

# DOCUMENT

## **THE TOURISM SECTOR IN THE COMMUNITY**

**A study of concentration, competition and  
competitiveness**



**COMMISSION  
OF THE EUROPEAN COMMUNITIES**

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**THE TOURISM SECTOR IN THE COMMUNITY**

A Study of Concentration  
Competition and Competitiveness

Research Group : TEPRO

Prof. S. Casini

Prof. R. Varaldo

Dr. P. Masetti

Dr. G. Dall'Ara

Dr. A. Bonini

Mr. G. Ghirardelli

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## P R E F A C E

The present volume is part of a series of sectoral studies on the evolution of concentration in the member states of the European Community.

These reports were compiled by the different national Institutes and experts, engaged by the Commission to effect the study programme in question.

Regarding the specific and general interest of these reports and the responsibility taken by the Commission with respect to the European Parliament, they are published wholly in the original version.

The Commission refrains from commenting, only stating that the responsibility for the data and opinions appearing in the reports, rests solely with the Institute or the expert who is the author.

Other reports on the sectoral programme will be published by the Commission as soon as they are received.



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## Chapter One

### ANALYSIS OF THE BASIC CHARACTERISTICS OF THE TOURIST INDUSTRY

#### 1.1. Economic Significance of Tourism in the EEC, in Single Countries, and by Type of Tourism -- International and Domestic

At the beginning of the 1980s Europe alone took up 70% of international tourist arrivals: the Americas absorbed 20%, while the remaining 10% was split among Africa, South Asia, East Asia -- the Pacific and the Middle East. This indication is enough to show the degree of concentration of international tourism in Europe. If we put North America's figures (USA + Canada) alongside those of Europe's, we see that the two areas record 83% of the entire movement of international tourist arrivals. (Source: World Tourism Organization (WTO), 1981) This increases to over 90% when the arrivals recorded in the remaining countries of the American Continent are added.

But if international tourism represents a very significant aspect, in that it provokes an international redistribution of demand, it is nonetheless vital to see that up to now the relationship between national and international tourism is 8 to 1. In 1981 national tourism recorded more than 2 billion arrivals. (WTO estimate: 2.323 million) The shortcomings of the statistics in the various countries are generally more marked in recording national tourism: it is necessary therefore to reassess the relationship between national and international tourism to the advantage of the former. (For national tourism: see Appendix A.)

Table 1  
International Tourism - Arrivals  
 (000)

<u>Year</u>	<u>World Total</u>	<u>European Total</u>	<u>Extra-European Countries</u>	<u>Inter-Region in Europe</u>	<u>Extra-Region in Europe</u>	<u>Intra-Region in Extra-Europe</u>	<u>European Arrivals in Extra-Europe</u>
1967	139,500	103,600	35,900	87,700	15,900	32,722	3,178
1981	290,000	202,000	88,000	170,100	31,900	73,670	14,330

index numbers 1967 = 100

1967	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1981	207.8	194.9	245.1	193.5	200.6	225.1	450.9

(our elaboration of WTO data)

intra-regional tourism: tourist flow between the various countries of the same continent

extra-regional tourism: tourist flow of people from other continents

In the last fifteen years the volume of travel for tourism has all but tripled, while the international component has doubled: the access to tourism of those social classes with lower incomes and spending power concerns nearer destinations, just as, from 1974 onwards, the notable increase in transport costs has negatively influenced long distance travel.

The data show that:

- It is possible to speak of a 'boom' in national tourism, even if in some European countries (especially Great Britain (GB), the Netherlands, the Federal Republic of Germany (FRG), Switzerland etc.) the tendency to travel abroad in the last ten years has overtaken that of spending holidays in the respective home countries. The preferred areas are the Mediterranean, the American continent, Africa, Eastern Asia and the Pacific.
- While the European continent -- already mature from a tourist angle -- has seen a new increase and doubled international tourist arrivals, the remaining countries in the world also appear on the scene, recording more consistent increases of 2.5. (See Table 1)
- Again concerning the 1967-81 period in Europe the increase in foreign arrivals registered in all the continental countries indicates a 'parallelism' between the intra-regional component and that of extra-European origins, both increasing by about 100%. (See Table 1)

Europe continues to be the major component of the world tourism market with a total of national and international arrivals in 1981 that has been estimated at about 1,390 million. The strength of EEC tourism is due to the fact that:

- a) More than half of the population takes a period of holidays and leisure every year and Europe alone represents 50 percent of world tourist arrivals and departures.
- b) European incomes are higher than the incomes of many countries of the world, there is a generalised system of paid leave, flexible frontier controls, protection of tourists and a tendency to develop tourism by many governments.
- c) There is a large quantity of employment in the tourist field and hospitality industry.
- d) Natural and historical resources.

The world total (again national + international tourism) has been estimated by the OMT, for 1981, at about 2.323 million arrivals.

That European tourism is a phenomenon that can be put down almost entirely to the mobility of the Europeans can be shown by the following data:

- 1) The incidence of national tourism in this area is very high -- about 85% of the entire traffic;
- 2) International arrivals, coming from within the region (i.e. from other European States) represent in Europe 83% of the total.

Europe, with a surface area equal to 7.7 of total emerged land, absorbs 64.6% of world tourism (international + domestic tourism): the figure should be slightly adjusted to take into account the insufficient data, when it is not completely missing, of some European countries. On the other hand, even within Europe, there is no statistical standard. Although data may vary we are still able to work out useful or at least sufficient estimates to attempt international comparisons. Within Europe, the EEC countries receive about 50% of the international tourist arrivals from Europe as a whole, and about 35% of total world international tourism.

"Arrivals of International Tourism" means the number of people who have visited or spent their holidays in a country other than the one in which they live. In general, the statistics of the various countries, under this heading, do not include people on day trips, that is: those who do not book and whose stay is less than 24 hours. While they do include, together with normal arrivals, those who may be staying for one night only before going on to the country in which they intend to spend their holidays (take for example countries like Ireland and Greece which, in this context, can be considered as 'final destinations' and therefore in the total number of arrivals registered, those 'in transit' represent a smaller percentage).

If, to these factors, we add the diversity in the ways of presenting 'information' and the difficulty in gathering together everything concerning tourism, it is clearly advisable to treat with caution the available data and use it as an indication rather than a true measure of the actual situation.

In the present work, the majority of the comparative statistics have been set against data relating to 1967. A comparison with more recent years would not have indicated the major developments in the international tourist movement of these last five years, the great transformation in the way holidays are taken, and the strategic role of the tour operators which had developed by 1967.

#### The Importance of the Tourist Industry in the Individual Countries, by Type of Tourism

The desire for holidays by European citizens is continually on the increase, despite the rise in tourist prices, inflation and transport

costs, beginning in 1974 with the petrol crisis.

Worldwide the growth has been uninterrupted:

From a world total of 76 million international tourist arrivals in 1961, the figure increased to 290 million in 1981, with an annual average rise of about 7.5% (based on WTO estimate). This is the case even if the highest percentage increase took place between 1960 and 1970 (+ 14.2 and + 16.1 respectively in 1963 and 1964, and + 13.2 and + 10.3, compared to the previous years, in 1966 and 1969).

The desire for holidays, records a continual increase among the European populations and is documented not only by official data on tourist traffic, but also by the 'national investigations into home country citizens' holidays, carried out in most European countries from the beginning of the 1960s.

These sample investigations have shed light on another consistent phenomenon, which developed in the 1970s -- the taking of "more than one" holiday a year, by millions of people. This is due to an increase in the practice of tourism (in general) and the splitting up of holidays into more than one season.

But the great and in many ways explosive rise in national and international tourism has not prevented critical situations in the hotel sectors of some EEC countries -- in some cases the number of businesses has dropped, as has the number of beds.

Three great changes have contributed to these negative aspects in the hotel sector of some European areas and have been particularly influential in the last twenty years:

- a) The high increase in the demand for extra-hotel holidays, much higher than that in the hotel sector itself. The 'plein-air' sector and other forms of non-hotel lodging have expanded greatly, to such a point that the tour operators

-- for some years now -- have been offering more and more space to apartments, to rented houses, to villas, to residences and to house/hotels.

- b) The development of new tourist areas, outside the EEC, with lower price levels than the EEC average, and less tourist saturation.
- c) The influence of the tour operators on the decisions and choices made by tourists in Europe. The tourist's choice however is determined by a mix of factors, geographical position, transport, image, publicity, available facilities, price and management which seem to be the most important.

