers of enterprises in the main subsectors of tourism in the Community are as follows:

Table 3.1.a: Number of enterprises corresponding to the NACE classification, 1999

NACE-classification	Number of enterprises
Hotel and other accommodation (NACE H 551-552)	192 673
Restaurants, bars, canteens, catering (NACE H 553-555)	1 049 259
Travel agencies and tour operators (NACE 1633)	44 673
	1 286 705

Source: Eurostat, NewCronos, structural business statistics (sbs), Greece n.a.

⁽⁷²⁾ PWC, final report, 2001, p. 32. It is not possible to estimate what share of visitors are tourists, one-day visitors or local residents.

⁽⁷³⁾ As to the importance of business travellers for the airline industry, see Section 2.3 on page 19.

⁽⁷⁴⁾ Tourists are defined as travellers staying at least one night (see Annex A1 on page 69), which means that ‘same-day visitors’ are not recorded in tourism statistics.

⁽⁷⁵⁾ For this purpose, a system of TSAs in all Member States would be needed.

⁽⁷⁶⁾ PWC, final report, 2001, Appendix 1.3, p. 28.

⁽⁷⁷⁾ European Commission, *Structure, performance and competitiveness of European tourism and its enterprises*, p. 6.

The dynamics inherent to this sector can be demonstrated by the creation of new enterprises: in the 10 countries for which data are available in the hospitality sector, more than 80 000 enterprises per year were founded in 1999 and 2000 ⁽⁷⁸⁾.

Despite the fact that the total number of enterprises remained roughly constant — which means that nearly as many ceased their activities as were newly created — this structural change may increase the competitiveness of the sector ⁽⁷⁹⁾.

Nevertheless it can indicate a need for policy action, if the bankruptcies are caused by typical problems of SMEs such as a lack of equity capital or the access to bank credits.

Small and medium-sized enterprises prevailing

The tourism industry *grosso modo* consists of two blocks:

1. SMEs: 99 % of the enterprises in the tourism subsectors are acknowledged statistically either small and medium-sized or micro-enterprises (more than 90 %) employing between one and nine employees;
2. major and also multinational groups. Only a very small proportion is made up of major enterprises employing more than 250 employees.

Table 3.1.b: Number of enterprises in the tourism sector ⁽⁸⁰⁾ by size class, 1999

	size class/number of employees in 1999			
	1–9	10–49	50–250	250+
EU (13)	1 179 554	82 441	7 228	523
in %	92.89	6.5	0.57	0.04

Source: Eurostat, NewCronos, theme4/sbs/size-class + own compilation.

The figures refer to 13 Member States (without Greece and Luxembourg); in the group 250+ also without Ireland. The table concerns the NACE classification mentioned in Table 3.1.a.

In individual countries the relative distribution of enterprises by size class differs significantly. In size class 250+ the UK, for example, records the largest number of enterprises of all Member States; nearly one third (166 units) of the 523 enterprises in this size class are British ⁽⁸¹⁾.

Considering the turnover yielded by all EU tourism enterprises, however, its distribution with respect to the size structure is not equal. As the turnover per employee is nearly the same in the enterprises of all size classes, the majority of small and micro-enterprises is not represented with a similar share of turnover, whereas the minority of medium and major enterprises yields a much larger share of the turnover of the sector.

This is especially true for the subsectors of travel organisers and hotels which will be analysed in more detail in Sections 3.3 and 3.4.

⁽⁷⁸⁾ Eurostat, NewCronos, sbs, (n.a. Germany, France, Ireland, Austria).

⁽⁷⁹⁾ One can assume that enterprises disappearing from the market are less competitive and the companies entering more competitive. See also EU Commission (Enterprise DG publication), *EU productivity and competitiveness: An industry perspective*, 2003, p. 201.

⁽⁸⁰⁾ Hotels and similar establishments and restaurants as well as tour operators/travel agents are included.

⁽⁸¹⁾ For other remarkable deviations in the UK, see also Box 3 on page 32.

This correlation of size and turnover should not lead, however, to the rash conclusion that 'large is better'. On the one hand the degree of concentration — if the subsector of tour operators is neglected — is not very high and on the other hand the question that is to be answered by economic policy is not the question of the optimum size, but how competition and competitiveness of the sector could be improved.

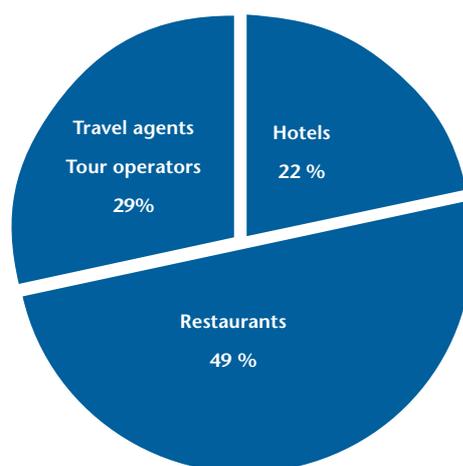
To raise the competitiveness of tourism enterprises does not mean necessarily that they must grow in size or market share. Increasing competitiveness can also be achieved among SMEs through intensive cooperation, for example by forming networks.

Bearing in mind, however, that usually only larger enterprises carry out market research on their own and define positioning strategies, with respect to targeted customers, and develop the use of innovative tools in order to strengthen their competitiveness, it should be recognised that their economic importance for the long-term development and the competitiveness of the sector is much higher than their relatively small number suggests.

Varying importance of the subsectors in the EU Member States

The contributions of the subsectors to the turnover of the hospitality and accommodation sector in total show that travel agents/tour operators are slightly more important than hotels and similar establishments, whereas nearly half of the turnover is based on the economic activities of restaurants, cafes, bars and catering.

Figure 3.1.c: Distribution of turnover among the subsectors in the EU, 2000 ⁽⁸²⁾

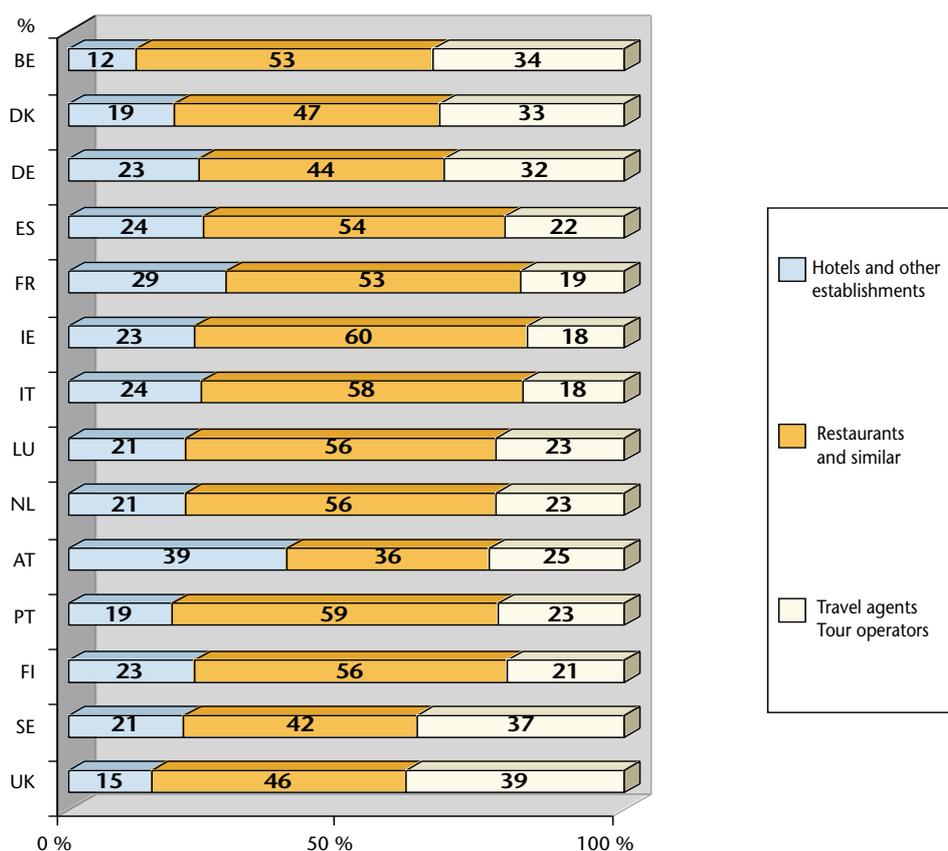


Source: Eurostat, *European business, facts and figures*, Part 5, Trade and tourism, data 1991–2001, Chapter 19, Tourism, p. 336, own calculation (Greece not available).

⁽⁸²⁾ Hotels including similar establishments and other short-stay accommodation: NACE H 551–552; restaurants including bars, canteens and catering: NACE H 553–555; and travel agents including tour operators: NACE I 633.

As was already pointed out in Chapter 2 (see page 15), the role these subsectors play varies throughout the Member States. As Figure 3.1.d shows, the share of turnover of travel agents and tour operators is below average in southern Europe and above average in Belgium, Luxembourg and the UK (for the latter see Box 3 on page 32).

Figure 3.1.d: Distribution of turnover among the subsectors in Member States, 2000



Source: Eurostat, *European business, facts and figures*, data 1991–2001, Chapter 19, Tourism, p. 336, own calculation (Greece n.a.).

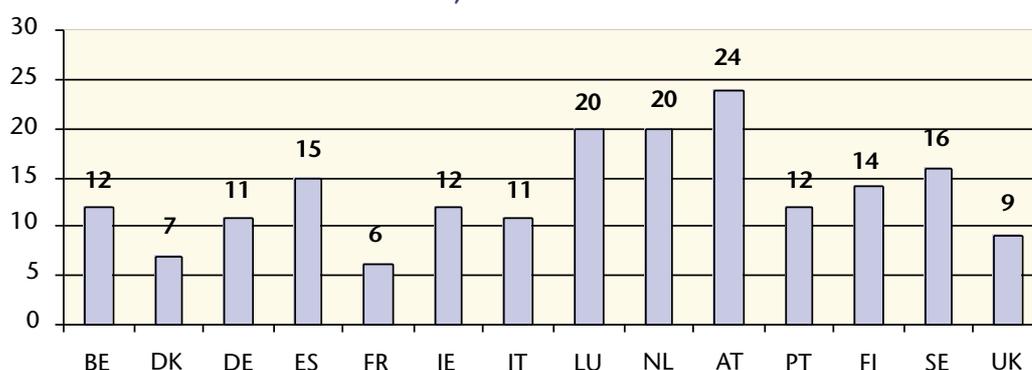
However, the low share of turnover by travel agents and tour operators in France reveals again that the correlation is not as close that one might think — as MMC does — that the countries of southern Europe are in this respect to be regarded as developing markets. To support such general hypotheses one should also consider that the number of package tours in Scandinavian countries has decreased since 1999 by about 20 % and is estimated to reach in 2003 the level of 1995 ⁽⁸³⁾.

⁽⁸³⁾ Dokumentation Europäische Veranstalter (European organisers) 2002, No 13, edition 5.6.2003, p. 6 (Magazin für die Tourismuswirtschaft (FVW)).

Box 3**The United Kingdom — a special case or leading the way?**

It is striking that in the UK the share of turnover created by tour operators is much larger than in all other Member States (see Figure 3.1.d). This is due to the travel habits of British tourists pointed out in Chapter 2. British tourists favour long-haul destinations more than other European holidaymakers⁽⁸⁴⁾. But the high share of turnover of British tour operators is all the more surprising as the number of British tour operators and travel agents (per 100 000 inhabitants) is one of the lowest in the Community.

Figure 3.1.e: Average number of travel agents/tour operators per 100 000 inhabitants, 1999



Source: Eurostat, *Yearbook 2002, The statistical guide to Europe*, data 1990–2000, p. 308.

A similar structure is to be observed in the hospitality sector. Whereas in all the other Member States by far the largest share of turnover is yielded in the group of small and micro-enterprises, in the UK nearly half of the turnover of the hospitality sector is created by large enterprises employing more than 250 employees.

Table 3.1.f: Turnover by size class of enterprises (number of employees) (*) in the hotel and restaurant sector, 1996

	Turnover %				
	0	1–9	10–49	50–249	250+
EU-15	9.0	40.8	20.2	10.7	19.3
DK	14.8	41.6	24.9	10.7	8.0
DE	5.9	45.8	26.0	11.7	10.6
ES	14.7	32.0	15.2	21.0	17.1
FR	11.1	43.8	20.8	7.0	17.3
IT	13.0	47.5	21.1	6.9	11.5
AT	7.3	43.3	31.1	12.1	6.2
PT	0.4	52.7	21.4	14.2	11.3
SE	8.1	25.0	33.2	17.3	16.4
UK	3.1	25.4	17.0	9.0	45.5

(*) Size class 0 = self-employed.

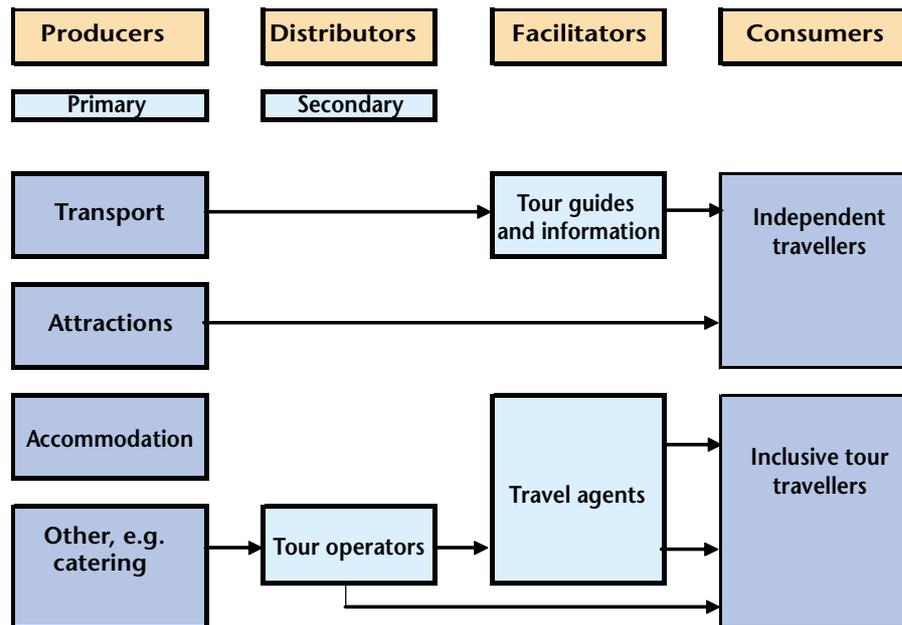
Source: Eurostat, 'SME statistics', *Statistics in Focus*, ed. 5.6.2000, Theme 4, 8/2000, p. 4 (EU-15 contains the (for statistical reasons) confidential data of Greece, Ireland, Luxembourg and the Netherlands).

⁽⁸⁴⁾ See Section 2.5.2 on page 25.

The value chain

The enterprises of these subsectors are in a functional relationship linked by the consumer's decision-making and choosing process.

Figure 3.1.g: Role of travel organisers and intermediaries



Source: European Commission, *Structure, performance and competitiveness of European tourism and its enterprises*, executive summary, p. 43.

This process starts with the consumer's need for information which is traditionally met by travel agents and tourist information, but nowadays also increasingly via the Internet. The second step is the decision to use individually organised transportation (e.g. car, railway, airplane) or a tour operator. Another decision may be the choice to book directly (either with the primary producer or a tour operator) or to do so through a travel agent and it ends with the stay in the chosen accommodation establishment, visiting local attractions and participating in organised activities and, finally, the return journey.