Discussions and elaboration of previous reports on the economic significance of tourism does not give a clear indication of how things are progressing between the Eur IO. The capacity of each Region to multiply the effects of tourist arrivals certainly looks significant. The services, the commodities, and the ability of a Region to attract consumption of tourists has a multiplier effect on economic benefits. The importance of data for arrivals, number of nights, rooms, and hospitality services seems to be the best indicator in formulating new categories of data and new theories on consumerism in the tourist field.

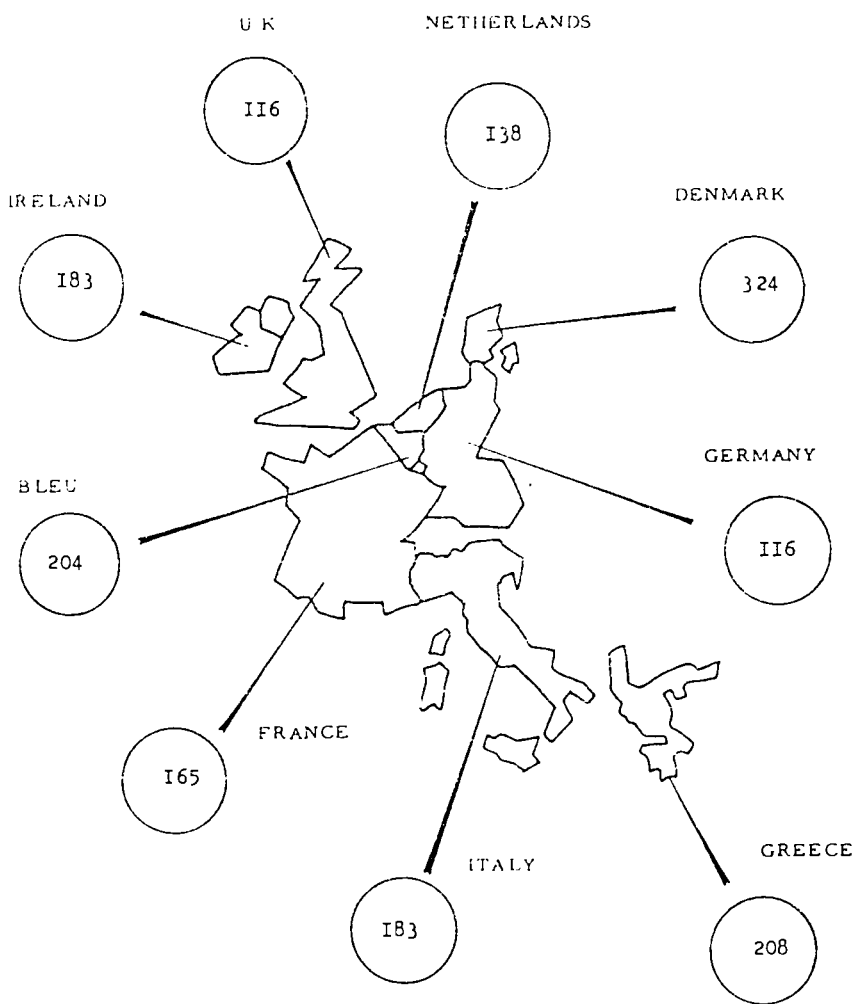


Figure 1

INTERNATIONAL TOURISM RECEIPTS- -PER HABITANT:EEC 1982

(our elaboration on WTO data)

in ECUs



(1) In spite of the fact that the sources of information are not homogenous in terms of receipts, gross or net, the above figure is representative of the income produced per resident by international

The desire to spend holidays abroad is highest among the Dutch population, followed by the Germans and Danes. Among the non EEC countries the Swiss data is interesting: nearly 70% foreign stays for every 100 inhabitants. In short, within the main countries that generate international tourism the demand for holidays abroad has grown at a higher rate than home tourism, even if Belgium and above all France's rate of increase of national tourism is higher than the international increase, which nonetheless is still positive.

There is, in any case, a correlation between "family income" and travelling abroad. An estimation reported by Prof. Burkart on "The Management of Tourism" says: "every one percent increase of income, triggers a 2.2 percent increase in the number of trips. More income means more foreign trips".

#### The Centrality of Europe and the 'Retreat' of the EEC

The flow of tourism abroad generated by European countries as a whole continues to favour European destinations even if there has been a net increase in extra continental travel. However these countries still only represent a minority of the total of foreign travel done by Europeans:

3.4% of the total flow in 1967 (equal to 3,178 million arrivals)

9.4% of the total flow in 1981 (equal to 14,330 million arrivals)

---

tourism. As a consequence those countries with the largest populations, including those of particular tourist importance (France, Italy, ...) show pro-capita data inferior to those countries with smaller populations. In terms of absolute values, obviously, the classification would be different: France in first position followed by Italy and Great Britain.

However these figures do allow us to note a tendency for the future -- a fundamental role, as far as European demand is concerned, in the extra European holiday market.

But the centrality of Europe, concerning international tourism, has persisted through the years. Within Europe there is in progress a redistribution of tourist demand that has favoured areas outside the EEC, with the exception of Great Britain and Greece, and that on the whole sees the EEC record increases below those of the remaining European countries.

An assessment of the trends of international tourism within the EEC is based on such diversity of data from the various countries that its value can only be indicative. Nevertheless the great increase in the amount of international tourism registered by Greece and Great Britain should be considered as highly significant, an increase respectively of 500% and 167.8% in the period between 1967 and 1981. For Greece and Britain the information is based on statistics registered at the frontier; however the criteria have been slightly modified.

On the other hand the countries which present the lowest rate of development, in the period 1967-1981, are Belgium, Luxembourg and Denmark. For Belgium and Denmark a comparison can only be made using data relative to the bookings registered by the receiving organisation: + 9.6% for Belgium and + 22.7% for Denmark. For Luxembourg the percentage increase is 19.2 based on total arrivals in hotel accommodation in 1981 as compared with 1967.

For the same period Europe as a whole showed an increase of 94.9% (source WTO) almost doubling its international tourism. Faced with this increase countries like Belgium, Luxembourg and Denmark reflect a considerable drop in their position and capacity to attract tourists. In the same period the overall increase for the countries in the EEC can be estimated at around 60%. Taking this as an average

countries like France, Ireland and the Low Countries represent similar values.

Under countries showing a increase of 40% we find the German Federal Republic and Italy with 42.7% and 46.1% respectively. In these countries the most reliable information concerns the numbers of arrivals registered by the receiving organisations.

It is clear how the development of the tourist industry of the individual countries is closely tied to their economic growth and this generates, as a direct consequence, a greater mobility on the part of the countries' inhabitants. This of course favours the growth of the tourist sector and in general the production of services and consumption connected with the ever growing movements of Europeans. (See the high hotel density in FRG, but also the density in Belgium and the Netherlands when compared to Greece, in Figure 5 Appendix.)

1.2 The Impact of Tourism on Balance  
of Payments

The Effect of Tourism on the Community's  
and the Individual EEC Countries'  
Balance of Payments

An analysis of the economic effects caused by tourism is made difficult by the serious lack of statistical evidence. Because of this the depth of our enquiry into this sector is necessarily limited. However the tendencies which have emerged are still interesting. It is clear, above all, that the EEC would stand to gain a great deal (in terms of its Balance of Payments) if Spain joined the Community. In fact, the tourist deficit is mostly caused by tourist traffic towards Spain.

The total expenditure of EEC residents (1981 figures -- EEC estimate) for tourism amounted to 100 billion ECUs a year. This figure represents about 7% of the citizens' total expenditure for 'private consumption'; it is to be expected that this figure will be valid for future years.

On the other hand, EEC income from tourism amounts to 90 billion ECUs and so the deficit is about 10 billion ECUs. Community income from tourism is thus divided:

- 30 billion ECUs from intra-community and extra-community (international tourism);
- 60 billion ECUs from domestic tourist traffic.

On the whole extra-community expenditures amount to about 40 billion ECUs and are directed towards Spain, Austria, Yugoslavia and to a lesser degree towards many other countries like Portugal, Switzerland, Tunisia and Malta.

As far as development trends are concerned, for income it has been estimated that between 1972 and 1982 the real income and real expenditure for tourism rose 1.5 times. In particular the quotas of tourist income from extra-community countries (quote of international tourism) rose in the same period by 25%.

The EEC quota of international tourism is not influenced solely by US tourism; it seems, in fact, that the greatest income is from non-American tourist sources. Recently substantial tendencies have emerged indicating a growth in tourism from Japan and Asia. If these tendencies were to be confirmed for the EEC, there would follow very positive effects. Europe's historical, cultural and commercial attraction for the East could positively influence the development of international tourism in the next decade.