To underline these functional relations among the subsectors, they are dealt with in this same order.

3.2. Tourist information services

Usually the term 'tourist information service' is used for public sector organisations, at the municipal and regional level funded by the authorities, to provide information on attractions, accommodation and travel for visitors to a region.

However, the tourism market itself also provides information services through the travel agents who can be considered as the 'retailers' of the tourism market.

It is not possible to present any data referring to the travel agents ⁽⁸⁵⁾ as the tourism market's own 'information service', for they are increasingly linked to or

⁽⁸⁵⁾ Eurostat's tourism statistics do not present the travel agents separately but together with the tour operators in one section. This is the more regrettable as it seems that in this segment of the market an enormous structural change has been taking place since the mid-1990s.

are a part of tour operators. Some 60 % of the 15 000 travel agents in Germany and 75 % of the 6 000 agents in the UK belong to tour operators ⁽⁸⁶⁾.

The aspects of structural change, which are of great importance in this subsector, and competitiveness of the tourism industry will be dealt in Chapter 5. The further description of information services in this paragraph, therefore, will focus on other services, not provided by the market, but which have nevertheless an important function from the consumer's point of view of achieving more transparency with respect to tourist destinations, their accommodation and possible activities.

At the local level, tourist information services have become increasingly commercial in the light of reduced government funding and many have shops on site, selling postcards, maps and souvenirs to contribute to their running costs. For instance, the tourism offices in Ireland are run without State assistance. About 60 % of the activities are third-party commercial activities in the premises, 40 % of tourism office own services, for all of which users are charged a fee, in order to create the necessary budget in addition to membership (enterprises and local bodies) fees.

If it becomes true that tourists change their information behaviour profoundly because they use the Internet as their main source of information, this would affect the public tourist information services as well as the travel agents. As a first reaction the public services are also using websites to communicate to a wider audience: most national and local tourist information services now have websites.

This is probably not sufficient. **The better strategy seems to be — as for the travel agents — both to provide Internet information and to focus the physical information points on the needs of the clientele that do not use the Internet, and to offer services there which are not covered by the Internet, such as individual and qualified advice on a customer's needs ⁽⁸⁷⁾.**

3.3. Tour operators and travel agents

The travel organisers' subsector breaks down into the activity types travel agents and tour operators.

Traditionally, tour operators have played the role of wholesale companies, packaging products such as airline seats, hotel rooms and coach transfer facilities for sale to the travel agents. The agents act as retailers in the value chain, selling the whole package or elements of a trip to the customer. They carry no stock and act as intermediaries between the traveller and supplier.

But the competition process, intensified by technological progress, has changed this traditional division of labour and economic functions between these subsectors.

An important part of the business of agents has always been to buy travel services directly from the producers and to sell them to customers, for example tickets. But tour operators nowadays are increasingly selling their packages directly to customers cutting out the intermediary by using their own outlets or web pages.

⁽⁸⁶⁾ Source: PWC, final report 2001, op. cit., p. 76.

⁽⁸⁷⁾ See also the paragraphs concerning the use of the Internet in Section 5.1.1.

In other cases travel products such as hotels and airlines are selling directly to customers, bypassing travel organisers.

Whereas the enterprises in the hotel and restaurants sector cannot easily follow spatial movements of the demand, the sector of travel organisers is much more flexible. **This higher degree of flexibility and their smaller quantity compared with the number of hotels can easily lead to a dominant bargaining power vis-à-vis the more or less atomised accommodation sector.**

However, on the other hand the intermediary role that the tour operators play between the tourist and his destination, in particular the accommodation and the transportation subsectors, forces the tour operators to reserve capacities early in advance.

As soon as these contracts are concluded the tour operator is responsible for filling these reserved capacities, which carries risks because of quick and unexpected changes in tourism demand, either regional or temporal, caused by economic or political as well as meteorological circumstances.

For these reasons some tour operators have established or acquired their own charter airlines and bed portfolios ⁽⁸⁸⁾.

But no risk avoiding strategy is without risk. The establishment of bed portfolios or even the ownership of hotels and airplanes by tour operators may be of advantage in periods of permanently or seasonally accelerating demand; in periods of sluggish demand and cuts in demand they turn to be a cost-increase factor.

For this reason no clear tendency can be observed whereby some large enterprises would try to dominate the total value chain. Rather it depends on the market situation and the development of demand as to whether companies pursue an acquisition strategy or sell such components when they become too costly.

The 'new strategy' announced by TUI and Thomas Cook is one of the most recent examples for cost reductions by the withdrawal of capital invested in other tourism companies (see Chapter 5).

In 2002 the European travel organisers' market was estimated to be worth about EUR 52 000 million compared with EUR 42 000 million in 1997 ⁽⁸⁹⁾. Nowadays, this market is concentrated to a high degree. FVW, the German 'magazine for the tourism industry', annually publishes a list of 150 large European tour operators (the 10 largest are listed in the table on the next page).

After the concentration process that has been going on since the mid-1990s ⁽⁹⁰⁾, about 70 % of that market — according to the survey of Mercer Management Consulting — is currently created in the five largest companies in Europe, which all have their corporate seats in either Germany or the UK.

⁽⁸⁸⁾ See Annex A6 on page 75.

⁽⁸⁹⁾ MMC, *European leisure travel industry*, July 2003, p. 3.

⁽⁹⁰⁾ See Section 5.3.1 on page 60.

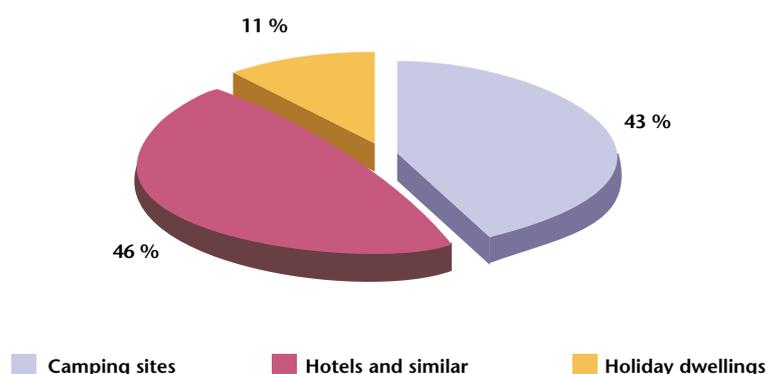
Table 3.3.: Tourism turnover in million EUR by the largest European tour operators

Rank	Enterprise/Group	Tourism turnover		
		Country	2002	Change in % (2001/2002)
1	TUI	DE	12 461	- 2,7
2	Thomas Cook	DE	8 063	3.2
3	My Travel Group	UK	7 017	- 13.1
4	Rewe Group	DE	4 660	- 6.9
5	First Choice	UK	3 471	- 8.0
6	Kuoni	CH	2 543	- 8.0
7	Grupo Iberostar	ES	2 027	10.4
8	Club Méditerranée	ES	1 744	- 12.1
9	Hotelplan	CH	1 435	- 7.8
10	Alltours	DE	1 115	4.2

Source: FWW dokumentation, Germany, 'European operators 2002', No 13, p. 9, supplement to the edition FWW International No 13, 5.6.2003.

3.4. Accommodation

The accommodation sector consists of a great variety of types of accommodation facilities to meet the consumers' needs. Among these the subsector of hotels is the most important, though the offer of other kinds of tourist accommodation, such as lodgings, bed and breakfast, tourism residences, holiday dwellings and campsites, is showing considerable growth.

Figure 3.4: Share of capacity of registered bed places of all accommodation, 2000

Source: Eurostat, NewCronos, Theme 4 — tour, sect a, own calculation.

The number of tourist beds in all types of accommodation in the 15 Member States grew from 17.7 million in 1990 to 21.1 million in 2000 ⁽⁹¹⁾.

Although the number of bed places on campsites roughly equals that in hotels and similar establishments ⁽⁹²⁾ their actual and economic importance differs, largely in

⁽⁹¹⁾ Source: Eurostat, NewCronos, Theme 4 — tour, sect a + own compilation.

⁽⁹²⁾ The official statistics may overestimate the number of bed places in campsites to some extent as they include permanent pitches which cannot be regarded as the usual tourist 'short-stay accommodation' on campsites.

terms of turnover because of the differences in their price levels. Moreover, their 'real offer' on the tourism market is smaller than that of hotels, for it is much more seasonally concentrated and dependent on the weather.

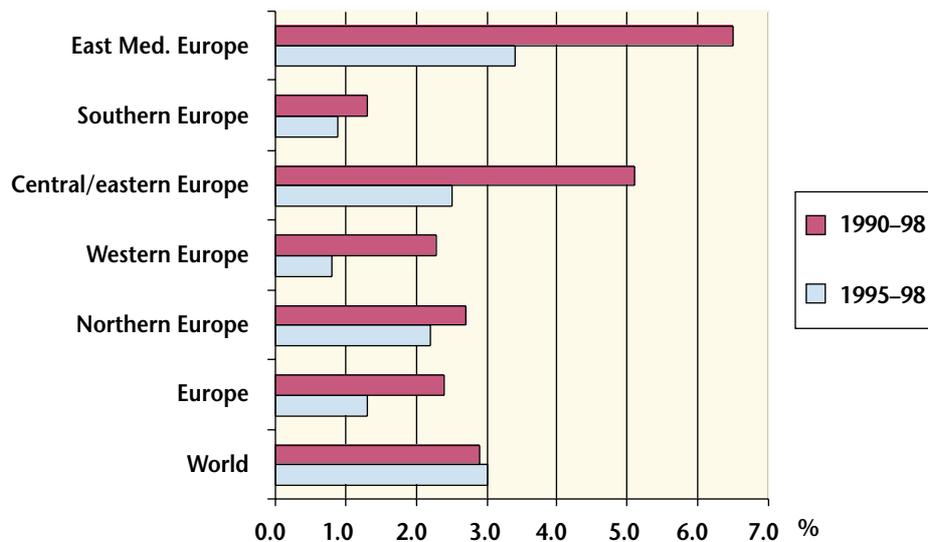
The evaluation of the segment of holiday dwellings is complicated by the fact that only a small number of them are registered and that many are a part of the tourism market for only a few months of the year, because they serve as secondary residences the rest of the time.

Since the data availability in the hotel sector exceeds by far that of the other sub-sectors, this chapter will — for both reasons (importance and data availability) — focus on the hotel sector ⁽⁹³⁾.

3.4.1. Quantitative developments since 1990 — the number of hotel rooms corresponding to arrivals

The World Tourism Organisation (WTO) presents data referring to the capacity of hotels only with respect to the number of rooms. The development of the number of rooms in hotels worldwide and in Europe shows that the growth rate in Europe between 1990 and 1998 was below that of the world ⁽⁹⁴⁾.

Figure 3.4.1: Average annual growth in the number of rooms in hotels and similar establishments



Source: WTO, *Tourism market trends*, 2000 edition, Americas, p. 25.

This slower growth is the more remarkable as its distribution in European regions shows that in western, northern and southern Europe, i.e. the regions that largely correspond to the territory of the European Union, the growth rates of hotel rooms were below the European average, whereas in eastern Mediterranean and central/eastern Europe the growth rates were more than twice as high.

⁽⁹³⁾ The tourism statistics distinguish 'hotels and similar establishments' on the one hand and the types of 'other accommodation' on the other hand.

⁽⁹⁴⁾ PWC, final report 2001, p. 89.

The slower increase in numbers of rooms in most parts of Europe compared with the global development can be regarded as a normal market reaction to the slower increase of arrivals during that period, which rose by about 4 % per year in Europe and 5 % globally ⁽⁹⁵⁾.

The high growth rates in eastern Europe are also a reaction to the estimated development and expected arrivals to that region. According to WTO forecasts, the share of arrivals in eastern Europe of all international arrivals in Europe will double from about 15 % in 1990 to about 31 % in 2020 ⁽⁹⁶⁾.

According to the below-average increase of accommodation capacity in Europe, the share of hotel rooms in Europe compared with those in the world decreased. But geographical Europe in 1998 still represented the highest regional concentration in terms of number of rooms, i.e. 38 %. As well as Europe being the region with the highest share of international arrivals (nearly 60 %) in 1995 (compared with the United States with 19 %) ⁽⁹⁷⁾, it is on the supply side the region best provided with hotels.

Occupancy rates have improved

Because of this moderate growth of hotel capacity in Europe, the decade 1990–2000 showed an improvement in the occupancy rate in three of the five Member States for which data are available (see the table in Annex A3 on page 72), while in Germany and Austria it decreased because of a fast growth in the number of bed places.

The development in Germany is so far atypical, as the occupancy rate diminished sharply from 1992 to 1995 due to the capacity growth in the sector to facilitate the catching-up of the ex-GDR to West Germany. In the period 1995–2000 it improved slightly as the construction of hotels was no longer subsidised, but it still did not reach the level of the year 1990.

It does not seem to be reasonable to expect a better use of capacity by increasing demand, as this would require an increase in income to improve the tendency to spend money on holidays in Europe.

Moreover, because of the impact of transportation costs on the consumer's decision, arrivals from outside Europe — which account for only 13 % of all arrivals in Europe — should not be expected to increase greatly.

3.4.2. Seasonal variations of capacity use: a reason for supplementary products

Since the collective accommodation facilities have — at least in the short term — a fixed capacity, they suffer from the strong seasonal variations of demand which is reflected in the monthly variations of the occupancy rates of bed places.

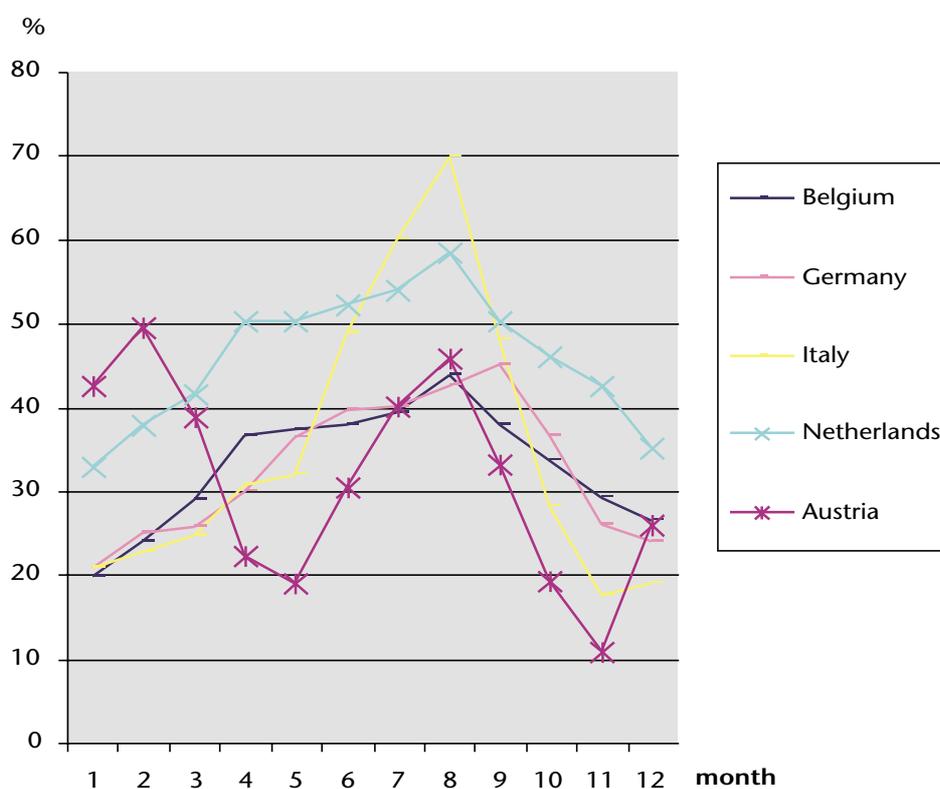
The use of capacity and the impact of seasonality on it might be quite different, if instead of the occupancy rates of bed places those of rooms were considered. But up to now Eurostat statistics have not presented occupancy rates of rooms.