Tourist traffic within the EEC has marked effects on the Balance of Payments of the individual EEC countries and the benefits could increase if the Member States promoted travel within the Community, and harmonization of structures, services, holiday periods, staggering of holidays etc. As well as creating wealth and occupation, the development of intra-Community tourism would reduce the economic gap which exists between the EEC countries. Furthermore this kind of policy would see a decrease of the deficit in tourism in the EEC, a deficit which doubled from 1972 to 1982.

The major deficit is found in the FRG, while Italy gains most benefit -- it takes in six times more than it spends for tourism. The French and Greek Balance of Payments are positive, while all the other countries are in a deficit situation.

The report has examined the EEC supportive policy towards Regional development of tourism. Traffic should move from richer areas to poorer areas but we have found scarce evidence of promotional campaigns or of activities effectively carried out in this direction.

Experience teaches though that often the tourist development of Regions with mainly rural economies does not bring many economical benefits to those Regions. In fact, even though high growth in presences is recorded often, infrastructures and some services are financed by public funds and this costs more than the income received.

It is more beneficial, in our opinion, to concentrate financial effort on those areas that have a tourist vocation, services, and work force which are available and easily utilized.

To complete the study on the importance of tourism in the economy of EEC countries it may be necessary to relate the contribution of the hotel and catering sector to the total value added by the various economic sectors in some of the countries. (The lack of data of some countries is due to different national accounting systems.)

Table 2

Gross Value Added Hotels and  
Catering at Producer Prices

(percentage of total value added for each country)

<u>Country</u>	<u>Hotels / Restaurants</u>	<u>Total Value Added</u> (millions of national currency)	
Germany	1.4	1,393,940	(1979)
Denmark	1.1	278,679	(1977)
France	2.1	2,439,404	(1979)
Ireland	1.7	6,471.2	(1978)
Italy	2.4	120,702,640	(1979)
Netherlands	1.0	247,670	(1977)

Source: U.N. Yearbook 1980/1981

\* The comparability of the figures is affected by the differences existing between the definitions and methodologies used in the various countries, the definition of the Hotel and catering sector differing widely enough to call into question the findings of a comparative study. (For Italy it is possible to isolate the share and to identify the amounts representing non tourist consumption.) Cfr. W.T.O. Commission for Europe / 13 Meeting / San Marino 10-13 April 1984. The interpretation of the data must be carried out in connection with the definition of gross added value as defined by W.T.O. (Income from work plus social security plus fixed capital consumption plus operations net surplus plus indirect taxes minus subsidies.)



1.3. Characteristics and Effects  
of Tourism on Labour Market

The employment created by tourism does not only concern those involved in the production of the goods and services which are directly consumed by the tourist. Those who operate indirectly in the setting up of structures or in the production of goods and services which are in some way involved in tourist activity are also to be considered. For example there is a vast area of commerce which works essentially for the tourist market but only partly for the resident population. Again the small local industries, very active in the developed tourist areas, provide major sources of employment and family collaboration.

The most important percentage of tourist employment in the EEC is that which involves the seasonal-summer holiday model, where a services-offer structure prevails, tied to a high degree of dispersion both of the businesses involved and the work force. This happens with reference both to the hotel sector and the wider group of 'public' concerns -- bars, restaurants, snack bars -- as well as to the travel agencies. The summer tourist sector has therefore an anomalous combination of official and non-official work (both economically and with regards to union representation) which seems hard to eliminate, considering the difficulties involved in operating a check on employees. Therefore the available data on employment volumes is hardly reliable and even the trade union and employers' estimates are very approximate.

The cost of labour forms a consistent percentage of the management costs in hospitality structures and it is in the labour field that most of the economies of businesses in the sector are decided. In fact the costs of food and beverages are hard to break down and even

the headings which can be grouped together under general expenses are very rigid, so the only source of possible economies, especially in the smaller tourist concerns, is that of cutbacks in the work force.

The use of non-official labour helps towards lowering costs and the spread of this practice, in the seasonal tourist sector, is very consistent. The situation is very different for the large hotel chains which form the most 'industrial' element of tourism. Here the use of full time qualified staff prevails and health and social benefits are almost always, if not always, guaranteed. The tour operators sector too is organized along the lines of the above mentioned operative model, even if, in some cases in the high season periods, temporary staff are taken on.

An estimate of the employment effects of tourism is, therefore, an arduous task. We must remember too that the seasonal nature of the tourist offer has a determining influence on the organization of work, not only in seaside and mountain tourism but also in spa, congress and business tourism.

Italy serves as a model for an estimation of the problem: out of 1.5 million people who are officially employed with a national work contract, 800,000 are seasonal and the remaining 700,000 work full time in tourism -- hotels, restaurants, camp sites, travel agents, bars, etc.

Tourist employment is tied, to a certain degree, to tourist spending in the sense that the more the tourist spends, the more people go into direct or indirect employment.

Even if there are lots of obstacles to the realization of a common market for tourist employment in the EEC, there does exist cases of transfer of the work force within the '10'. These are limited however and with little significance. The efforts of the Community in the training sector, which includes periods spent abroad, do not

influence the labour market. The labour market, on the whole, presents high levels of mobility and elasticity. Above all, the holiday tourism area (concerning non-standard hotels) may draw on a huge army of reserve labour. It is though, an unqualified labour force which is used more for its quantity than for its degree of specialization.

In the tourist sector in the Community, and also world wide, female employment is very high. In the seasonal tourism areas women represent 60% of the total in employment and in the permanent tourism areas (big cities, commercial centres) female employment is about 40% of the total. Tourism helps employment as it has a stimulating and balancing function -- in the weak EEC areas it helps local employment, above all 'female'.

The developed EEC areas with a high degree of industrialization use labour from non-Community countries for the least qualified jobs. In the European economic structure, the average investment necessary to create a job is about 30,000 ECUs, while in the manufacturing industry it rises to 70/75 thousand ECUs. As for tourism the estimates supplied by previous EEC studies indicate that to create a job, 11,000 ECUs in Italy and 15,000 in Britain are needed. More recent studies carried out in Italy by P. Costa<sup>\*</sup> at the University of Venice (1983) supply estimates according to which, for every 750,000 ECUs spent in tourist consumption an added value of 350.000 ECUs is generated and work is created for 45 people a year in 'direct' employment and for 75 people in overall employment (including non-direct labour).

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\* P. Costa, Il turismo nella struttura della economia italiana, 1983.

The conclusion reached by the above mentioned study substantially modifies the data estimations available up until now, in that by adding the 'direct', indirect and induced effects together we find that for every million spent, 1.4 million ECUs are generated at least income derived from work<sup>\*</sup> and fixed capital consumption. By prudent use of the total income of tourism in the EEC (estimation 1982) that is 92 billion ECUs, the general figures of tourism's effect on the labour market would show over 16 million occupied workers between direct, indirect and induced employment.

Perhaps the effect of tourism in this study is highlighted, but labour in the sector is very differentiated and often with 'part-time' characteristics. The tourist phenomenon at the employment level concerns not only the direct, official labour market (here defined as labour / employment) but also a whole series of independent activities -- family assistance, employers, craftsmen -- who, when there is tourist activity present, work to produce income.

Confirmation comes from the data supplied by Eurostat according to which in 1981 EEC workers in the trade sector, restaurants and hotels numbered 12.5 million (see Table 3), while for transport and travel 5.4 million were employed. To these figures we must add those connected with show business and entertainment whose numbers are difficult to estimate. These figures give an overall picture of the employment relative to a series of activities that are linked to tourist demand, even if they are not exclusively employed in this market, considering that they also benefit the resident population of the various areas.

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<sup>\*</sup> Every million spent produces a new employment of 133 people.

Table 3

Employment in Sectors Connected  
to Tourism in the EEC

Workers in Commerce / Restaurants / Hotels

<u>Country</u>	<u>1979</u>	<u>1981</u>
Belgium	426,000	420,000
Denmark	250,000	239,000
Germany	2,742,000	2,784,000
Greece	166,000	data not available
France	2,525,000	2,575,000
Eire	140,000	data not available
Italy	1,687,000	1,729,000
Luxemburg	50,000	data not available
Netherlands	632,000	671,000
Great Britain	3,739,000	3,506,000
Total (Eur 10)	12,357,000	-----

Figures for other sectors:

Transport and travel - 5.4 million

Employers, family assistance, freelance workers - 8.5 million

Entertainment and show business - data not available

Source: Eurostat.

In our opinion, the labour market will not be sensitive to evolution in the short term and that is going through a period of stasis in the investment in the sector, especially with regards to the seasonal hospitality structures (seaside and winter holidays). The situation is slightly better in the large urban and commercial areas.

For the EEC we can predict a certain stability in the number of people employed in the whole sector. Among young people there is a growing disenchantment about work in the hospitality sector which is

present in almost all EEC countries. After short periods of work in hotels and restaurants young people tend to change jobs.

The tendency is more marked in the non-standard hotel sector where there is high seasonal employment and discontinuous work rhythms. The hotel chains are more attentive and do not 'waste' their labour force -- they train and form their staff and invest capital in them. Furthermore by using shifts and industrial working hours they offer greater and more standard levels of job satisfaction for their employees.

The retraining of the labour force, as happens in companies, does not seem to influence price policy and the competitiveness of the small and middle size concerns. In general highly qualified labour is not requested in the tourist sector as a whole.

## Chapter Two

### CHARACTERISTICS OF STRUCTURES AND SUPPLIERS OF TOURISM

An accurate analysis of the sector shows that the major part of the tourist supply-side industry is composed of thousands of small family enterprises whose characteristics do not allow us to single out significant economic standards for the study of concentration.

Within the receiving sector only the International Corporations and the Hotel Chains (approximately 4% of total hotel capacity in the EEC) show elements of concentration that require a specific analysis, also because they may affect the evolution of their competition.

TO is a second tourist sector that requires analysis because it is an enterprise that produces, organizes, promotes, and sells hospitality including transportation and assistance: therefore true suppliers of tourism.

Together with the Hotel Chains we have decided to put at the center of our study the intermediary system of TOs.

There is very low economic concentration, and scarcity of data for the largest part of the hospitality supply, but all over the EEC a strong concentration of small enterprises geographically situated in holiday areas (spontaneous aggregation). Economically speaking, we should say that small enterprises have low potential of absorbing changes in tourist demand and movements of consumer needs. Our study takes out the importance of the 'real' supply of accommodation presenting a 'profile' of hospitality in the EEC countries.

Table 4

Profile of Hotel Accommodation  
in the EEC in 1983

<u>Country / Region</u>	<u>Ratio of Beds in Hotels and Similar Establishments</u>
Denmark	67
Greece	61
Ireland	51
FRG (Germany)	51
United Kingdom	44
France	38
Italy	38
Belgium/Luxembourg	24
Netherlands	....(data not available)

Source: Our elaboration of Worldwide Lodging Industry/OECD/Istat/WTO.

The supply side in tourism is forming into various groups and associations of small hoteliers. Recently this grouping activity has assumed great commercial influence and a strong influence on the market of



small suppliers of hospitality who could not commercialize themselves otherwise.

Obviously the association and grouping of hoteliers is bringing the sector increasing economic benefits. Advertising, promotion and marketing policies are becoming more popular, and our report examines these attitudes which seem to be the only spontaneous answer to the negative forecasts that experts project for small 'family' hotels.

We assume, during the study, that general trends indicate consumer preference for 'high rated' hotels (i.e. 3-4 star hotels). The high rating applies, in the EEC countries, to those hotels where the management is not a family management, and signifies a standardization of the hospitality. Industrial management seem to be strongly connected with the future development of tourism and with the economic success of the hospitality industry.

We have found however that the "Star Rating System", so popular throughout the world is not adequate for the EEC in providing information for tourists and consumers. We have given great importance to hotel chains and to leading international companies not so much for their direct capacity (number of beds) but for the potential that they have. Hotel chains have qualified management, use vocational training of personnel who are aware and advanced in the marketing field. Through their strategies it is possible to understand some general trends, as they are most sensitive to market changes, evolutions, and forecasts. Dominating hotel chains contain more service flexibility and price elasticity than many small family-operated hotels.

The possibility of becoming future leaders in the hospitality market is developed and reinforced by the development of franchising all over the world. And when franchising does not apply because of the small dimensions of hotels or hospitality structures, hotel chains plan their 'management selling' and consequently enlarge continuously

their 'catchment areas'. In fact, their economic weight may seem small but their strategical potential is able to change the market and to affect competition.

The Tour Operators also represent a very important side of the 'supply' and their influence is reported as 'fundamental' for competition and to determine preferences in the world of tourism. Although individual holidays are exceeding 70 percent of all travel, there is a marked preference for organised tours when the destination is non domestic (i.e. holidays abroad).

We present our findings with respect to the confidential information which has been gathered both in the EEC and the rest of Europe.

2.1. Concentration of Supply and of  
Hospitality Structures in the  
EEC and in Individual Countries

The Tour Operators: Characteristics  
Types of Services Offered  
and Evolution

As many researchers into tourism have noted the functions of the Travel Agency / Business have hardly changed since the beginning of tourism. These functions are: organizing journeys, setting up as intermediary between supply and demand, and supplying collateral services -- from information to assistance -- and to the organizing of excursions during the stays.

In order to understand the modern agency system, a crucial difference must be made between the travel business that concerns itself with tour operating and the travel business that concerns itself with the retailing of travel.

Tour operating is 'the creation of journeys and stays and the relative publicity and putting on the market of the product'. The activity of a Tour Operator (TO) is therefore a business activity organized on a large scale. The Pacific Area Travel Association (PATA) defines the TO as "specialised concern in the planning and realization of journeys / holidays which are pre-prepared and prepaid. They are sold to the public through Travel Agents". PATA also suggests a difference between TO and Tour Organizer. The Tour Organizer is the organizer of a pre-formed group. Although exact, this difference has not been adopted in the present terminology of

Tourist Operators or that of legislation even if it is true that many Coach Operators (bus operators) are Tour Organizers.\*

A TO usually supplies three types of service:

- organization of the transport;
- accommodation;
- services in the proper sense of the word.

The services offered may be:

- after-sales services, supplied to the client during the journey or at the destination (transfers, assistance during the stay);
- pre-sales service, connected to the operations in the sale of the holiday (reservations, information, publicity).

The TO, as a producer of standardized holidays, appeared on the scene in the 1960s as a result of the evolution in transport and in particular the growing charter services.

The main characteristics of the TO's product are its 'all-included conditions' (even though there are various solutions during the stay or in the means of transport) and the competitive price.\*\* The TO then assembles the various components of the tourist product (travel / stay / assistance) and resells it at a 'market' price. The maintaining of this objective during the years of the energy crisis has greatly increased the risk run by the TOs in the definition of their programmes. Many large TOs have started basing their targets on high percentages of occupation of transport means and limiting themselves to very modest profits.

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\* The USA is an exception in that there are more Tour Organizers than tour operators.

\*\* For relationship between TO and Air Line companies, see section "Ownership of the Tour Operators".

In this way, since the beginning of the 1970s, there have been many cases of bankruptcy in the TO sector. Some, like Clarksons Holidays (1974) -- probably the biggest -- were clamorous cases. The number of highly industrialized TOs is very low, as is the market quota that they directly control. Their importance grows as we go further North where the tourist tradition is more consolidated and reference to a professional organization is more habitual in the people who go on holiday.

The conditioning power of the TOs is very strong all over Europe. This is explained by:

- The promotional and publicity effort made by the TOs is very effective. Its impact is achieved through brochures (often more than 500,000 copies are printed), billboard advertising, TV advertising and magazine and newspaper advertising.
- The TOs, thanks to their organizing capabilities, are able to move great numbers of tourists and so to transform some destinations into favoured tourist spots.\* Where the holiday is seen as a status symbol, destinations are presented as fashionable and 'chic'. In other words, the presence of a tourist area in a TO brochure and the tourists that an operator sends there have an induced effect: they increase the degree of attraction that the area has for the single tourist market.

As concerns distribution, the TO may be compared to a wholesaler who uses a distributive network made of retailers (the travel agencies). These travel agencies may however be specialized in either incoming or outgoing activities.

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\* Recently, there are indications that TOs are becoming less 'pioneering', and more concerned with filling up aircraft than finding new airports.

Most TOs have their own sales points, or they control them. In some countries the TO eliminates the agency network by sending brochures directly to clients so that the system of distribution takes four directions:

- Producer(s) - TO - Travel Agency - Consumer
- Producer(s) - TO - Consumer
- Producer(s) - Travel Agency - Consumer
- Producer(s) - Consumer

The TOs' functions and their activities in the distribution sector have conditioned the position in the market of the travel agencies. In fact in some countries (like Italy) the TOs main rival is the travel agency (organizing its own holidays), while in others most travel agents distribute the TO's brochures (simply 'reselling' them). In other situations the retailing travel agent is an operator who can construct made-to-measure holidays for a regular clientele who do not want pre-packaged 'mass' holidays.

The present situation, as we shall see, shows a substantial parity in TO prices for similar products. There has been some attempt made therefore to characterize the product -- based, in some cases, on the identifying of a target group and in others on the construction of an 'ad hoc' product. This specializing policy is evident in small and middle size TOs who tend to reserve for themselves a market quota and present themselves as being the 'specialists'.