⁽⁹⁵⁾ WTO, *World overview and tourism topics*, 2002 edition, p. 25. For an economically valid evaluation of this statement, comparable data on overnight stays are needed. The WTO, however, only records data on tourist arrivals.

⁽⁹⁶⁾ WTO, *Tourism 2020 vision*, op.cit., p. 36.

⁽⁹⁷⁾ WTO, *Tourism 2020 vision*, op.cit., p. 33.

Figure 3.4.2: Occupancy rates of bed places in selected Member States, 2000



Source: Eurostat, NewCronos, Theme 4, tour, own creation (see Annex A3 on page 72).

As the temporal consumer preferences concerning holidaymaking are quite stable ⁽⁹⁸⁾, **the hotels are well advised to develop supplementary offers such as opportunities for activities that can be carried out with less dependence on seasons and the weather.**

This goal could be supported by the national tourism policies by the staggering of school holidays and a regional policy that improves the establishment of attractions near destinations with a high seasonal dependence.

3.4.3. Structural aspects — slight concentration process, SMEs indispensable

The hotels can be roughly classified in three levels of quality: upmarket hotels account for 17 % of all European rooms, 19 % comprise the economic categories and 64 % mid-market hotels ⁽⁹⁹⁾. In many countries such as Belgium and the Netherlands, the similar establishments represent a minority of the accommodation offered ⁽¹⁰⁰⁾.

⁽⁹⁸⁾ The peaks are in July and August and around school holidays (see page 20, Section 2.4).

⁽⁹⁹⁾ PWC, op. cit., p. 90.

⁽¹⁰⁰⁾ PWC, op. cit., p. 88.

Capacity of bed places of hotels and similar establishments varies widely between Member States

Smaller establishments seem to be predominant in the UK where the average capacity amounts to 24 bed places compared with the European average of 48 beds. The Scandinavian countries, on the other hand, as well as Spain and Portugal are characterised by larger hotels with a capacity of about 100 bed places ⁽¹⁰¹⁾.

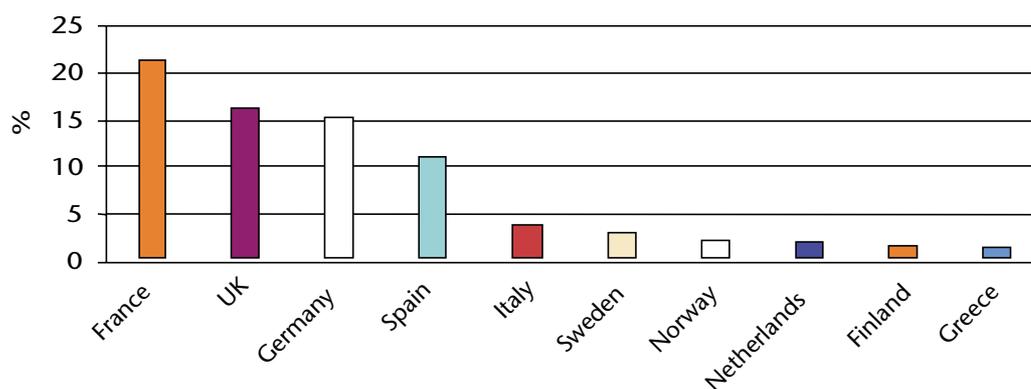
In the second half of the 1990s, a slight overall concentration process could be observed: the capacity of bed places per establishment rose from 45.3 in 1995 to 48 bed places in 2000 ⁽¹⁰²⁾.

But as the official statistics in certain countries only record accommodation facilities with a certain minimum number of bed places or a certain quality standard ⁽¹⁰³⁾, the structural change might have been more significant in the area of the statistically neglected accommodation facilities than the small increase in the number of bed places per hotel would allow us to suppose.

The vast majority of hotels and similar establishments are SMEs, most of them family-run. But the large branded hotels and chains are particularly important for the appearance and competitiveness of the European hotel sector at the global level.

Despite the existence of some large hotel chains, however, the market segment of hotels is less concentrated than that of tour operators. In no EU country do hotel chains represent more than some 20 % of the room capacity of hotels (see the figure below). Regarding market shares in terms of turnover instead of rooms, the hotel chains gain importance because they tend to operate in the upper price segment; nevertheless the largest proportion of turnover stems from independent establishments.

Figure 3.4.3: Percentage share of all branded rooms in Europe ⁽¹⁰⁴⁾



Source: PWC, op. cit., p. 100.

⁽¹⁰¹⁾ Eurostat, *European business, facts and figures*, Part 5, Chapter 19, Tourism, p. 327.

⁽¹⁰²⁾ Eurostat, *European business*, op. cit., p. 328.

⁽¹⁰³⁾ For example, 9 beds in Germany, 40 beds in Denmark; see Annex A4 on page 73 and the limitation of the data collection to accommodation establishments of a certain quality standard which were changed for example in Greece and Spain.

⁽¹⁰⁴⁾ The penetration of the European hotel sector by chains is still much lower (at the most about 20 %) than in the United States where it reaches 70 %. Source: PWC, p. 100.

Hotel chains are particularly significant in large cities. In London and Paris their share of the bed capacity amounts to 50 % ⁽¹⁰⁵⁾; because of the greater importance of fixed costs in large hotels they need a predictable and seasonally constant demand such as business tourism. Thus **the dominance of SMEs is indispensable for a country-wide supply at accommodation establishments.**

Furthermore the very high degree of concentration in the hotel chains segment must be taken into account: the five major groups dominate more than 70 % of the chain market in Europe.

The development of the hotel chains with respect to branded rooms is not only a consequence of the globalisation process but also a reaction of the market in trying to clearly and reliably meet consumer wishes on standards and service quality wherever they go.

For an evaluation of the competition processes even though the concentration of market share in the hotel sector does not reach the same degree as in the travel organisers' market, it should be remembered that some tour operators as well as airlines have established bed portfolios in hotel chains to reduce the level of risk of seasonal price increases and scarcities.

Such strategies reveal on the one hand the essential role that other enterprises contribute to the hotel sector, while on the other hand it becomes obvious that the market processes of supply and demand are much more controlled by larger enterprises than the pure statistical evidence of market shares would lead one to suppose.

⁽¹⁰⁵⁾ PWC, final report, p. 100.

4. Employment in the tourism sector

Owing to the complex nature of tourism and the absence of harmonised data, the volume of tourism employment and its importance for total employment in the European economy are difficult to assess.

According to Eurostat the number of employees in the tourism sector ⁽¹⁰⁶⁾ in 2001 amounts to nearly 7 million, whereas according to the report of the High Level Group on Tourism and Employment tourism employs directly ⁽¹⁰⁷⁾ 9 million persons in the European Union ⁽¹⁰⁸⁾.

If 'indirect employment', i.e. the employment in other sectors induced by the tourism sector, is taken into account, more than 20.6 million jobs could be recorded. Depending on the definition of the sector the share of tourism employment on total EU employment varies between 4 and 12 % ⁽¹⁰⁹⁾.

As the hospitality sector is the segment of the tourism industry that employs the vast majority (more than 93 %) ⁽¹¹⁰⁾ and most data available refer to this sector, the following paragraphs will focus on it.

4.1. Tourism employment rises faster than total employment

In the period 1995–2001, the number of persons working in the Horeca sector grew by about 12 % and exceeded the increase of total employment in the European Union by 4 percentage points ⁽¹¹¹⁾.

The annual growth rates show (see Figure 4.1.a on the next page) that 1998 and 1999 were the only years when the increase of employment in the tourism industry was below that of total employment in the EU.

This figure describes the development of the number of people occupied and not the employment measured in working days or working hours in the tourism sector. As the weekly working hours in the tourism sector in the period 1999–2001 decreased more than in most other branches (see Table 4.2.2 on page 46), the employment effect did not grow as much as the increase of the number of persons would lead us to suppose.

⁽¹⁰⁶⁾ This figure takes into account the subsectors of hotels, restaurants and cafes as well as tour operators and travel agencies. *Source: Statistics in Focus, 6/2003, 11.2.2003, title page.*

⁽¹⁰⁷⁾ According to the WTTC definition 'travel and tourism direct employment' or 'tourism industry, employment' shows the number of people directly employed in the travel and tourism industry. This generally includes those jobs with face-to-face contact with visitors, such as workers in airlines, hotels, car rental, restaurants, retail, entertainments. *Source: World Travel and Tourism Council, see Annex A1 on page 69.*

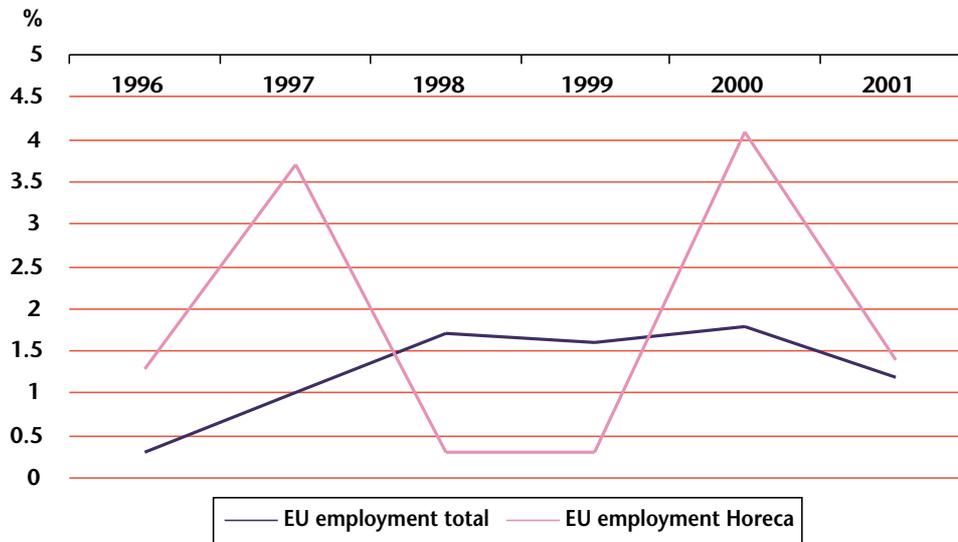
⁽¹⁰⁸⁾ High Level Group on Tourism and Employment, final report, October 1998, p. 5.

⁽¹⁰⁹⁾ *Source: WTTC, 'Travel and tourism — a world of opportunity', 2003, pp. 3 and 4, www.wttc.org*

⁽¹¹⁰⁾ European Commission, *Employment in Europe, Employment report 2002*, pp. 166–69, NewCronos, sbs.

⁽¹¹¹⁾ European Commission, *Employment report 2002*, p. 173 and own calculation.

Figure 4.1.a: Annual percentage growth of persons working in the Horeca sector and in all branches in the EU, 1996–2001



Sources: European Commission, *Employment report 2002*, p. 166.
Eurostat, *Statistics in Focus*, 6/2003, 11.2.2003, p. 2.
Eurostat, *Tourism in Europe — trends 1995–98*, p. 8 (own compilation and calculation).

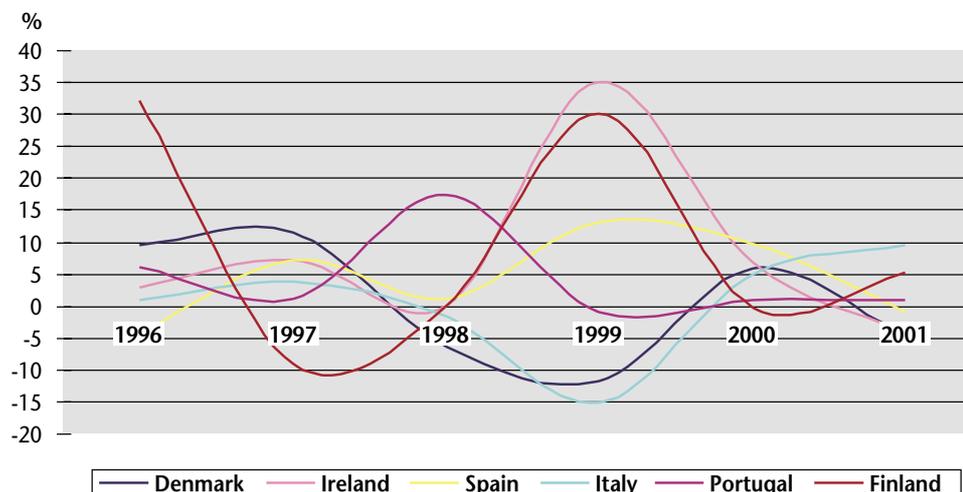
Horeca employment in Member States varies widely

The country-by-country comparison, however, darkens the picture of an EU average of nearly steadily growing tourism employment.

The growth rates vary, as Figure 4.1.b below shows, especially in the smaller countries from country to country and year to year much more than those of total employment.

The current statistical data available on the tourism sector — mainly due to the lack of tourism satellite accounts — do not permit the analysis of the causes of these huge variations in the annual growth rates of the number of persons employed in the Horeca sector.

Figure 4.1.b: Annual growth rates of tourism employment in selected Member States, 1996–2001



Sources: Eurostat, 'Rising employment in hotels and restaurants', *Statistics in Focus*, 6/2003, 11.2.2003, p. 2.
Eurostat, *Tourism in Europe — trends 1995–98*, p. 8 (own compilation and calculation).

Seasonal variations which are typical of the tourism market activities can be excluded, for only annual data are taken into consideration.

Arrivals or overnight stays are not worth considering either, as they do not vary to such a great extent and do not represent the full impact on the tourism industry.

The only variable that shows similar variations in these countries is that of turnover in the Horeca sector. But its correlation to the ups and downs in employment is not very strong.

4.2. Structural aspects

4.2.1. 50 % younger than 35 years old

Whereas in the overall EU-15 economy in total the age group 35–44 is predominant (28.3 %), the age structure of people occupied in the Horeca sector differs significantly: the predominant age group (26.4 %) is 25–34 years. But the most significant difference relates to the importance of very young employees, at the expense of those aged 35 years and older: the share of young employees less than 25 years old in the Horeca sector is twice that in the entire economy.

Taking into account the employees in the Horeca sector aged 15–34 years old (see figure 4.2.1), 49.1 % of the employees are shown to be younger than 35 compared with 37.1 % in all branches.

Figure 4.2.1: Employment in the Horeca sector and in all economic branches by age group in the EU, 2001



Source: Eurostat, 'Rising employment in hotels and restaurants', *Statistics in Focus*, 6/2003, 11.2.2000, p. 3.

This significant difference in the age structure of employees in the Horeca sector and the total economy runs in parallel with the higher degree of unskilled work in this sector⁽¹¹²⁾, its strong seasonality and the temporal distribution of daily working hours leading employees to search for alternatives. This also leads to higher fluctuation.