Many banks have found themselves acting like partners to the TOs without and prior planning, forced to become creditors for travel agencies, air lines and tour operators, who found themselves in difficulties and as a consequence became involved in the transfer of stocks and shares, which is a continuous feature of a very active market.

For some banks, entrance into tourism has occurred, in the first instance, as a result of requests for foreign currency for tourists travelling overseas, then as a public relations exercise. Today many banks offer various services to tourists, and organize trips for their own staff and clients. An example of this is 'la Banque de Bruxelles' which operates not only as a credit institution but also as a travel agency.

In a different way banks -- such as the Midland, who own Thomas Cook -- carry out this function by issuing travellers cheques (valid all over the world).

Recently many banks have entered the credit card market, and also have a very definite influence on tourism by offering a variety of services to tourists, publishing magazines and encouraging visits to different towns and countries using the credit card.

On the basis of these factors we have undertaken a survey among the EEC countries which has confirmed our hypothesis as well as revealing a great deal of new information. To carry out these surveys we have conducted in-depth interviews with the main TOs and have exploited the knowledge of experts both in the private and the public sectors.

### Main Tour Operators in the EEC

The presence and importance of TOs and their activities are very different in the various EEC countries. On the one hand there are countries like Italy where there is very little TO activity; on the other hand, in Great Britain the TOs play a determining role in the organization of the tourist market. These differences are of course reflected in the number and operative size of the TOs in various countries. For

this reason it is important to review the principal TO companies in the main EEC countries.

An initial evaluation of the level of concentration existing in the TO sector can be formulated by calculating the role of the principal four TOs in the EEC, taking the respective number of clients estimated for 1982.

TUI (FGR)	with	2,231,000	clients
NUR (FGR)	"	1,040,000	"
Thompson (UK)	"	1,020,000	"
ITS (FGR)	"	506,000	"
Total		4,797,000	clients

If we compare this total with the figures for people travelling abroad in the EEC, which can be evaluated as around 60 million, we can calculate that the share of the market controlled by the principal four TOs, in the EEC, is 8%.



## GREAT BRITAIN

The British market is emblematic for an understanding of how the TOs have developed. It is due both to historical reasons -- the birth of organized tourism and that of the first TO to take place in Great Britain -- and cultural reasons. Furthermore in Great Britain we can examine, more than elsewhere, the figure of the TO in its purest state, examine its evolution and hypothesize a possible future. In GB the TO's functions are very specialized indeed. The following classification compares the top ten British TOs from 1971 to 1981:

<u>Company</u>	<u>1971 - Clients</u>	<u>Company</u>	<u>1981 - Clients</u>
1. Clarksons	600,000	1. Thomson H.	1,020,000
2. Thomson H.	290,000	2. Intasun	470,000
3. Goodwill (a)	270,000	3. Cosmos	420,000
4. Sunair/Lunn P. (b)	230,000	4. Horizon (c)	390,000
5. Castle	190,000	5. SWSA (d)	350,000
6. Cosmos	170,000	6. Laker (e)	320,000
7. Global	150,000	7. Wings/OSL	280,000
8. Blue Cars	130,000	8. Global	250,000

N.B.: All figures are approximate.

- a - Goodwill purchased by Court Line in early 1974 :  
liquidation in 1974
- b - Purchased by Thomson Holidays in 1972
- c - Formerly Horizon Midland
- d - Including Sovereign and Enterprise H. :  
owned by British Airways
- e - Including Laker Air Holidays and Arrowsmith, both sold off  
after Laker collapse in 1982

(Clarksons - purchased by Court Line in 1973 : liquidation 1974)

Source: The Business of Tourism.

In the 1970s there were many cases of financial difficulties in the organized tourism world in Great Britain. Even small and middle size Operators went out of business. We should underline however that on the whole there has been development in organized tourism for all the 'surviving' TOs on the list. The reasons for this success are to be found in the fact that the TO, by acquiring as a wholesaler and standardising the holidays, can then offer them at prices which are far more competitive than anything the single tourist can do. The TO's operative 'secret' is that they offer a price which is lower than the sum total of the services contained in the package. The TOs also achieve significant cost economies in the organization of the tourist offer because:

- The means of transport are usually used intensively (they avoid long stays of charter planes in the airports).
- They allow the use of tourist structures throughout the season (in this way TOs and hoteliers have exactly the same interests in that the latter want to extend their opening period).

In the case of Great Britain it is very important to look at the kind of distribution existing or, in other words, the kind of relationship there is between TOs and the distributing travel agencies. In Great Britain there are about 7,000 retailing travel agents; for Italy the figure is 2,800; and in FRG (Germany) it is 7,800. Almost 5,000 are members of the Association of British Travel Agents (ABTA). About 90% of the packages offered by TOs is sold through the distribution network of the travel agents.

It is the TO who runs the risks in the formation of the tourist product because the agent does not buy the package from the TO, to then re-sell it to the client (as happens in other sectors), but reserves the package only after the client has decided to buy.

In 1978 Tjaereborg, one of the biggest Scandinavian TOs, opened an office in London and began selling directly to the public, thus eliminating the intervention of the travel agency -- as happens normally in Scandinavia. This was not the first case of direct sales in Great Britain, but it was a case that could break pre-existing and consolidated positions and certainly contributed to an acceleration in the evolution of Great Britain's tourist market. From 1978 on direct sales have significantly increased and now represent almost 20% of the whole market. This innovation has forced even giants like Thomson to diversify, in order to better attack the market and resist competition. Thomson is now owner of Portland Holidays, which practices direct sales and offers a product very similar to that of Thomson's but with more competitive prices.

In fact, direct sales save on the commission paid to the retailer, but the publicity expenses needed in order to reach the client are enormous. Even in the case of direct sales it is indispensable to have a high market quota in order to cover running costs.

The foremost concern of a TO who has gained a market space is that of not losing his clients. The TO wants to make sure that they do not contact the hotel directly, make the reservation, and organize other services without using the TO as a mediator. Another concern is that the clients come back dissatisfied with the services sold -- this is one reason why the TO needs standardised, easy to sell products and services. TOs then prefer to programme destinations which are not too near the home country because the tourist could then go round the TO, without too much difficulty. However an analysis of the main TO catalogues shows that the overwhelming majority of destinations proposed is within two hours' flight time.

For years the TOs have exploited market research and it often happens that a TO will programme a destination that is already

successful and perhaps has been discovered by individual tourism -- this is the case of the Greek island 'Kos' which was programmed by a large TO after market research showed it was a favourite destination of that TO's potential clientele.

## FRANCE

A classification of the main TOs in France, based on the volume of business recorded in 1982 (in brackets the number of 1981 forfaits - or package) follows:

1. Club Mediterranee (see Appendix B)
2. Sotair (183,192)
3. Nouvelles Frontieres (n.a.)
4. Fram (160,752)

Club Mediterranee also develops hospitality in hotels and villages. It employs 180,000 people (mostly part-time) in its 166 hospitality structures. However it operates in the tourist market both as a TO and as a 'Hotel Chain'.

On the whole the figure relative to 1982 business is much higher than it was in 1981, and the top five TOs take up 41% of total business. According to a survey conducted by a specialized magazine, the 1982 number of clients increased by 10% when compared to 1981, but the number of people employed grew by only 0.3% -- the survey was carried out using data supplied by 124 TOs who sell about 2,900,000 forfaits. According to our own estimates the number of full-time staff employed by the TOs is over 5,000. It is harder to calculate the number of seasonal staff but using INSEE data we can say that it is probably three times the figure we have just quoted.

A slowing down in the increase of employment created by the TOs is characteristic not only of France but of all the EEC countries. This is due to the fact that TOs have to remain competitive and therefore contain their costs. We should not forget either the role played by new technology in the services sector and which has been vastly adopted by all TOs of any size.

## ITALY

A SEAT survey calculated that in 1982, 1,590,493 forfeits were sold by Italian agencies. The main Italian TOs are:

Alpitour

Visitando il Mondo

Moteltur

UTAT

Other important tour and travel companies are: Grandi Viaggi, Turisanda, Vacanze and Ventana.

If we exclude Alpitour, the number of holidays sold by the major TOs goes from 20,000 to 60,000. One of the reasons for this chronic weakness of Italian TOs is that about 75% of the travel agencies does not only resell products, but also creates programmes. A second reason is that in Italy for some time now there have been no charter companies.

FRG (Germany)

According to the FVW magazine, 1982 closed with this TO classification:

1. TUI - 2,231,200 Clients
2. NUR - 1,040,353 "
3. ITS - 506,481 "
4. DER - 276,000 "

Other important tour and travel companies are: Tjareborg (237,000), ADAC (225,000), Ameropa (208,000), Hetzel (186,000), Wolters (158,000), Jet Reisen (143,000).

TUI was formed in 1968 when the four major FRG TOs (Touropa, Scharnow, Hummel, Tigges) merged to face the 'new' rival, Neckermann, which was threatening to take over the no. 1 spot on the FRG market. Neckermann was formed in 1963 by a postal sales and large store company. Now TUI (Turistik Union International) is the major European TO and comprises Air-Tour, Transeuropa, Twentours, Hit and Arca, while NUR (Neckermann und Reisen) comprises the following TOs: GuT Reisen, Club Reisen, Terramar and Club Aldiana.

The last three years' statistics show a substantial stagnation in the organized FRG market, which gives no sign of either growing or shrinking. In 1982 the top 16 FRG TOs had 5,683,464 clients which represented 65% of FRG organized tourism. The 1983 data confirm the tendency towards stagnation. A consideration we must make is that in the FRG most TO products are of the 'Auto Reisen' or 'Train Reisen' type, and not of the charter flight type. The charter flight formula, for those who purchase from the TOs, is a way of making great savings.

In all the EEC countries there have been 'merger' phenomena of different kinds -- therefore TOs have been born which, like TUI or SUNAIR in Belgium, or Holland International, are the sum of previously existing TOs. In 1973 the six TOs which then formed TUI (Airtours, Hummel, Scharnow, Tigges, Touropa and Transeuropa) had 1,874,000 clients. In 1983 the same TOs had 1,828,700 clients -- 2.4% less. TUI, in 1973, represented 58% of the tourist traffic of the twelve top FRG TOs which controlled 65% of the organized market (source: FVW); today TUI, although it is formed by nine TOs, represents only 38.5% of that 65% of the organized FRG market.

Our opinion is that, although there are important differences, the TO market is not getting smaller nor does it tend towards a concentration in any significant way. In all EEC countries the number of travel agencies is on the increase and so are, with them, the TOs -- some of which are changing and increasing both through merger and diversity.

We should note that in FRG the TO has managed to stratify the travel agents -- about 2,000 sell TUI products / services and not Neckermann, and vice-versa. For this reason ITS, in order to find a market space, has had to look for a direct route through large stores, the computerized lottery and its own chain of agencies (Prima Reisen).



## OTHER COUNTRIES

- Greece - The importance of TOs who concern themselves with outgoing traffic is only relative. The official list of HATTA members has only 18 names: Manos Travel, Ginis Vacances, Travel Plan, Pan Holidays, Arion S.A., Atlas, Doukas Tours, Hellas Beach Tours, Heronia Travel are some of the TOs.
- Denmark - Apart from the two huge companies (Tjaereborg and Spies) which are the same size as the operators on Great Britain's market and which control the biggest section of the TO market, there are the following operators: DSB, DCU, Fritidsrejser, World Tourist Rejsebureau, FDM, Novasol, Thinggard Plus Rejser.
- Netherlands - Apart from the huge Holland International -- formed by the merger of many TOs -- there are Arke Reizen, Hotelplan, Neckermann, NRV, Nbbs, De Jong Intratours, Vrij Uit, De Snelle Vliet, Oad Reizen. the most striking characteristic in the Netherlands is the close ties at a distribution level between TOs and banks.
- Eire - The major TOs are Abbey Travel, Irish Group Travel, Blueskies, Carousel, Club Travel, Global Tours, Sunbound, Cara Holidays. The top Eire TO is, though Joe Walsh Tours which sends about 100,000 clients abroad and is by far the biggest.
- Luxemburg - The main TOs are Luxair and Transeurope.
- Belgium - The biggest TOs are Sunair and Sunsnacks with about 150,000 clients each, and Eurosun with about 28,000 clients.

### Ownership of the Tour Operators

The ownership structure of TOs is very varied. We can identify as TO-owning bodies:

- Banks                      - Credit Agricol owns Voyages Conseil in France; in Great Britain the Midland Bank owns Thomas Cook; Banque de Bruxelles operates her own travel company.
- Large Stores              - General Stores owns Global in Great Britain; Kaufhof owns ITS in Germany.
- Air Lines                  - As we have already seen, Airlines own many TOs, especially in Great Britain.
- State Railways          - CIT is owned by the Italian Railways; in Belgium Railtour is owned by the Belgian Railways.
- Financial Groups        - This is the case of Thomas Cook and Thomson.
- Private Ownership      - UTAT in Italy; Vantage in Great Britain; Cosmovel and Voyages Fram in France are owned privately.

The stocks of various TO companies are quoted on the Stock Exchange in their country of origin. Often the shares are distributed among hundreds of small savers.

As has been stated before, the ownership of a TO on the part of the banks has not had a significant effect on the competition. Often the banks have absorbed the shares of the TO, and their creditors, without attempting a merger. The greatest economic interest in fact lies in the travellers cheque market.

The major share of travellers cheques issued belong to:

- American Express
- Thomas Cook & Son (Midland Bank - Euro Traveller Cheque)
- First National City Bank
- Bank America

In recent years the use of Eurocheques in the EEC has spread and consolidated and constitutes a very important market for the European banking system, which has not yet been fully utilized by the tourists. Other financial reasons put in a close relationship air lines and TOs. We can distinguish two cases:

Air Lines Which Own TOs:

KLM - Holland International  
Air France - Sotair  
LTU - Jahn Reisen, Munich  
British Airways - Sovereign,  
Enterprise, Martin Rooks, Flair  
British Caledonian - Blue Sky  
Luxair - Luxair Vacances  
Sabena - owns part of the  
Airtour shares

Air Lines Owned by TOs:

Britannia Airways - Thomson  
Air Europe - Intasun  
Monarch - Cosmos  
Orion - Horizon  
Sterling - Tjaereborg

This situation of close contact between TOs and Air Lines is not without consequences. In fact when an Air Line owns a TO, its programme and policy may be conditioned by the Air Line's interests (it may prefer some destinations over others, not only because of tourist reasons or for reasons connected with the preferences of its clients).

## 2.2 Concentration of Principal Suppliers and Types of Hospitality

### Analysis of the Structure and of the Principal Hotel Groups

The hotel offer in the EEC countries is very heterogeneous both as regards the size and structural characteristics of the hotels, and the range and quality of services as well as the ways of running and organizing the units. It is thus difficult firstly to evaluate the relationships between structure and competitive behaviour of the hotels and secondly to examine the effects that they have on competition in the tourist market.

It is certain, though, that a process of structural change is in progress. This change in the hotel offer is based above all on greater concentration (mergers, one group absorbing another, associate relationships, hotel grouping brands, etc.), and on a greater standardisation of structures and services. In the future this will lead to a structure of the hotel offer which will be very different from the present one, and also to more sophisticated models of competition.

In this part of the study attention has been paid to the two fundamental aspects of the organization of the offer:

- The kinds of operative units and businesses which work in the hospitality market; and
- the characteristics of the standardization of the services offered and the subsequent effects on business structure and competition.

## The Main Types of Company and Associated Company in Hospitality Structures

In order to estimate, at a European level, the phenomenon of hotel groups and chains, several data and publications from the hotel sector have been examined. A classification hypothesis of the structures by associate company and co-operative models has been elaborated. Even if the present economic importance of the various types of 'grouping' in the EEC is not very great, they may be important in reaching a Community policy which aims at the elimination of the tourism deficit and gaps. After an in-depth examination of the different types of 'grouping' we have identified a classification which includes:

- a. Hotel and Hotelier Associations
- b. Hotel Reservation Centres
- c. Hotel Groups
- d. Hoteliers' Co-operatives
- e. Hotel Chains or Companies

### a. Hotel and Hoteliers Associations

They have mainly 'trade-union' objectives and rarely concern themselves with selling hospitality. They supply consultancy work and assistance to members in the fiscal, administrative and work sectors. They have an important function in the EEC in that they are the official interlocutors of governments, tourism ministries and the bodies responsible for tourist promotion. Even Regional and Local authorities (cities and provinces) consult these kinds of associations before passing local laws, planning and investing -- even if they do not always have (at local level) enough technical competence to express useful

opinions on tourism development. Their power comes from a grouping together of up to thousands of associates -- although they do not represent them commercially or economically.

b. Hotel Reservation Centres

These are the centres for shared services that single hoteliers or groups organize and finance in order to rationalize and speed up reservations through centralizing communications. The reservation centre guarantees the payment of the commission to those who make reservations and carries out an interesting function for travel agencies. These centres are very numerous in Europe and generally group together hotels that offer 'non-standard hospitality'.\* They are nevertheless sometimes given a 'brand name'.