On the other hand it is a sector that contributes more than employment in **other branches to the reduction of youth unemployment**.

In some countries the share of the age group 15–24 is significantly higher than in the EU as a whole, e.g. in Sweden (35.2 %), Denmark (37.1 %), the UK (37.9 %) and the Netherlands (43.7 %). One reason might be that — as opposed to southern Europe — in these countries employment in restaurants and cafes is largely not a profession to earn a living wage, but an opportunity, for example for students, to earn some additional money.

4.2.2. Weekly working hours vary widely

While the average working hours per week in the Horeca sector (39.1) exceed those in the other branches (37.7) by 1.4 hours, their distribution during the day (or night) and week (end) differs significantly from that in other branches.

Despite an almost unlimited daily and weekly distribution of working time, the small difference in working hours from the overall economy is a result of the higher importance of part-time work and job-sharing in the sector.

In 2001, 27.5 % of the employees in the Horeca sector worked on a part-time basis, whereas this was the case for 19.8 % in the business economy in total⁽¹¹³⁾. The differences among the Member States are large (26.8 hours weekly in the Netherlands and 49.5 hours in Greece) and indicate that the organisation of work and the relevance of part-time jobs and second jobs vary widely.

Table 4.2.2: Working week in hotels and restaurants, 2001

	All economic branches	Horeca	Variation 1999–2001 in %	
	Usual week	Usual week	All economic branches	Horeca
EU-15	37.7	39.1	– 0.8	– 1.3
Belgium	37.5	42.2	0.8	– 7.5
Denmark	36.4	31.8	1.7	0.6
Germany	36.8	38.9	– 1.3	– 2.5
Greece	43.3	49.5	–	– 3.3
Spain	40.1	43.9	– 0.2	– 0.2
France	36.9	41.1	– 2.1	– 2.8
Ireland	37.7	34.1	– 0.8	–
Italy	39.0	42.4	– 0.5	– 1.9
Luxembourg	38.2	43.8	– 1.0	0.5
Netherlands	31.7	26.8	– 1.9	– 3.2
Austria	38.4	39.7	– 0.5	– 1.0
Portugal	40.1	48.1	– 1.0	– 0.4
Finland	38.4	36.6	– 0.8	0.3
Sweden	36.9	36.1	0.5	–
United Kingdom	38.1	31.0	–	0.3

Source: Eurostat, 'Rising employment in hotels and restaurants', *Statistics in Focus*, p. 6, 6/2003, 11.2.2003.

⁽¹¹²⁾ Eurostat, 'Employment in the market economy', *Statistics in Focus*, 13/2003, 2.4.2003, p. 3.

⁽¹¹³⁾ Eurostat, *European business, facts and figures*, Part 5, Trade and tourism, data 1991–2001, p. 323.

The number of average working hours shows an obvious north–south increase. The, on average, higher weekly working hours in southern Member States are due to the fact that these are favoured tourist destinations on the one hand, and that working in the Horeca sector is more a single occupation on the other.

Another remarkable difference between the working conditions in the Horeca sector among southern and northern Member States is the higher degree of full-time jobs in the southern Member States which goes in parallel with the fact that the share of male employees and family workers is significantly higher in this region compared with the northern countries⁽¹¹⁴⁾.

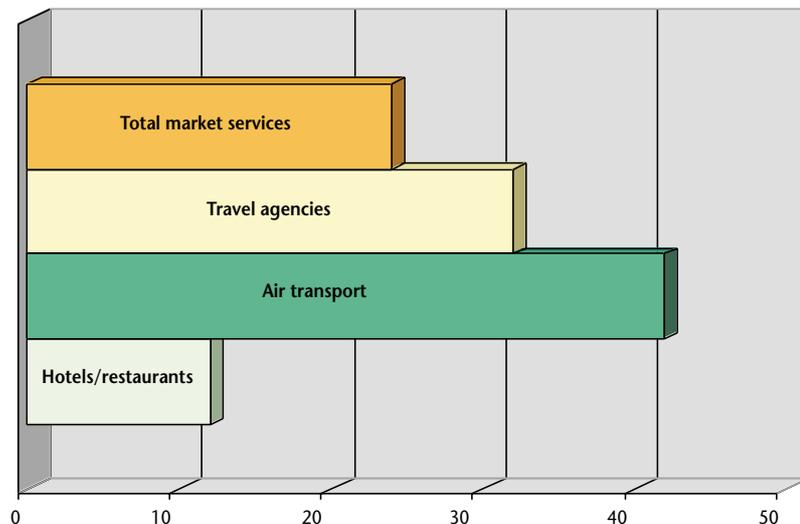
4.2.3. Large variations of labour productivity among the subsectors

Comparisons of sector-specific labour productivities show clearly that labour productivity in the service sector is below that of manufacturing industry⁽¹¹⁵⁾.

Regarding the labour productivity in the tourism industry, the picture is as diverse as in Chapter 3 concerning the enterprises in the various subsectors.

If the Horeca sector is taken as one sector, its labour productivity is — as Figure 4.2.3.a shows — only half of the average labour productivity in the service sector and one of the lowest of all services⁽¹¹⁶⁾.

Figure 4.2.3.a: Labour productivity in market services in EU Member States, 2000 (EUR)



Source: Eurostat, news release, 54/2003, 12.5.2003, 'Employment in European business in 2000'.

⁽¹¹⁴⁾ The share of male employment in southern Europe (except Portugal) comes to more than 50 %, in the northern countries less than 50 %. Source: Eurostat, *Statistics in Focus*, 6/2003, 11.2.2003, p. 4, as well as Eurostat, *European business*, op. cit.

⁽¹¹⁵⁾ Source: Eurostat, *Employment in the market economy in the European Union — an analysis of the structural business statistics*, 2003 edition, pp. 23 ff. Labour productivity is defined as the relationship of the value added generated in a sector to the number of persons occupied to create it. This definition does not consider differences in the extent of part-time work which is typically high in the subsector of restaurants, cafes and bars.

⁽¹¹⁶⁾ Eurostat, news release, 12.5.2003, 54/2003, p. 1.

Other subsectors of the tourism industry such as the travel organisers and air transport show a completely different picture. Their labour productivity is nearly three and four times higher than that of the Horeca sector and clearly exceeds that in the service sector in general ⁽¹¹⁷⁾.

But the impression of low labour productivity in the Horeca sector is mainly due to the restaurants, bars and cafes which represent 75 % of persons occupied, against 25 % in accommodation ⁽¹¹⁸⁾.

Separate calculations of labour productivity in the accommodation subsector on the one hand and restaurants, bars and canteens on the other lead to the result that **labour productivity in the accommodation subsector is in all Member States markedly higher than in the area of restaurants, bars and canteens and is — with a few exceptions — close to that of the travel organisers.**

Table 4.2.3.b. Apparent labour productivity in selected Member States (value added in 1 000 EUR)/(number of employees)

Countries	Hotels	Restaurants	Travel agents
	NACE 55.1–55.2	NACE 55.3–55.5	NACE 63.3
Germany	24.9	16.8	68.7
Spain	27.8	13.2	27.3
France	33.8	25.0	38.8
Sweden	36.4	24.3	33.2
United Kingdom	29.9	16.6	41.5

Source: Eurostat: *European business, facts and figures*, Part 5, Trade and tourism, data 1991–2001, p. 336.

As wage levels depend on the labour productivity of a sector, the Horeca sector pays wages significantly below the average of the service industry ⁽¹¹⁹⁾, whereas the factor costs in the travel organisers subsectors are significantly higher ⁽¹²⁰⁾.

If one looks, therefore, at the ‘wage-adjusted labour productivity’ of these subsectors, i.e. the apparent labour productivity divided by the labour costs per person employed ⁽¹²¹⁾, instead of at the labour productivity per capita, the variations between the subsectors are much smaller.

Table 4.2.3.c: Wage-adjusted labour productivity in selected Member States ⁽¹²²⁾

Countries	Hotels	Restaurants	Travel agents
	NACE 55.1–55.2	NACE 55.3–55.5	NACE 63.3
Germany	150.9	146.0	239.0
Spain	169.2	114.4	135.5
France	135.6	113.9	117.2
Sweden	135.6	114.7	100.8
United Kingdom	197.4	155.7	147.3

Source: Eurostat: *European business, Facts and figures*, Part 5, Trade and tourism, data 1991–2001, p. 336.

⁽¹¹⁷⁾ Eurostat, *Employment in the market economy*, p. 5. The higher labour productivity in air transport could be explained by the higher capital intensity which exceeds the average in the service sector by far. This means that the employment needed is lower and in consequence the labour productivity (per capita) is much higher.

⁽¹¹⁸⁾ Eurostat, *European business, facts and figures*, Part 5, Trade and tourism, data 1991–2001, p. 336.

⁽¹¹⁹⁾ Source: Eurostat, *Employment in the market economy in the European Union*, p. 50. The wage level in the Horeca sector is difficult to evaluate since the tips received play an important role at least in restaurants and cafes.

⁽¹²⁰⁾ Eurostat, *European business, facts and figures*, Part 5, Trade and tourism, data 1991–2001, p. 323.

⁽¹²¹⁾ As to the definition of the wage-adjusted labour productivity (see Annex A1 on page 69).

⁽¹²²⁾ (Apparent labour productivity/personnel costs per employee)*100.

The low wage level in the Horeca sector is — apart from working conditions — another important reason for the higher fluctuation of employees and their lower age, since career perspectives that would lead to a rise in income are missing ⁽¹²³⁾, whereas the risk of variations in employment are on average higher than in the other branches.

Furthermore, the lower wages in the Horeca sector, determined by its labour productivity, explain the difficulties of enterprises in some destinations in hiring personnel, for the jobs are considered less attractive because of the low wage level and working conditions.

On the other hand, **lower labour productivity is the main reason for the increase of employment in this sector and the contribution of the Horeca sector to total employment.** If labour productivity is defined as value added per person occupied, it is obvious that low labour productivity in a sector means that yielding a certain output needs more employment than in sectors with higher labour productivity.

⁽¹²³⁾ According to the final report of PricewaterhouseCoopers to the European Commission, only the travel organisers and the transport sector have relatively good career perspectives. In these two sectors a significant correlation between employees' loyalty and remuneration and career perspectives was observed. See PWC, final report, op. cit., p. 122.

5. Structural change and competitiveness of the tourism industry

The analysis of the demand and the supply side of the tourism sector in Chapters 2 and 3 shows that there are structural changes to be seen on both sides of the market. On a macro or societal level there is a shift in the age pyramid including the growing share of disabled tourists as well as the trend towards a growing importance of cultural and nature-based tourism.

Tourism enterprises have to respond to these shifts. But as they belong to completely different subsectors such as accommodation, travel organisers, attraction and transport, each of which plays a specific role, their reaction to structural changes can be very different.

The first two sections will examine the two most important challenges from the demand side — the increasing use of new technologies and the consideration of sustainability aspects — that profoundly influence the production and organisation of the tourism sector. The third section will focus on structural changes on the supply side caused by these challenges and competition processes.

5.1. The new technologies, a challenge for tourists and tourism enterprises

The most obvious technological challenge is the spreading of fast information and communication via the Internet. This takes place on the demand side on the one hand — keywords are online shopping and online travel — and between enterprises on the other hand — business-to-business communication (B2B).

Since the development and dynamics of this change on the demand and the supply side are completely different, they will be treated separately. The speed of these changes, especially regarding the use of the Internet that has been rapidly increasing over the last two years, can hardly be shown by the figures in official statistics and surveys already published. Even the time lags between the collection of the data and their publication seems to be too long for assessing the current situation. Presentations by research institutes at the 'Internationale Tourismusborse Berlin' (ITB) in March 2004 indicate that the developments described in Section 5.1.1 below increased their speed markedly within the past two years.

5.1.1. Online travel: low share and rapid increase, requiring permanent monitoring

Despite a very rapid jump of online selling in the tourism industry since 1998 after very sluggish growth in the years 1990 to 1997 ⁽¹²⁴⁾, the share of online travel in

⁽¹²⁴⁾ European Commission, e-business watch, sector report No 13/July 2003, p. 31, Figure 2-15, <http://www.ebusiness-watch.org/marketwatch/>

terms of turnover until recently remained, compared with the total travel market, rather low. It was estimated by Carl H. Marcussen at 3.6 % in 2002 ⁽¹²⁵⁾.

However, Marcussen expects a further increase of about 35 % during the year 2003 to about EUR 10 300 million (4.7 % of the market) and to about EUR 17 600 million by 2006, which would mean an increase of about 120 % in four years.

According to the same report, the UK and Germany remained the largest online travel markets in Europe in 2002 constituting 34 % and 22 % respectively of the European online travel market ⁽¹²⁶⁾.

The dynamics and the opportunities of this development can be clearly seen in the case of the UK's European online travel market. In just the four years 1998 to 2002 its share rose from 16 to 34 % ⁽¹²⁷⁾. Since UK tourists particularly depend on air transport, this might be to a large extent the consequence of low fare carriers selling their seats online.

Low online travel purchasing mainly caused by consumer behaviour

At first glance a market share that until 2002 was rather low seems to contradict the facts that buying travel online is one of the most important branches of online shopping, and that 47 % of the EU's population use the Internet.

However, the previous share of online travel purchasing in the total travel market is nearly the same as that of online shopping in the retail trade. Until recently travellers as Internet users showed much the same behaviour as other consumers: according to the surveys available, in most cases (80 %) the Internet was used purely for information purposes and comparison of prices ⁽¹²⁸⁾.

Some recent survey results ⁽¹²⁹⁾ suggest that about one in three international trips involve Internet use, and more than half of these cases involve booking. It might be that for certain product components, consumer behaviour of tourists regarding online buying is rapidly changing.

This particularly concerns the booking of transportation by individual travellers, since significantly lower prices can often be obtained through Internet booking, even with the same carrier and product. Hotel booking and, in future, also package travel might increasingly follow the same trend.

Both the important increase mentioned above and the uncertainty with regard to changing buying behaviour make a more or less permanent monitoring of the e-travel market and its business figures advisable. Thus, one would obtain a sufficiently correct picture of its importance as well as of its consequences on traditional sales channels and on product development.

⁽¹²⁵⁾ Carl H. Marcussen, 'Trends in European Internet distribution of travel and tourism services', www.crt.dk, updated: 28.4.2003, accessed: 22.1.2004.

⁽¹²⁶⁾ European Travel Commission (ETC), 'New media review', <http://www.etcnewmedia.com/review> (link: world & region overview, link: regional overview Europe, updated 19.11.2003).

⁽¹²⁷⁾ ETC, op. cit. One reason for this rapid increase might be the travel habits of British tourists who prefer air travel. The booking of air tickets is the activity with exceptionally high growth rates regarding online booking (see page 53).

⁽¹²⁸⁾ According to Data Monitor, 14 % of the population were really shopping online (8 % are searching cheaper offers), whereas 50 % refused to use the Internet; see ETC, 'New media review'.

⁽¹²⁹⁾ Presented at the International Tourism Fair Berlin (ITB) in March 2004.