They carry out publicity for the hotels in the group and usually publish the list of associates in exchange for a participation fee which varies according to the nature of the centre and the type of service it provides.

The reservation centres had no influence on competition because they collected the offers proposed individually by their associates and did not have a general marketing strategy. Now some of these 'brand names' or reservation centres operate and are spread all over Europe.

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\* See further description of types of hospitality in the EEC, Chapter 3: 'Competition'.

Recently there has been an increase in sales promotion and advertising by these reservation centres and the 'free toll' telephone system will be the basis of their future development. Meanwhile airline companies often carry out a basic operational 'reservation service'.

Our investigations indicate that the most active Hotel Reservation Centres in Europe are:

<u>Hotel Reservation Centre</u>	<u>No. of Hotels Represented Worldwide</u>
UTELL INTERNATIONAL - UK	over 2000
SUPRANATIONAL - USA	" 400
HRI (Leading Hotels...) - USA	" 200
Golden Tulip - NL	" 300

But many hotels are represented by two or more reservation centres. We have traced about 50 operating in the EEC alone.

c. Hotel Groups

This is a relatively recent phenomenon. These groups have an overall operative philosophy in that they gather hotels which are similar in structure, price and services. The 'grouping' is made with 'non-competing units' into a common market scheme.

Some services are 'standard quality' of the group like the 'brand name', but despite this the hotel group cannot be considered an economic, financial and operative unit, because a large measure of autonomy is still granted to the individual management.

Participating units belong to different investors and very often cannot be considered homogeneous for type of hospitality. Hotel grouping at the moment is oriented towards capturing the attention of 'business travellers', but increasing efforts in the hotel trade show great effervescency and often the birth of new hotel groups, also in holiday resorts.

Franchising practice will push forward common group marketing experiences in the EEC and the benefits for the market of tourism and for the tourists are coming to fruition.

<u>Hotel Group</u>	<u>No. of Units in the EEC</u>	<u>Head Office</u>
BEST WESTERN	479	USA
STEINBERGER HOTELS	87	FRG
PRESTIGE HOTELS	30	UK
COMFORT HOTELS INT.	25	UK

The influence of the Spanish hotel groups, whose brand names 'Agrupados' and 'Sol' have flooded into operators' catalogues, has a dominant effect on the competition for the holiday market in the EEC.

The attraction and services supplied by these groups (entertainment, shows, folklore, homogeneous management, and a unique marketing scheme) lead to an undoubted advantage for the Spanish market.

At present France seems to be the more efficient in the EEC under the Hotel Grouping profile. A large concentration of hotels is reported by several sources. Evidence of some brand names is 'Campanile' and 'Mapotel', but the market concentration is very lively and prosperous.



d. Hoteliers' Co-operatives

These are bodies to which hotels are associated and carry out promotion, collective purchases and sometimes have travel agency or tour operator functions. It is as yet not a very common phenomenon but, with regards to competition in the EEC tourist sector, they may have an important role in the future. The role of the co-operatives, lies in the fact that 'non-standard' hotel structures in Europe suffer from the competition of organized groups which aim at an 'international standard' in hospitality. Co-operatives could have the function of economically and 'culturally' grouping hoteliers and EEC structures -- activating their training and improving their competitiveness in the international standard hotel market. The route that this study sees as most practicable seems to be that which in the USA is called 'Budget Hotels'. According to this model even small hotels would find a space on a market where 'grouping brands' are developing a very strong self-assertive marketing activity.

e. Hotel Chains or Companies

From an economic point of view and as regards competition, hotel chains and companies have an important place. A UN study showed that in 1978, 2.1% of the total rooms available in developed countries was either controlled by or the property of 81 hotel chains.\* Since

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\* 1982, Role des Societes transnationales dans le Tourisme. Research carried out for the UN on transnational companies, 1982. (Ref. ST/QTC/18)

then the chains have further developed and control a greater share of the hotel market, above all in the middle / high bracket and in the standardized services sector. It is difficult to calculate accurately the influence of hotel chains on the EEC market because much economic data are unavailable (they have their headquarters mainly in the USA or Canada). It is only possible to supply a classification of the most influential chains on the market in the ten EEC countries. However this classification owes more to experience than supplied company data. (See Table 5)

Table 5

Name of Chain / Group	Head Office	Units in the World	Units in the EEC	Operations and Information
HOLIDAY INNS	USA	1,750	46	- first hotel opened 1952; first European unit in 1968
TRUSTHOUSE FORTE	UK	800	over 400	- owns Travelodge USA (franchising company)
GRAND METROPOLITAN	UK	n.a.	over 40	- (our estim.) owns Intercontinental (80 units, formerly PAN AM) and Forum Hotels)
RAMADA	USA	600	11	- including Ramada Renaissance Brand
SHERATON	USA	450	16	- some units under management contract only (ITT group - USA)
HILTON	USA	250	17	- 160 franchised hotels in the world
NOVOTEL	France	166	137	Accor Group (35 units franchised or under management contract)
MARRIOTT'S	USA	128	1	Opening now 2 new units in the EEC
HYATT	USA	110	5	developing new units for 1985
ETAP/PLM	France	92	61	Wagons Lits Group (5 more opening 1985)
CREST	UK	80	over 60	also operates as Esso Motor Hotels; owned by Bass Charrington Brewers
SOFITEL	France	51	29	Accor Group (5 franchised units in Europe)
MERCURE	France	49	49	Accor Group (9 franchised units in Europe)
MERIDIEN	France	43	9	
THISTLE HOTELS	UK	40	40	owned by Scottish and Newcastle Breweries
JOLLY	Italy	30	29	mainly operating in Italy
LOEW'S	USA	22	3	only direct management
CANADIAN PACIFIC	Canada	21	2	presently increasing units in the EEC market
RANK HOTELS	UK	20	20	-----
CIGA HOTELS	Italy	20	20	mainly operating in Italy
CONCORDE	France	20	19	see Appendix B

Notes: Other important "chains" operating in Europe are: KEMPINSKI (FRG), PENTA (UK), ATA (Italy), SAS (Sweden), Balkantourist (BG)

. Other Chain owners of small country hotels have not been mentioned.

. The table represents our elaboration of dominant hotel chains, and does not signify a 'classification of importance'.

. Due to lack of data, bed capacity has not been mentioned. (See Appendix for further details)

### Notes on Table 5

- The hotel chains work to budgets and consolidated plans frequently decided outside Europe. Obtaining data on balance sheets and forecasts for European countries is not easy.
- Even if the volume of beds at the disposition of the hotel chains is still limited, nevertheless the level of expansion is such that it should be considered as a major protagonist in European competition.
- The European chains are recovering lost ground in comparison with the US chains, which have been situated in the EEC market since the '60s.
- Trust Houses and Forte Group merged in 1970.
- Grand Metropolitan, after a series of mergers and take-overs now control the "Intercontinental" chain which used to belong to Pan American plus Forum Hotels.
- In 1983 the Accor Group was formed in France which operates with four principal brand names: Novotel, Mercure, Sofitel and Jacques Borel (1983). Overall the Group works with 406 units, many of which have less than 100 rooms. The Accor company is quoted on the Stock Exchange.
- The Meridien chain belongs to Air France and was founded in 1972. By 1987 it plans to open 16 new hotels throughout the world, predominantly of 'International Standard'.
- In the EEC take-overs and mergers are limited to two countries: France and Britain. Otherwise it does not show any concentration of chains or shifts in the major hotel groups. There is a general 'inertia' in the traditional hotels and 'non-standard' hospitality.

The US hotel chains supply some data:

<u>Hotel</u>	<u>Total Hotels</u>	of which are: <u>Franchised</u>
Holiday Inn	1750	1300
Sheraton	450	300
Ramada Inn	600	350
Hilton	250	150

It is obvious from this data that the system of franchising has a major influence on the development of the chains and therefore on the European hospitality market. (See Appendix C)

The latest investigation allows us to confirm that the Loew's chain has a major partnership with the German union-owned building company, Neue-Heimat. The latter builds hotels worldwide and then Loew's manages them under a leasing arrangement.

### 2.3 Geographic Concentration

The concept of geographic concentration has a notable relevance in tourism, in contrast to that which occurs in the manufacturing industry where the rates of concentration take into account the sales turnover and the number of employees of the various companies and not the importance of the geographic location.

Tourist practice and the relative demand, which in economic planning is treated as 'transfer' of overall consumption from the place of normal residence to the tourist locality, is concerned with a 'product' that includes, in addition to the receiving services, many other resources, natural and otherwise, present in the territory.