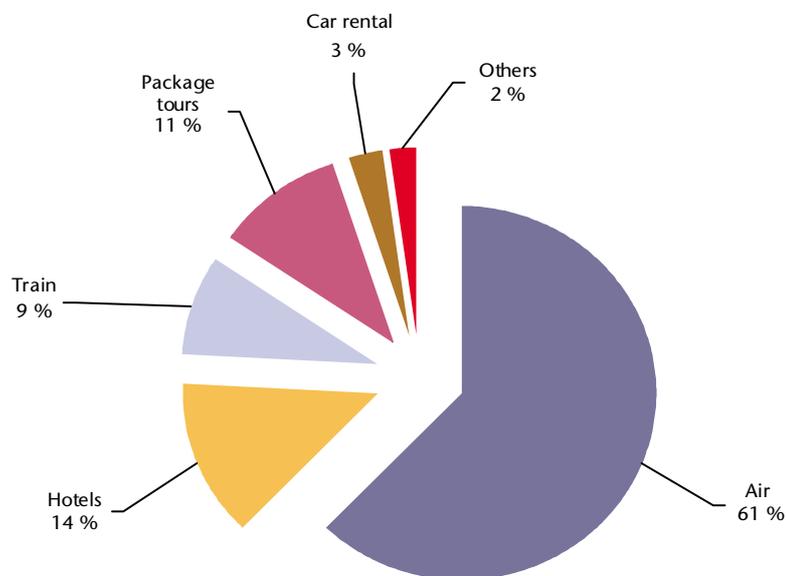
Regarding consumer behaviour, the bottleneck for a more frequent use of modern communication technologies is apparently not the enterprises.

Compared with other industry sectors, a greater number of tourism enterprises have their own websites ⁽¹³⁰⁾.

According to the field survey of PricewaterhouseCoopers, enterprises are well equipped with the whole range of communication techniques. But those most often used were the conventional and easy-to-use technologies of telephone and fax ⁽¹³¹⁾.

As Figure 5.1.1 below shows, the shares of the different products bought online, especially the ranking of tour operator services, indicate quite clearly that **the customer primarily buys products online — besides those that cannot be bought off-line or only at a higher price — the quality of which he can judge and which are not related to complex services.**

Figure 5.1.1: The online travel market in 2002 by type of service or product category



Source: e-business watch, sector report, No 13 II/July 2003, p. 17.

The very high growth rates in the period between the fourth quarters of 2001 and 2002 established by Visa International underline this assumption ⁽¹³²⁾:

- airline tickets: + 1 326 %
- car rentals: + 947 %
- hotel rooms: + 125 %.

⁽¹³⁰⁾ European Commission, e-business watch, sector report No 13/July 2003, p. 29, Table 2-8, <http://www.ebusiness-watch.org>, link: publication.

⁽¹³¹⁾ PWC, final report 2001, op. cit., p. 124.

⁽¹³²⁾ ETC, op. cit.

The predominant use of the Internet as a source of information and means of buying relatively simple travel products indicates that the information services, i.e. **the travel agents, could be the segment of the tourism sector most seriously affected by this development.**

Even if at the moment the share of online market operations performed seems to be negligible, its growth rate makes assumptions on the future structural change of the market straightforward.

To adapt to this rapid development, it is useful to analyse consumer behaviour in more detail to find new or remaining markets. Whereas among younger people the proportion of Internet users is above average, in the group of older Internet users the share of users buying travel products online is below average.

The transportation and accommodation subsectors may use the opportunities of new technologies for raising their competitiveness by reducing costs and prices. For the information and organising services of the market, it seems advisable, however, to increase qualifications and thereby service quality and focus on markets and travellers who prefer personal contact.

5.1.2. Business-to-business communication (B2B)

The development of online sales by tourism enterprises followed almost the same course as that of online purchases from other companies: the percentage of online purchases increased slowly until 1997 when an initial surge from 3 % (1997) to 9 % (1999) took place. From 1999 to 2002, the share of tourism companies purchasing online increased to 38 % ⁽¹³³⁾.

When asked, however, to what extent ICT is used within the enterprises for other activities such as online management, it is clearly below the usage for sale and purchase operations.

Table 5.1.2: Tourism industry: use of online technologies within the value chain, 2003 (figures in % of companies)

Value chain activities	All (7) sectors (*)	Tourism			
		Total	0–49 empl.	50–249 empl.	250+ empl.
Online collaboration with business partners for designing products	20	13	10	20	19
Online collaboration with business partners to forecast product demands	14	11	10	16	13
Online management of capacity/inventory	16	12	8	17	28
Electronic exchange of documents with suppliers	44	37	33	37	48
Electronic exchange of documents with consumers	37	31	31	37	37
Online negotiation of contracts	13	15	15	25	13

(*) Seven sectors: food, beverage and tobacco industry, chemical industries, transport, ECT services, electricity, retail, tourism.

Source: European Commission, e-business watch, sector report No 13 II/July 2003, p. 24, Table 2-6, www.ebusiness-watch.org

⁽¹³³⁾ In 2003, the growth rate declined, reflecting more unfavourable economic conditions in general as well as tourism market difficulties and lowered expectations in e-economy opportunities in particular. Source: European Commission, e-business watch, sector report No 13 II/July 2003, pp. 27 and 31, www.ebusiness-watch.org.

Table 5.1.2 shows slight differences dependent on the company size. Not all of them can be explained by a greater reluctance to use ICT in smaller enterprises. The use of ICT for online management of capacity/inventory, for example, rises corresponding to the size class, but it is obvious that in larger enterprises management is more complex and makes the use of ICT more profitable.

According to the e-business watch opinion survey, the use of ICT in tourism enterprises is below the average in all other sectors of the economy considered by the e-business watch. Even when the size structure of enterprises in the other sectors may differ from that in the tourism sector ⁽¹³⁴⁾, **the lower use of ICT in the tourism sector may be seen as an indicator that there is some room for increasing competitiveness by modern technological and organisational means.**

E-business has more intense impacts on tourism enterprises than on companies in other sectors.

Enterprises (a sample representing 30 % of tourism employees) reported that e-business had changed the organisational structure: 38 % began to change internal work processes; 37 % customer relationships; and 33 % reported a change in the offer of products and services. In all these cases the all-sector average of reported changes was smaller ⁽¹³⁵⁾.

However, as the intensification of ICT use in the tourism sector did not start until 1998, and has increased explosively since then, the time period might be too short to judge whether government actions targeted at the tourism sector are to be recommended.

The rapid increase of ICT in tourism enterprises could be interpreted as **the enterprises taking up the challenge and starting to move** so that government actions, with their relatively long planning and implementation phases, might be too late to give a further impetus instead of just creating 'free rider' effects ⁽¹³⁶⁾.

5.2. Environment and sustainability — considering opportunity costs and intensifying multi-stakeholder dialogue

The relationship between tourism and the environment can be regarded from two perspectives: the impact of tourism on the environment can be taken into consideration as well as the impact of environmental protection policies and 'eco-tourism' on the tourism industry.

⁽¹³⁴⁾ The tourism sector consists of 99 % of SMEs.

⁽¹³⁵⁾ European Commission, e-business watch, sector report No 13 II/July 2003, p. 39.

⁽¹³⁶⁾ The term 'free riders' (of economic policy measures) describes the behaviour of people that receive for example financial aids for activities that they would have undertaken anyway.

Tourism and environment, measuring the impact

As far as the impact of tourism on the environment is concerned, this can best be measured locally in the built environment such as hotels, while the construction of roads or leisure facilities and restaurants cannot be exclusively attributed to tourism because they are used by local residents as well ⁽¹³⁷⁾.

Considering other environmental factors such as energy and water consumption, the impact of tourism is even more difficult to measure, for the statistics do not allow us to distinguish between consumption by residents and tourists.

Eurostat estimated marked increases of energy consumption in certain tourist destinations identified by a higher proportion of hotel beds on the local population by applying an approximation method ⁽¹³⁸⁾.

However, the case of energy and water consumption shows that it is necessary to distinguish between local/regional and global impacts of tourism on the environment.

Regarding the global level, an important impact on the environment is created by travel to and from the destination, although it is questionable whether or not only tourism can be blamed. In measuring the environmental impact of tourism, the opportunity costs of the behaviour of the person as a 'non-tourist', using the car and consuming energy, must also be taken into consideration.

Environmental protection and eco-tourism — challenges for tourism enterprises

The evaluation of the impact of so-called 'eco-tourism' on the tourism economy depends first of all on the chosen definition.

If 'eco-tourism' is considered — as in some countries — as 'tourism in nature reserves' ⁽¹³⁹⁾ its economic impact on the tourism industry would be quite limited.

If it is defined as 'nature-based tourism', the impact on the tourism industry could be greater but not one that could be measured more easily.

As, despite the WTO definition which has existed since 2002 ⁽¹⁴⁰⁾, this notion still varies across countries it is impossible to analyse the impact or the challenges in the Community in a quantitative way. This section will therefore be restricted to qualitative remarks.

The introductory remarks on the nature and complexity of the products produced and consumed in the tourism sector made it clear that environmental issues are involved along the whole service chain, in the transportation subsector as well as in the Horeca sector and in the destinations themselves. In that respect definitions that are restricted to just one part, such as eco-tourism in nature reserves, are not sufficient.

⁽¹³⁷⁾ Also in this respect the establishment of tourism satellite accounts in the Member States and in forthcoming years at the Community level could provide the information needed.

⁽¹³⁸⁾ Eurostat, 'Tourism and the environment', *Statistics in Focus*, 40/2002, 30.9.2002, p. 6.

⁽¹³⁹⁾ Kurte, Bernadette, *Der Ökotourismus-Begriff, Materialien zur Fremdenverkehrsgeographie*, Heft 59, Trier University, 2002, pp. 102.

⁽¹⁴⁰⁾ WTO suggests a rather broad definition which is not operational in order to quantify the economic impact of eco-tourism. The main feature of the WTO definition refers to 'all nature-based forms of tourism in which the main motivation of the tourists is the observation and appreciation of nature as well as the traditional cultures prevailing in natural areas'. Source: WTO, www.world-tourism.org, link: publication, link: info-shop, link: catalogue, 'The German eco-tourism market', October 2002, summary, p. 2.

Focusing the discussion about environmental disadvantages of tourism on just one part of the service chain can even be counter-productive. If one identified, for example, the transportation sector as the main source of pollution and suggested raising fuel taxes or road tolls, this would probably lead to an increase in domestic tourism. This might have as a consequence the increase in maintenance costs for nearby destinations and attractions such as lakes or historically valuable buildings, that have already reached their capacity limit.

How tourism enterprises react to the challenges

From the travel organisers' point of view, environmental issues are being raised by the demand side of the market and by governmental actions in the following ways:

- interest in eco-tourism from consumers;
- introduction of environmental taxes in destinations;
- need to regenerate overdeveloped destinations.

Travel organisers might respond to these challenges by offering tours and destinations which respect environmental concerns, and by making customers more sensitive to the impact of tourism and the need to travel responsibly. They can also seek to address this problem by working with local suppliers and organisations to educate travellers and encourage interaction.

This means that the consumer can play an important part in influencing the market towards an environmentally responsible and sustainable tourism.

Some large tour operators already employ people responsible for environmental affairs that oversee the whole production line from travel agent to hotel or local coaches in the destinations.

However, if the functioning of the market towards sustainable tourism is to be achieved, it is indispensable that consumers choose environmentally sustainable products. Concerning the products, whether landscape or seaside, one would expect consumers themselves to be interested in maintaining quality, although their sensitivity in this respect is still limited. It is mainly the competition between destinations that can lead to price levels which do not allow the maintenance of the landscape.

In the hotel sector the most successful operators are setting global standards and applying them locally, thus engaging staff and the local community in dialogue and appropriate action ⁽¹⁴¹⁾. But because of the size structure of the enterprises these leading hotels represent only a low share of the total room capacity in European hotels.

Much more difficult is the situation for the vast majority of SMEs which do not have the bargaining power to control other parts of the tourism value chain. Their macroeconomic/entrepreneurial decisions are reactions to external and political influences.

Surveys show that 50 to 60 % of SMEs consider environmental subjects to be important ⁽¹⁴²⁾. This can be attributed to the European Community policy aimed

⁽¹⁴¹⁾ PWC, final report, op. cit., p. 98.

⁽¹⁴²⁾ PWC, final report, p. 126.

at awareness raising. But it could also be regarded as proof that there is urgent need for action, for only 10 to 15 % recognise it as a top priority. However, before judging such results the fact that SMEs tend to delegate these topics to their associations which are involved in the public/political discussions needs to be taken into consideration.

This leads to the conclusion that decisions towards a more environment-friendly and sustainable tourism should be based on a permanent multi-stakeholder dialogue and on environmental balance sheets and simulations that reflect the impacts of the various segments of the tourism sector on the environment and the economy.

Steps such as the integration of tourism and environment satellite accounting are desirable to form a platform for simulations and decision-taking. Otherwise, political decisions taken to increase the contribution of the tourism industry to environmental protection and sustainability risk being counter-productive ⁽¹⁴³⁾.

5.3. Structural change on the supply side and the competitiveness of tourism enterprises

Structural change affects enterprises — raising competitiveness needs public-private partnership

The analysis of the demand and the supply side of the tourism sector in Chapters 2 and 3 revealed that the 'tourism product' is very complex and consists, from the consumer's point of view, of a variety of sub-products or product components.

The consumer can combine the necessary product components in different ways, which means he can partially substitute the length of stay or the quality of accommodation by less/more time and higher/lower expenditures on travelling and attractions, restaurants, etc. The enterprises of the same subsector are in competition with each other, such as the hotels and restaurants in a certain region, the travel agents of the same source country and the airlines and railways.

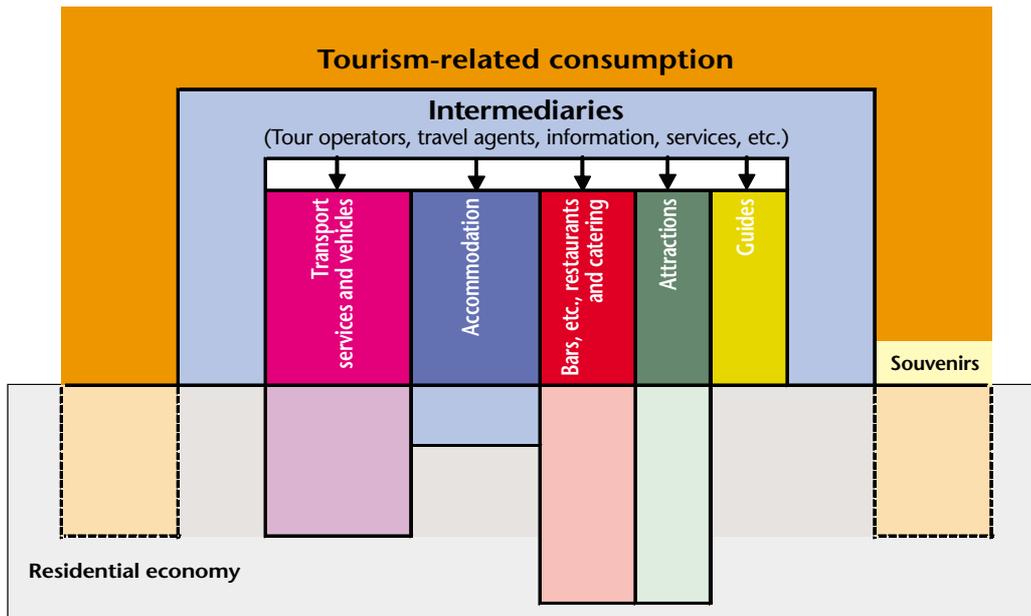
However, as the consumer also needs at least a certain level of some components to 'consume a tourism product', which means that they are in a complementary relationship, some developments on the supply side favour each other and lead to an upswing of the tourism sector. A good example of this type of connection of subsectors is the reduction of transportation costs either by technological and organisational progress in the airline industry or the increased use of private cars that has facilitated the steady growth of tourism over the past few decades.

Figure 5.3 illustrates that the subsectors are working in parallel without competing with each other because of their complementary relationship in producing 'tourism products'. Competition takes place within a subsector. But even here there are segments without any competition. For example, it is reasonable to assume that hotels do not compete with campsites although both usually produce accommodation.

⁽¹⁴³⁾ The communication 'Basic orientations for the sustainability of European tourism' concerning the sustainability of European tourism is an important step showing the way to go but also its complexity. See COM(2003) 716 final.

This shows that the market is clearly fragmented and the products can be very heterogeneous even in the same segment.

Figure 5.3: Tourism industry and economy



To understand the competition processes in the tourism industry that will be analysed in this chapter, other essential characteristics of this sector should be kept in mind.

- * The divided size structure: As shown in Chapter 3, 99 % of tourism enterprises are SMEs, almost 93 % employing one to nine persons. Enterprises of this size class do not compete actively to achieve larger market shares. They merely adapt their production, prices and organisation to changes in demand and to external factors such as economic policy measures, changing wage levels and national and international macroeconomic developments.

Active competition of enterprises takes place within a small group of enterprises which may however — as the example of travel organisers demonstrates — dominate the market.

In many cases the structural change within this group of enterprises is noticed by the public much more than its impacts on the vast majority of SMEs.

Since the financial capacity and the market behaviour of both groups are completely different, policy measures to improve competitiveness can hardly be the same for both groups.

- * **Mobile and immobile production:** Although the tourism industry overall is part of the service industry, the ability of its enterprises to follow spatial movements of demand is quite different. Travel organisers for example, even though their customers belong to their home market, can much easier follow movements of demand and open up new destinations than can enterprises of the Horeca sector.

In the Horeca sector it is only the small group of chains that can act inter-regionally and follow — at least in the longer run — the demand, whereas the majority of small and micro-enterprises must be considered as immobile ⁽¹⁴⁴⁾.

⁽¹⁴⁴⁾ One characteristic of immobile products is the fact that their price depends not only on technical features and quality, but also on their location, for example within or outside the city, close to or far from attractions. The table in Annex A5 on page 74 shows the large variations of prices between European cities for the same type of accommodation.

- * **Regionalised markets:** All markets are separated by criteria such as product types, differences in product quality and the importance of transportation costs. The higher the share of transportation costs in the price of the product and the faster their increase per kilometre, the smaller is the regional market. This general rule is true especially in the service industry where products cannot usually be transported to the consumer, but the consumer must travel to the place of production (¹⁴⁵).

Taking this into account it is obvious that it is only hotel chains that compete interregionally and globally, whereas the majority of SMEs in that sector feel pressure of price competition only across a comparatively small region. **It is the traveller who — bearing in mind the share of his budget he can afford for travel — first decides on his destination and then compares the prices of accommodation and other facilities around.**

- * **Competition of destinations:** Even when price competition between the majority of tourism enterprises is limited to smaller regions, another form of competition, characteristic of the tourism sector, takes place at the level of destinations. The destination is — from the consumer's point of view — probably the 'tourist product' *par excellence*. However, the components of this product are not 'produced' by enterprises alone; it is rather a conglomerate of private and public production and will — as it is not at all part of the normal market production — be analysed separately at the end of Section 5.3.3.

5.3.1. The travel organisers

First consolidation after a rapid concentration process needs a positive macroeconomic environment

The market segments of tour operators and travel agents have undergone a process of great change. What was largely a market of nationally based individually owned firms until the mid-1990s is becoming concentrated into a handful of dominant corporate groups, active in all key European markets and vertically integrated throughout the value chain.

The process of completion of the internal market among Member States of the European Union facilitated this rapid internationalisation of ownership of the travel sector. After consolidating as far as possible within their domestic markets, the large national companies began to look abroad for expansion opportunities.

This activity has been most marked in Germany and the UK which are the largest outbound markets but has also been seen throughout Europe, for instance in Spain, France and the Netherlands.

For example, Preussag's acquisition of Thomson Travel Group, the UK's largest travel group, forced the company to sell its controlling stake in Thomas Cook, for competition reasons. Subsequently C&N Touristic abandoned an approach to Airtours, the UK's second largest package holiday group, in favour of a takeover of Thomas Cook's travel division — it has since rebranded the whole company Thomas Cook AG. Rewe Touristik was formed in 1999 after the purchase of DER and merger with ITS and bought LTU Touristik under whose name it now operates (¹⁴⁶).

This outstanding phase of highly intensive international competition in the second half of the 1990s resulted in a jump in the market share of the five

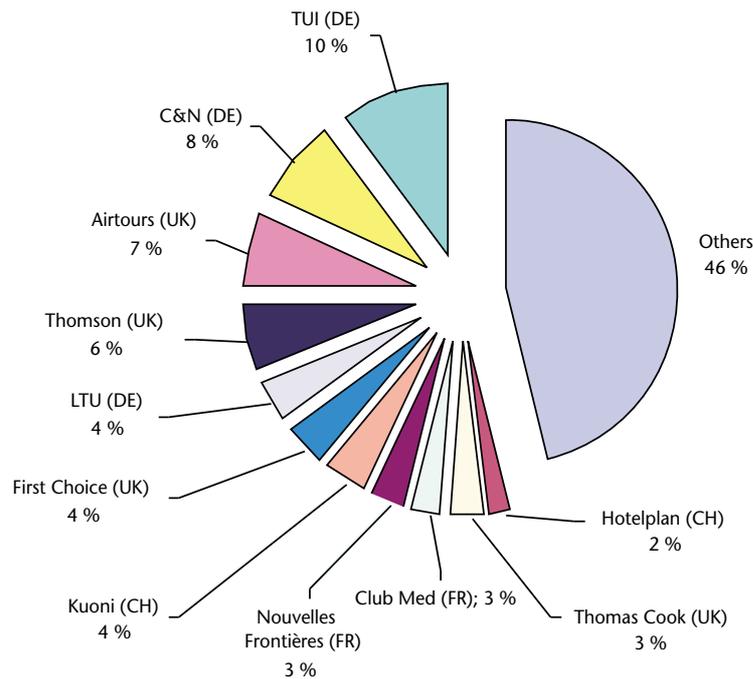
(¹⁴⁵) One important exception is the production of computer software which can, because of the fast communication technologies, be easily transferred to the consumer across continents and which leads to intensified competition.

(¹⁴⁶) Source: PWC, final report 2001, op. cit., p. 77.

largest travel organisers of 1997 from 35 up to 70 % in 2002 (see Figures 5.3.1.a and 5.3.1.b below) ⁽¹⁴⁷⁾.

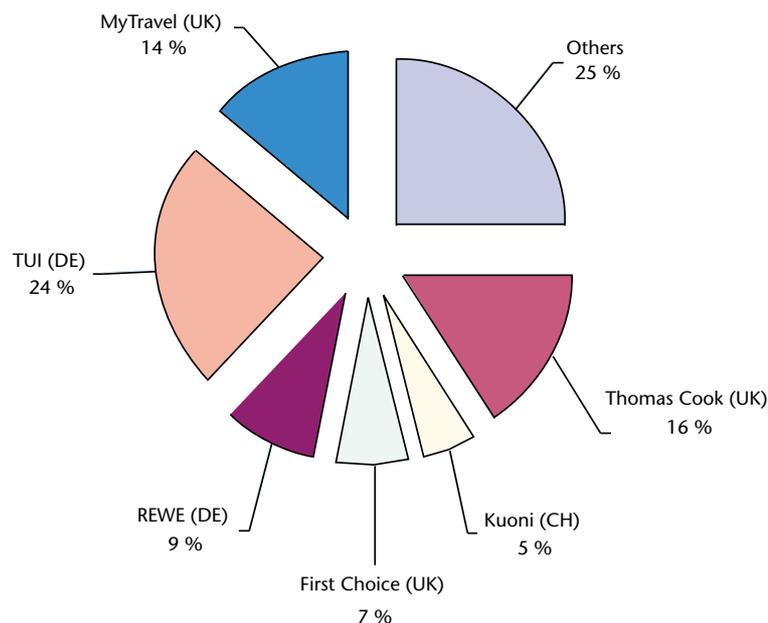
This is the more remarkable as turnover in the tour operator sector in the period 1997–2001 grew by an annual rate of more than 6 %, from EUR 42 000 million to EUR 54 000 million ⁽¹⁴⁸⁾.

Figure 5.3.1.a: Market share of the main European tour operators, 1997



Source: MMC, *European leisure travel industry*, July 2003, p. 7.

Figure 5.3.1.b: Market share of the main European tour operators, 2002



Source: MMC, *European leisure travel industry*, July 2003, p. 7.

⁽¹⁴⁷⁾ MMC, *European leisure travel industry*, July 2003, p. 7.

⁽¹⁴⁸⁾ MMC, *op. cit.*, p. 3.

As was already pointed out in Section 3.3, page 34, large tour operators have also established their own bed portfolios and airlines (see also Annex A6 on page 75) to minimise price risks in high season periods.

Consolidation, but no reduction of competition pressure

Although it seems that consolidation has been achieved, this only means a relative consolidation compared with previous years.

As turnover is estimated to grow by less than 3 % annually from 2002 to 2010 according to a forecast set-back in GDP growth ⁽¹⁴⁹⁾, competition pressure will grow ⁽¹⁵⁰⁾.

The marketplace is becoming progressively more competitive as companies compete for business from increasingly price-conscious customers who are faced with more distribution channels which drive down prices, making it even more difficult for smaller companies to maintain their market share. In consequence of the consumers' greater price consciousness, the enterprises of all subsectors — tour operators as well as airlines — were and are forced to reduce costs (but maintain their quality standards).

Bed portfolios or transportation capacities in the ownership of tour operators are strategies to reduce price risks only in periods of increasing demand, whereas in periods of decreasing demand or growing competition the higher fixed costs connected to this strategy weigh upon the competitiveness of these enterprises. For this reason some large travel organisers such as TUI and Thomas Cook have announced a new strategy for reducing costs which mainly consists of reducing their involvement in the accommodation and transport subsectors ⁽¹⁵¹⁾.

As the few large travel organisers have a better bargaining power towards the SMEs in the accommodation subsector, they can achieve better contractual conditions to reduce their own risks. They include long-term reservations of bed and transport capacities, including the possibility of withdrawal at up to a few days' notice.

Thus, the risks and costs of the most powerful players of the value chain are reduced, whereas the costs of enterprises with less bargaining power are rising. Only larger hotel chains can resist this bargaining pressure, for example by only reserving a certain number of beds for a longer period to cover a part of their fixed costs.

This shows that the divided structure of the market makes it necessary to treat the subject of 'raising competitiveness' very carefully.

Independent travel agents

The travel agency market is very competitive. Barriers to entry are low and agents carry no stock inventory. They do not have that initial outlay or risk. Also the cost

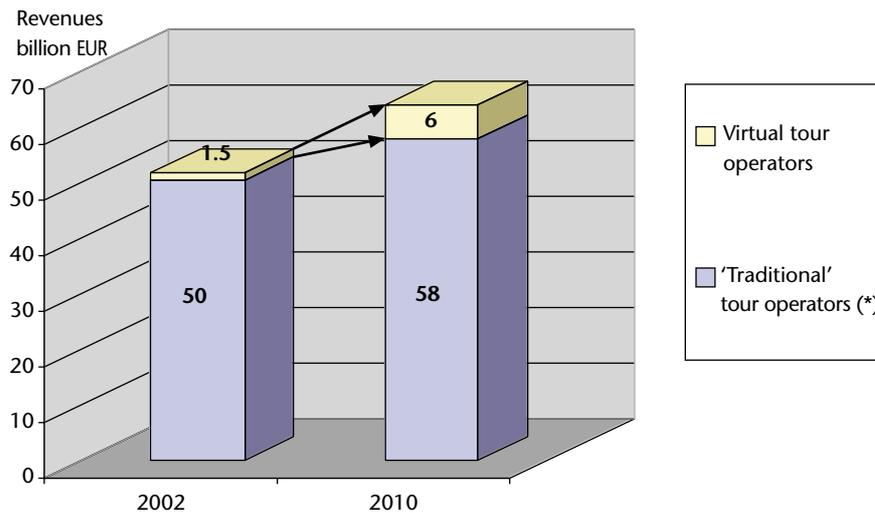
⁽¹⁴⁹⁾ MMC, op. cit., p. 27.

⁽¹⁵⁰⁾ This close correlation between the performance in the tourism industry and the macroeconomic development/perspectives again shows that an economic policy that leads to macroeconomic growth, employment and income is one of the key factors for promising perspectives in the tourism industry.

⁽¹⁵¹⁾ Source: Touristik report, www.touristikreport.de, 16.10.2003, No 23. TUI announced in the meantime to concentrate its activities more on the tourism core business and to separate the logistic activities such as the two Hapag airlines.

of installing a computer reservation system is relatively low. **As a result there are many new entrants, which is especially true for the rapidly growing segment of online agents.**

Figure 5.3.1.c: Virtual tour operator growth in Europe 2002–2010



(*) Integrated second tier asset-based and specialised tour operators.
 Source: MMC, *European Leisure Travel industry*, July, 2003, p. 27.

However, studies on the rapid growth of online agents often do not consider the growth of online business within the established travel organisers. In so doing they neglect the structural adaptation that is taking place within these enterprises.

Forecasts based on such studies may show a higher degree of uncertainty as the most important factor of a travel agent may be his 'stock' of contacts and experience which has not been considered. The travel product requires perhaps greater knowledge on the part of retail staff than does virtually any other product.

This stock may be larger in established enterprises that have merely to complete their business-to-customer relationship by a virtual component, whereas new agents that only sell online have first to acquire this experience.

Independent travel agents are under pressure not only from the competition from e-agents but also from direct selling by tour operators. They therefore seek to differentiate themselves, and add value to the product, in order to justify their role in the value chain and retain market share. Many tour operators and transportation providers offer their products for sale direct, cutting commissions to travel agents and allowing them to offer more competitive pricing. Direct selling does pose a threat to the travel agent.

In the mid-1990s, commission cutting began in the US and spread to Europe. Airlines too are seeking ways of reducing their distribution costs by offering online booking on their own web pages ⁽¹⁵²⁾ for a lower price than on the phone or via travel agents.

⁽¹⁵²⁾ Eurostat, *European business, facts and figures*, Part 5, Trade and tourism, data 1991–2001, p. 324.

These issues illustrate the pressures on small and independent agents, who must differentiate themselves to survive. They can also join marketing consortia to benefit from economies of scale and bargaining power ⁽¹⁵³⁾.

5.3.2. Accommodation

Whereas the speed of structural change in the travel organiser market increased rapidly in the second half of the 1990s, the changes in the accommodation sector went quite smoothly and did not influence the structure of the sector to a similar extent.

Despite a slight tendency towards larger hotels, one should consider that the greater structural changes in this sector are only taking place in a very small segment, whereas the vast majority of accommodation facilities — the family-run hotels — have not undergone great changes in type and structure ⁽¹⁵⁴⁾.

The most interesting question, whether the competitiveness of the European accommodation sector can be raised by an increased penetration of branded rooms ⁽¹⁵⁵⁾ and more horizontal and vertical integration, cannot be answered by looking only at the enterprise level.

Certainly the larger hotel chains are the only enterprises in the accommodation sector with the financial capacity to react to movements of the market by constructing, buying or leasing additional facilities (and closing those that are not sufficiently profitable). Family-run hotels in contrast bear the full risk of spatial movements of demand and lose, if the reduction in demand proves to be permanent, their main source of income.

Furthermore, the brand hotels have a specific interest in developing new products with similar quality and service which the guest connects with the brand. The development of hotel villages, boutique hotels or hotels with a certain atmosphere such as country clubs, golf hotels, etc. are examples of the creation of new products capable of motivating and attracting the consumer. The examples of horizontal integration such as the Granada/Forte takeover or the Accor acquisition of Good Morning Hotels in Sweden can also be regarded as mergers to complete the product range or the profile of a company.

On the other hand, the higher amount of fixed costs in large hotels forces the management to watch the cost-effectiveness. This is certainly facilitated by the size of the hotel itself, as with a growing number of rooms, personnel and guests the use of technology pays. But beyond the optimisation of costs, large hotels need predictable and seasonally unvarying occupancy rates. This is the main reason for the concentration of brands in large cities ⁽¹⁵⁶⁾ where they can count on the seasonally relatively stable business tourism and city tourists, which provide the minimum demand necessary to cover the higher fixed costs of larger hotels.

Moreover, as shown on page 40, it is striking that **the number of bed places per hotel among the EU Member States varies widely. This indicates that the competitiveness of a country's tourism sector does not depend only on the size structure of its accommodation establishments.** The size structure and the types

⁽¹⁵³⁾ Source: PWC, final report, op. cit., p. 78.

⁽¹⁵⁴⁾ See Section 3.4, page 36.

⁽¹⁵⁵⁾ According to PWC, its share in the United States amounts to 70 %, op. cit., p. 100.

⁽¹⁵⁶⁾ In London and Paris, brand hotels reach shares up to 50 %. Source: PWC, op. cit., p. 100.

of accommodation of a country or tourist destination (for example, typical rural accommodation facilities) can even be characteristic of that destination.

Both the majority of family-run hotels as well as the brands have their own specialised functions guaranteeing a regionally and qualitatively good and diverse supply on the accommodation market. The majority of smaller hotels guarantees a sufficient supply of accommodation facilities especially in smaller cities and rural regions ⁽¹⁵⁷⁾.

An understanding of raising competitiveness in this sector that would lead to a higher market share for hotel chains could also lead to a higher regional concentration in cities and popular destinations, but would probably reduce the supply (along with the competitiveness) in other areas.

5.3.3. Raising competitiveness

The preceding chapters about the structural change in the tourism industry revealed that these necessary, and in the long run inevitable, restructuring and regrouping processes at the enterprise level all aim to raise, or at least to maintain, the competitiveness of enterprises. They create thereby one of the most important prerequisites for economic growth and employment.

Whereas it seems very simple to evaluate the competitiveness of enterprises by comparing their product prices, the quality and their total unit costs and unit labour costs or the development of their market shares, it is much more difficult to present criteria for the international competitiveness of a region, a country or a community of countries such as the European Union, in particular since the product varies widely across the various types of destination (see also Annex A5 on page 74).

If one compares the price competitiveness of tourist destinations or countries only on the basis of local prices for accommodation, restaurants and other services, the countries with the best price competitiveness would be low income destinations such as Papua New Guinea, whereas the EU Member States would be placed in a lower rank ⁽¹⁵⁸⁾.

But what should one conclude of this order of competitiveness? Why do more than 80 % of European holidaymakers prefer a region with relatively low price competitiveness and only few seem to behave like 'rational consumers'?

The obvious answer is the simple fact that the transportation costs (usually part of the product price of transportable products) are so important. The tourist who wishes to consume the tourism products of a country inevitably has to calculate these costs.

On the one hand this means that the price competition among distant and very different regions is not as close as on the markets for transportable products, and on the other hand it necessarily leads to the conclusion that the reduction of prices can only affect the demand up to a certain distance, i.e. as long as it is not com-

⁽¹⁵⁷⁾ In this respect the structure of the accommodation sector looks similar to that of the housing economy. In many countries the rental housing sector is characterised by a large supply of privately owned houses with only a few apartments to be rented and a smaller share of enterprises.

⁽¹⁵⁸⁾ Source: WTTC, www.wttc.org, link: competitiveness monitor, link: databank, price competitiveness (accessed: 22.1.2004).

compensated by higher costs for travelling. To improve competitiveness by reducing costs and prices can thus be a strategy only for regions which are close together.

Levels of competition

The World Economic Forum annually examines the competitiveness of more than 100 countries (¹⁵⁹). The evaluation criteria consist of a number of indicators that are relevant for the competitiveness of a country's enterprise sector and thus for the tourism industry as well.

The criteria used are related to enterprises such as the professionalism of the management, the skills of the employees, the ease of access to loans and the capital market, etc. as well as to macroeconomic and policy aspects such as economic growth, the efficiency and trustworthiness of public institutions, and the use of technology.

According to the global competitiveness report, economic growth is not only the result of a country's competitiveness but one of its indicators. This is not surprising if one considers that economic growth provides the financial basis for good public infrastructure, for example the volume and quality of transportation and education.

This context emphasises that an economic policy aimed at economic growth and rising employment facilitates the growth of tourism demand and establishes the framework for the competitive development of the tourism industry. The tourism industry, because of its high employment intensity, contributes to this goal and the goals of the Lisbon strategy to an above average degree compared with other sectors.

Competition of destinations

These general considerations regarding the competitiveness of branches or countries should not lead to the conclusion that the tourism sector is just a sector of the economy without any special features. It should be very clear, however, that for the tourism sector the growth of GDP and disposable income is of great importance and that specific measures such as financial aids could lead to distortions reducing its competitiveness (¹⁶⁰).

The introductory remarks in Chapter 2 regarding the heterogeneity and complexity of the 'tourism product' from the consumer's viewpoint illustrated that this 'product' is not produced by a single enterprise but by a number of companies (hotels, restaurants, tour operators, attractions) belonging to different branches.

As the spatial accessibility of this product is the main condition for its consumption, the transport service sector is of much greater importance than in all other sectors of the economy, where it is treated as part of the (public) infrastructure. In the tourism sector, however, the quality, efficiency and sufficiency of the modes of transport are the means of bringing demand and

⁽¹⁵⁹⁾ Source: www.weforum.org, link: global competitiveness report/executive summary (accessed: 20.1.2004).

⁽¹⁶⁰⁾ Within the country ranking of the global competitiveness report, the existence and level of distorting subsidies downgrades a country.

supply together and is thus as important as one of the classical three production factors or as money as the means of payment.

The 'tourist product' that the tourist demands, comprising all its sub-products, is usually offered in a certain area, the destination. Since no single supplier of these sub-products alone could meet the tourist's complex needs, the competitiveness of a destination depends on the quality and variety of its tourist facilities. **As many tourist activities are offered by public institutions, the competitiveness of a destination inevitably depends on a functioning public-private partnership (PPP)** ⁽¹⁶¹⁾.

A study by the German Economic Institute for Tourism revealed that even at the first step of attracting tourists the destinations act in very different ways ⁽¹⁶²⁾. According to the institute's survey, potential tourists had to wait up to four weeks until their requests for printed material were answered, not to mention the differences in the quality of the answers (standardised answers rather than concrete responses to the questions posed).

It is not surprising that, if there are such large differences in the conventional means of communication between tourists and destinations, there are even greater differences in the Internet presentations of destinations.

This report, which focused on special aspects of destination management, has revealed that the greatest risk for the competitiveness of destinations is a mono-structured environment. This is true with respect to the variety of tourist offers (cultural and leisure activities), but also with respect to the dependence of a region on tourism ⁽¹⁶³⁾. The destination level is also the best level for networking among the various types of suppliers of tourism products.

It is no accident that this analysis of the tourism sector focuses in the end on the destination as the heart of the tourism market. While the tourist makes his choice between several destinations each of which represents a certain and typical mix of tourism products (accommodation, attractions, activities) and external factors (climate, accessibility), the private and public players on the tourism market should cooperate to achieve the right composition of tourism products to attract tourists.

The destination is the 'marketplace' of the tourism sector, where demand and supply meet. The satisfaction of the consumers' wishes regarding quality and price are — as with every market — the best guarantee that they will return.

⁽¹⁶¹⁾ To discuss the aspects of PPP in detail would have gone beyond the scope of this report.

⁽¹⁶²⁾ IZT, Institut für Zukunftsstudien und Technologiebewertung, DWIF, Deutsches Wissenschaftliches Institut für Fremdenverkehr e.V., „Neue IuK-Technologien und ihre Relevanz für die Wettbewerbsfähigkeit touristischer Destinationen“, Berlin, March 2002, p. 8.

⁽¹⁶³⁾ Regarding the competitiveness and economic structure of regions and their employment potential may lead to a need for economic policy measures at the regional level or to generally increase the competitiveness of SMEs.

Annex A1

Technical terms

expenditure, international personal travel and tourism (WTTC, www.wttc.org , link: competitiveness monitor, link: databank, human tourism)	traditional personal spending by residents on services that are normally associated with the travel and tourism industry such as lodging, transportation, entertainment, meals, financial services, etc., as well as goods (durable and non-durable), which are purchased by residents and used for travel and tourism activities
expenditure, tourism (Eurostat)	total consumption expenditure made by a visitor, or on behalf of a visitor, for and during his/her trip and stay at destination
expenditure, tourism domestic	expenditures incurred as a direct result of resident tourists travelling within their own country of residence
hotels (Eurostat)	comprises hotels, apartment hotels, motels, roadside inns, beach hotels and similar establishments providing hotel services, including more than daily bed-making and cleaning of the room and sanitary facilities
labour productivity (per capita) (Eurostat)	per capita productivity: value added at factor cost/number of persons employed
labour productivity (per capita) wage-adjusted (Eurostat)	(value added at factor cost/number of persons employed)/(personnel costs/number of persons employed)
occupancy rates of bed places, gross (Eurostat)	is calculated by dividing total overnight stays by the product of bed places on offer and the number of days in the corresponding month (sometimes termed bed-nights) for the same group of establishments
occupancy rates of rooms, gross (Eurostat)	is calculated by dividing total overnight stays by the product of bedrooms on offer and the number of days in the corresponding month for the same group of establishments
tourism (Eurostat)	activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes
tourism demand (WTTC, www.wttc.org , link: competitiveness monitor, link: databank, human tourism)	consists of travel and tourism consumption, government collective expenditure on travel and tourism, capital investment in travel and tourism, and travel and tourism non-visitor exports

tourism price competitiveness index (WTTC, www.wttc.org , link: competitiveness monitor, link: databank)	shows the tourism price index across countries where the index value of '0' shows the least price competitive country and '100' represents the most price competitive country
tourism receipts, international (Eurostat)	expenditures of international inbound visitors, including their payments to national carriers for international transport. They should include any other pre-payments or payments made afterwards for goods and services purchased from the country visited
tourism, cultural (Eurostat)	all cultural activities undertaken by visitors and the supply of products for cultural visitors during their visit
tourism, domestic (Eurostat)	activities of residents of a given area travelling only within that area, but outside their usual environment
tourism, inbound (Eurostat)	activities of non-residents travelling in a given area that is outside their usual environment
tourism, international (Eurostat)	consists of 'inbound tourism' and 'outbound tourism'
tourism, outbound (Eurostat)	activities of residents of a given area travelling to and staying in places outside that area (and outside their usual environment)
tourism supply (Eurostat)	supply of all assets, services and goods to be enjoyed or bought by visitors and occasioned by the journeys of visitors. Statistics on tourism supply may be approached in two ways: <ul style="list-style-type: none"> • statistics on the production (structure) of enterprises, etc., e.g. supply has been interpreted as activities of enterprises such as the supply of Horeca, transport and retail services • statistics on the results of such activities, i.e. products, which also may be services, consumed by visitors
tourist (Eurostat)	visitors who stay at least one night in collective or private accommodation in the place/country visited
value added at factor cost (Eurostat)	can be calculated from turnover, plus capitalised production, plus other operating income, plus or minus the changes in stocks, minus the purchases of goods and services, minus other taxes on products (which are linked to turnover but not deductible), minus the duties and taxes linked to production
value added at market prices (Eurostat)	value added at factor cost – operating subsidies + indirect taxes = value added at market prices
visitor (Eurostat)	'any person travelling to a place other than that of his/her usual environment for less than 12 consecutive months and whose main purpose of travel is other than the exercise of an activity remunerated from within the place visited'
visitor, same-day domestic (Eurostat)	who does not spend the night in collective or private accommodation in the place visited

Annex A2

Composition of European sub-regions by country according to the WTO

Central/eastern Europe

Armenia
Azerbaijan
Belarus
Bulgaria
Czech Republic
Estonia
Hungary
Kyrgyzstan
Latvia
Lithuania
Moldova
Poland
Romania
Russia
Slovakia
Turkmenistan
Ukraine

Northern Europe

Denmark
Finland
Iceland
Ireland
Norway
Sweden
United Kingdom

Southern Europe

Albania
Croatia
Former Yugoslav Republic of Macedonia
Greece
Italy
Malta
Portugal
Spain
Slovenia

Western Europe

Austria
Belgium
France
Germany
Netherlands
Luxembourg
Switzerland

East Mediterranean Europe

Cyprus
Israel
Turkey

Annex A3

Occupancy rates in European hotels, 1990–2000 (gross utilisation of bed places — monthly data)

	January	February	March	April	May	June	July	August	Sept.	October	Nov.	Dec.
Belgium	1990	15	17	21	29	31	42	42	32	28	22	20
	1995	16	17	22	28	30	35	35	31	29	24	21
	2000	20	24	29	37	37	38	44	38	34	29	27
Germany	1991(*)	22	27	29	32	41	47	51	51	43	26	24
	1995	21	25	25	29	36	38	40	43	35	23	21
	2000	21	25	26	30	36	40	40	45	37	26	24
Italy	1990	16	20	22	27	26	38	68	44	26	15	15
	1995	19	21	22	29	29	44	70	45	26	15	16
	2000	21	23	25	31	32	49	60	48	28	18	19
Netherlands	1990	18	22	25	43	45	46	51	45	35	27	21
	1995	20	22	28	42	41	43	49	43	37	30	24
	2001(**)	33	38	42	50	50	52	54	50	46	43	35
Austria	1990	32	42	35	22	20	33	56	40	19	9	22
	1995	38	45	31	21	20	31	49	34	18	9	23
	2000	43	50	39	22	19	31	40	33	19	11	26

(*) Including ex-GDR since 1991.

(**) 2000 n.a.; because of missing data other countries are n.a.

Source: Eurostat, NewCronos, Theme 4, tour, sect B, B_5, T14.

Annex A4

National definitions of accommodation establishments in EU Member States ⁽¹⁶⁴⁾

The tables below present the changes and the discrepancies with the standard statistical unit, and cut-off points in the categories of collective accommodation establishments.

Changes in methodology used or discrepancies with standard methodology

Country	Year	Discrepancy or changes
Spain	since 1999	Category 'Hotels and similar' includes 1 star hotels
	until 1999	Category 'Other collective accommodation establishments' included only tourist campsites
Netherlands	since 2000	Category 'Other collective accommodation establishments' includes also holiday dwellings
	until 1997	There were cut-off points: 'Hotels and similar' = 20 beds; 'Tourism campsites' = 100 pitches (i.e. 400 sleeping places); 'Holiday dwellings' = 50 sleeping places; 'Group accommodations and youth hostels' = 50 sleeping places
	until 1997	4 sleeping places per pitch on a tourist campsite
	since 1998	5 sleeping places per pitch on a tourist campsite
Austria	since 1998	The cut-off point for accommodation establishments has been lowered. 'Hotels and similar' = 5 beds or more; 'Tourist campsites' = 4 pitches or more; 'Other accommodation' = 20 sleeping places or more
	since 1998	'Youth hostels (and youth hotels)' are included in 'Hotels and similar'
Austria	until 1997	'Holiday dwellings' were included in category 'Hotels and similar establishments' instead of in category 'Other collective accommodation establishments'

Cut-off points and size threshold

Country	Hotels and similar	Other collective accommodation
Denmark	40 beds or more	'Tourist campsites' = 75 pitches or more
Germany	8 bed places or more	8 bed places or more
Netherlands	5 beds or more	'Tourist campsites' = 4 pitches or more 'Other accommodation' = 20 sleeping places or more
Austria	10 bed places or more	None
Sweden	5 rooms or more, or 9 bed places or more	'Holiday dwellings' = 5 cottages or more, or 20 bed places or more (since 1996) 'Camping sites' = 50 units or more
Norway	20 bed places or more	'Camping sites' = 50 pitches or more 'Holiday dwellings' = monthly variations

⁽¹⁶⁴⁾ Source: Eurostat, NewCronos, Domain: TOUR — Tourism, Collection: SECT_A — Capacity of collective tourist accommodation: local units on national territory, Group: A_1 — Number of establishments, bedrooms, bed places. Table: All (except tables until 1997). These definitions are currently available. Eurostat is still completing the list.

Annex A5

Local hotel prices

Brand	Absolute price (EUR)					Local price/average price (%)					Average	
	Hilton	Crowne Plaza	Holiday Inn	Novotel	Ibis	Hilton	Crowne Plaza	Holiday Inn	Novotel	Ibis		
Town												
Antwerp	240	150		135	89	103	82	0	75	105	91	
Brussels	225	150	145	201	89	96	82	95	112	105	98	
Berlin	249	129	127	204	81	106	71	84	114	95	94	
Cologne	177	140	115	170	71	76	77	76	95	84	81	
Munich	220		160	159	81	94	0	105	89	95	96	
Athens	310		217	202		132	0	143	113	0	129	
Barcelona	225			140	76	96	0	0	78	89	88	
Madrid		158	165	156	64	0	87	109	87	75	89	
Paris	240		135	192	85	103	0	89	107	100	100	
Toulouse		180	170	147	68	0	99	112	82	80	93	
Dublin	185		135		69	79	0	89	0	81	83	
Milan	265	169	175	195	130	113	93	115	109	153	117	
Rome	305	210	159	230	124	130	115	105	128	146	125	
Amsterdam	280	205	145		95	120	113	95	0	112	110	
Vienna	210	120	120	118	84	90	66	79	66	99	80	
Lisbon			140		61	0	0	92	0	72	82	
Helsinki	275		181			118	0	119	0	0	118	
Birmingham	191	205	172	187	75	82	113	113	104	88	100	
London	225	336	209	260	120	96	185	138	145	141	141	
Budapest	160		78	160	59	68	0	51	89	69	70	
Average	234	182	152	179	85							

Source: Home pages of listed hotels, access on 22.3.2004 (the price comparisons usually referred to mid-May).

Annex A6

Involvement of the largest tour operators along the value chain, 2002

1 Vertical integration The largest European tour operators are involved in all segments of the value chain

Presence of main European tour operators along the value chain (2002)

Players	Distribution	Packaging	Transport	Incoming Agency	Lodging
 World of TUI	> 3 700 travel agencies - TUI Retail Center - Lanza Poly - Next Frontiers	- 80 brands - TUI - Next Frontiers - T-3Fly	- 100 aircraft - Hahn Lloyd - Britannia - Corsair	- 38 incoming agencies - TUI Espegers - T-3 - Tannor	- 180 000 beds - Robinson - Delfhotel - RIU
 Thomas Cook	> 3 000 travel agencies - Neckermann - Havaas Voyages - Holiday Land	- 30 brands/ most countries - Neckermann - Aldiata - Viqum	- 80 aircraft - Condor - Thomas - Cook Airlines - Sun Expr.	- 38 incoming agencies - Innerservice - Heidorn	- 76 000 beds - Belostar - Adlax - Hotels 18
 Abercrombie & Kent	- 1 200 travel agencies - Booking places - Lant Europe - Albatros	- 30 brands/ most countries - FTI - Direct Holidays - Aspin	- 50 aircraft - MyTravel - Airways	n.a.	- 40 000 beds - Spawing - A&A-Set - Hotels - Hotelin
 BEWE	- 1 200 travel agencies - Asma - Derpas - DER	- 8 brands/ mostly Germany - ITS - Dartour - John Reisen	- 28 aircraft - LTV (only 45% share-holding)	- 45 incoming agencies - DER Viaggi - DER Travel - Savilla	- 28 000 beds - LTI - Primazol - Caberera
 First Choice	- 550 travel agencies - Travel Choice - Bakers Dolphin - H&S-Hypermink	- 20 brands/ most countries - First Choice - JWT Holidays - Falcon-Hol.	- 90 aircraft - Air 2000	- 18 incoming agencies - Barcel - Barcelona - destination services	Joint venture with Barcel plus long-term contracts with hotels
 Aldiata	- 420 travel agencies - Kuoni - Teletour - Travelshop TV	- 26 brands all over Europe - Kuoni Reisen - Kuoni-Gesund - Apollo	- 8 aircraft - Edelweiss - Air - Naxos	- 18 incoming agencies - Kuoni - Helenic - Tours	No hotel ownership

Relative position within industry:

● Strongest presence ○ Weakest / no presence

Source: PwC, Morgan Stanley, Annual reports, Market surveys
* Partially A-B (intermediate agencies)

Source: MMC, July 2003, p. 9

Annex B1

Abbreviations

AT	Austria
BCI	Business competitiveness index
BE	Belgium
B2B	business-to-business communication
B2C	business-to-consumer communication
CZ	Czech Republic
CY	Cyprus
DK	Denmark
DE	Germany
EE	Estonia
EL	Greece
ES	Spain
ETC	European Travel Commission
FI	Finland
FR	France
GCI	global competitiveness index
GDP	gross domestic product
Horeca	hotels, restaurants, cafes, etc. (NACE H551–H555)
ICT	information and communication technology
IE	Ireland
IT	Italy
LV	Latvia
LT	Lithuania
LU	Luxembourg
MMC	Mercer Management Consulting
NACE	general industrial classification of economic activities within the European Communities
HU	Hungary
MT	Malta
NL	Netherlands
PL	Poland
PT	Portugal
PWC	PricewaterhouseCoopers
SI	Slovenia
SK	Slovakia (Slovak Republic)
SE	Sweden
TSA	tourism satellite account
TTRA	Travel and Tourism Research Association
UK	United Kingdom
WTO	World Tourism Organisation
WTTC	World Travel and Tourism Council

Annex B2

Bibliography

Editor	Title
Allgemeiner Deutscher Automobil Club e.V., (ADAC) München, Germany	Barrierefreier Tourismus für Alle, March, 2003
Bundesministerium für Wirtschaft und Arbeit	Economic impulses of accessible tourism for all, Documentation No 526, November 2003 (www.bmwi.bund.de)
<i>Der Spiegel</i> , magazine, Germany	No 45/2003, 3.11.2003 (www.spiegel.de)
Deutsches Wirtschaftswissenschaftliches Institut für Fremdenverkehr an der Universität München (DWIF)	S-Tourismusbarometer, 1998 (www.dwif.de , link: Projekte)
European Travel Commission (ETC)	'New media review' (www.etcnewmedia.com/review , link: world and regional overview)
Europäisches Tourismusinstitut (ETI)	<i>Sommerurlaub 2003, Urlaub in der Krise?</i> , September 2003 (www.eti.de)
European Commission	'Basic orientations for the sustainability of European tourism', COM(2003) 716 final (www.cc.cec/home , link: commission/legislation, link: SG Vista)
European Commission	<i>Employment in Europe 2002</i> , report, July 2002
European Commission	<i>Structure, performance and competitiveness of European tourism and its enterprises</i> , executive summary, Luxembourg, 2003 (www.europa.eu.int/comm/enterprise/library/lib-tourism/index.htm)
European Commission	'Working together for the future of European tourism', COM(2001) 665 final, Brussels, 13.11.2001 (www.cc.cec/home , link: commission/legislation, link: SG Vista)
European Commission	'Challenge for enterprise policy in the knowledge-driven economy', COM(2000) 256 final (www.cc.cec/home , link: commission/legislation, link: SG Vista)
European Commission	Council Directive 95/57/EC on the collection of statistical information in the field of tourism, COM(2000) 826 final

Editor	Title
European Commission	'Community measures affecting tourism' (1997/99), 28.3.2001, COM(2001) 171 final (www.cc.cec/home , link: commission/legislation , link: SG Vista)
European Commission	Enterprise DG publication, <i>EU productivity and competitiveness: An industry perspective</i> , 2003
European Commission	<i>Facts and figures on the Europeans on holidays</i> , executive summary, 1997–98 (www.europa.eu.int/comm/enterprise/library/lib-tourism/index.htm)
European Commission	e-business watch, sector report, No 13/July 2003 (www.ebusiness-watch.org/marketwatch)
European Commission, Group of Experts on the Built Environment	2010 — A Europe accessible for all, 3 October 2003
European Commission, High Level Group on Tourism and Employment (HLG)	European tourism – new partnerships for jobs, conclusions and recommendations, October 1998
Eurostat	<i>Consumers in Europe, facts and figures</i> , data 1996–2000 (2001)
Eurostat	<i>E-commerce and the Internet in European business</i> , data 2001–02, ed. 2003
Eurostat	<i>Employment in the market economy in the European Union — an analysis of the structural business statistics</i> , Theme 4, edition 2003
Eurostat	<i>European business, facts and figures</i> , Part 5, Trade and tourism, data 1991–2001, ed. 2003
Eurostat	<i>European implementation manual on tourism satellite accounts (TSA)</i> , Luxembourg, 2001
Eurostat	News release, 54/2003 of 12.5.2003
Eurostat	'Employment in the market economy', <i>Statistics in Focus</i> , Theme 4, No 13/2003 from 2.4.2003 (http://europa.eu.int/comm/eurostat , link: publications)
Eurostat	'How Europeans go on holiday', <i>Statistics in Focus</i> , Theme 4, No 15/2002 from 20.3.2002
Eurostat	'Rising employment in hotels and restaurants', <i>Statistics in Focus</i> , Theme 4, No 6/2003 from 11.2.2003

Editor	Title
Eurostat	'SME statistics', <i>Statistics in Focus</i> , Theme 4, No 8/2000 from 17.5.2000
Eurostat	'Tourism and the environment', <i>Statistics in Focus</i> , Theme 4, No 40/2002 from 30.9.2002
Eurostat	<i>Tourism in Europe — trends 1995–98</i> , 2000 edition
Eurostat	<i>Tourism in the EU in 2003</i> , No 12/2004, ed. 25.2.2004
Eurostat	<i>Yearbook 2002, The statistical guide to Europe</i> , data 1990–2000, ed. 2002
FWW Internationales Magazin für die Tourismuswirtschaft (Supplement)	Europäische Veranstalter 2002, No 13, 5.6.2003 (www.fvw.com)
Institut für Zukunftsstudien und Technologiebewertung (IZT) Berlin, Germany	Neue IuK-Technologien und ihre Relevanz für die Wettbewerbsfähigkeit touristischer Destinationen, March 2002
Journal of Travel Research	<i>Determinants of tourism demand</i> , Volume 42, No 1, August 2003 (www.ttra.com)
Kurte, Bernadette, Trier University, Germany	Der Ökotourismus-Begriff, Materialien zur Fremdenverkehrsgeographie, Heft 59, Trier 2002
Marcussen, Carl H.	Trends in European Internet distribution — of travel and tourism services, 28.4.2003 (www.crt.dk/uk/staff/chm/trends.htm)
Mercer Management Consulting (MMC)	'European leisure travel industry', press release 7.7.2003 (www.mercermc.de, link: Themen und Branchen/link: Travel & Transportation, press release)
MMC	<i>Current challenges and winning business designs, a study</i> , July 2003
PricewaterhouseCoopers (PWC)	<i>Structure, performance and competitiveness of European tourism and its enterprises</i> , final report, 2001
Statistisches Bundesamt, Wiesbaden, Germany	Tourismus, Ergebnisse der monatlichen Beherbergungsstatistik, Fachserie 6, Reihe 7.1, ed. Febr. 2004
Touche, Ross (Greene Belfield-Smith), United Kingdom	<i>Profiting from opportunities — a new market for tourism</i> , 1993
Touristik Report	No 14, 20.6.2003 (Chapter 1) and No 23, 16.10.2003 (Chapter 5) (www.touristikreport.de)

Editor	Title
United Nations, USA	<i>Handbook of national accounting: Integrated environmental and economic accounting</i> , [SNA 93] New York, 1993
VDR, Verband Deutsches Reisemanagement e. V. (VDR, undertaken by Bearing Point)	Geschäftsreiseanalyse 2003, ed. 2003 (www.geschaeftsreiseanalyse.de)
World Tourism Organisation (WTO)	<i>Compendium of tourism statistics</i> , 2002 edition
WTO	News releases, Madrid, 27.1.2004
WTO	<i>Tourism Vision 2020</i> , Volume 4, 'Europe', ed. 2000
WTO	<i>Tourism Vision 2020</i> , Volume 7, 'Global forecasts and profiles of market segments', 2001
WTO	Tourism highlights, edition 2003 (www.world-tourism.org/market_research/facts/highlights/Highlights.pdf)
WTO	<i>Tourism market trends</i> , 2003 edition
WTO	<i>Tourism market trends, Americas</i> , 2000 edition
WTO	<i>World overview and tourism topics</i> , 2002 edition
World Economic Forum, Switzerland	<i>Global competitiveness report 2003–04</i> , executive summary, ed. 2003 (www.weforum.org , link: global competitiveness report, exec. summary)
World Travel and Tourism Council (WTTC), United Kingdom	'The 2003 travel and tourism economic research', 2003 (www.wttc.org , link: TSA research, link: world regions, European Union)
WTTC	The competitiveness monitor (www.wttc.org , link: competitiveness monitor, the databank)

European Commission

**The European tourism industry — A multi-sector with dynamic markets
Structures, developments and importance for Europe's economy**

Luxembourg: Office for Official Publications of the European Communities
2004 — f, VIII, 80 pp. — 21 x 29.7 cm

ISBN 92-894-7675-3

SALES AND SUBSCRIPTIONS

Publications for sale produced by the Office for Official Publications of the European Communities are available from our sales agents throughout the world.

How do I set about obtaining a publication?

Once you have obtained the list of sales agents, contact the sales agent of your choice and place your order.

How do I obtain the list of sales agents?

- Go to the Publications Office website (<http://publications.eu.int/>) or
- Apply for a paper copy by fax (352) 29 29-42758



Publications Office

Publications.eu.int

ISBN 92-894-7675-3



9 789289 476751