The tourist offer is therefore composed of a series of attractions (the countryside organization, cultural ...) singled out, on the whole, by the tourist in a particular area or locality. It is between these geographic components (regions, areas or localities) that the primary level of competition exists, whilst within these areas the number of tourist enterprises -- usually very high -- guarantees a sustained level of competition.

However even among the various tourist areas, within the EEC territory, we are unable to single out any which could have a monopolistic effect. The following analyses, country by country, show that if there are zones with a high potential for international tourism, there are others which are particularly advantaged in domestic tourism.

It is also obvious that whilst there are areas of high hotel concentration and notable importance, their incidence is reduced by the rapid development of extra-hotel receptivity in the new zones. The tendency therefore is towards a territorial diffusion of the tourist industry, but with rates of slow development and above all investments in the structure of the extra-hotel type.

In the last fifteen years a relatively static situation has marked the hotel sector -- the only exception being Greece where hotel capacity has tripled. The territorial division of hotel supply has been 'blocked' since the end of the 1960s with the 'mature' hotel areas intent on maintaining the earning power of their concerns and financing restructuring processes.

This phenomenon is linked to the less than 'brilliant' growth of international tourism in the majority of EEC countries, if we consider that foreign tourism has always presented a greater use of hotel supply. This has happened while national tourism has been more and more interested in the many forms of extra-hotel holidays. In this sector there has been a great dynamism as opposed to the hotel sector, and has spread all through the territory, recording continual growth.

The 1970s therefore marked a change in tourist policy in the EEC countries which has been manifested by a greater awareness of the extraordinary importance of extra-hotel tourism. This latter sector, due to its extreme fragmentation, requires strict co-ordination and public control. As a result entire areas, economically weak, lend themselves to trust that this kind of tourism will allow a process of economic development: tourist villages, camp sites, second houses, agrotourism, etc.

Analysis of the Concentration, by Type,  
in the Various Geographic Areas

In order to arrive at a sufficiently reliable picture of the geographic concentration of the tourist phenomenon, i.e. the practice of tourism and its relative industry within the EEC, it is unfortunately necessary to adopt a series of heterogeneous indicators, given the lack of homogeneity in the data gathering systems used in the EEC. Lacking too is information concerning the fundamental aspects of tourist activity. The indicators adopted in the following tables are however sufficient to work out the tourist 'weight' in each single region or area within the ten EEC countries. The extreme lack of data necessary for the reconstruction of a historic series relative to European provincial and regional supply and demand must however be strongly stressed.



## ITALY

The analysis of the market quota shows firstly the extreme diffusion of Italian tourist activity and the absence therefore of a marked geographic concentration of Italian tourist supply. The quotas for each of the twenty regions are generally below 10% (the Veneto, Emilia-Romagna, and Trentino - Alto Adige are exceptions being a little over this figure), and do not represent a predominant position.

We must underline from the outset that -- despite the 'southernizing' process of tourist supply in the period from the 1960s onward and the notable and growing interest in national demand for the South -- the eight Northern Italian regions supply 60.9% of total tourist demand (in terms of hotels the 1982 figure was 63.5%, compared to 69% in 1968).

The eight Southern regions (including the islands) in 1982 had a quota of 17.3% with 16.8% of hotel supply against 12.2% in 1968. If we compare the present level of development in the tourist industry with similar geographical areas in the rest of the Mediterranean, we can conclude that there has been a 'delay' in the tourist offer process in Southern Italy. This can be put down to, above all, the lack of ties with organized tourism from other countries.

Another important phenomenon is the heavy increase, as concerns national tourism, in the quotas for holidays connected with winter sports (e.g. the 'jump' in Trentino-Alto Adige) and holidays connected with summer activities in the South which, as we have said, is not reflected by a similar growth in foreign tourist traffic.

Table 6

Classification of the Regions Based on the  
Overnight Stays in the Hospitality  
(Sector: Italians + Foreigners - 1982)

<u>Regions</u>	<u>Overnight Stays</u>		<u>Beds in Hotel Sector</u>		
	<u>(000)</u>	<u>%</u>	<u>1982</u> <u>(000)</u>	<u>1982</u> <u>%</u>	<u>1968</u> <u>%</u>
Veneto	48.0	14.1	167.9	10.6	12.3
Emilia-Romagna	44.7	13.2	255.7	16.1	18.1
Trentino - Alto Adige	35.9	10.6	221.1	13.9	9.9
Toscana	29.8	8.8	130.6	8.2	9.1
Liguria	28.4	8.4	97.6	6.2	8.7
Lazio	27.8	8.2	93.6	5.9	5.8
Lombardia	23.2	6.8	129.9	8.2	9.3
Abruzzi	18.2	5.4	41.0	2.6	1.8
Campania	15.6	4.6	75.9	4.8	4.3
Marche	12.6	3.7	55.4	3.5	3.1
Piemonte	10.2	3.0	71.2	4.5	6.1
Friuli - Venezia Giulia	10.0	3.0	34.9	2.2	2.9
Sicilia	9.1	2.7	59.1	3.7	2.2
Valle d'Aosta	6.0	1.5	18.6	1.2	1.7
Puglia	5.1	1.5	33.6	2.1	1.2
Sardegna	4.9	1.5	38.2	2.4	1.2
Calabria	4.5	1.3	36.4	2.3	1.0
Umbria	3.8	1.1	15.4	1.0	0.7
Basilicata	0.5	0.2	5.3	0.3	0.3
Molise	0.4	0.1	3.3	0.2	0.2
Total	339.8	100.0	1,585.6	100.0	100.0

Source: ISTAT - Rome.

## FRANCE

In France there is a territorial concentration higher than that in Italy: the first four regions of the 22 (Ile-de-France, Rhone-Alpes, Provence and Midi-Pyrenees) absorb 55.4% of the whole French tourist market against the 46.7% recorded for the first four Italian regions in terms of market quotas (48.6% in terms of the number of hotel beds).

The Ile-de-France (the Paris area alone represents 25% of all the French hotel sector and, as a result, high foreign demand is concentrated in the French capital. In 1982, 417 hotels were part of hotel chains amounting to 2.2% of the total of the uniform hotels and to 9.7% of the total room numbers. (In the Ile-de-France 94.9% of the 4-star class rooms belong to hotels which are parts of chains.)

The diffusion and continuous growth of the number of camp and caravan sites is extraordinary: 7,612 campsites with a total capacity of 2,163,922 places, an increase of 13.7% in 1982. Five regions in 1982 recorded 55.8% of the total capacity calculated in the camp sites. In descending order:

Languedoc-Roussillon	-	12.8%
Provence-Cote d'Azur	-	12.3%
Bretagne	-	10.8%
Aquitane	-	10.6%
Pays de la Loire	-	9.3%

In 1975 the INSEE estimated the number of second residences at 1,680,000 (houses used at weekends and for holidays). An innovation is represented by the number of apartments owned together with others (5,789 in 1980, according to the Federation Nationale des Promoteurs Constructeurs). This new kind of residence is marked by a

high concentration in mountain areas (75%) and on the coast (21%) and is linked to the new resorts which specialize in winter sports.

The development therefore of both commercial and non commercial extra hotel capacity has been notable: from 'villages de vacances' (tourist villages) to 'maisons familiales de vacances', to 'les gites ruraux'.

Table 7

Classification of the French RegionsBased on Hotel Capacity - 1982

<u>Region</u>	<u>Rooms in Hotels</u>	
	<u>No. (000)</u>	<u>%</u>
Ile de France	200.1	25.0
Rhone-Alpes	102.7	12.8
Provence	86.7	10.8
Midi-Pyrenees	54.6	6.8
Aquitaine	38.1	4.8
Bretagne	33.4	4.2
Languedoc	33.1	4.1
Auvergne	32.9	4.1
Centre	22.6	2.8
Loire	21.5	2.7
Lorraine	21.1	2.6
Bourgogne	18.4	2.3
Alsace	16.6	2.1
Basse-Normandie	16.4	2.1
Limousin	15.8	2.0
Nord	15.6	2.0
Poitou-Charentes	13.8	1.7
Corse	12.9	1.6
Franche-Comite	11.6	1.5
Haute-Normandie	11.4	1.4
Champagne	11.1	1.4
Picardie	9.6	1.2
Total	801.3	100.0

(The first 8 Regions concentrate 72.6% of the entire hotel capacity.)

Source: Services du Tourisme et de la Jeunesse et des Sports.

## GERMANY

The Federal Republic of Germany is marked by a particularly uniform distribution of tourist traffic over all its territory (11 Landers). In fact, the first three regions -- Bayern, Baden-Wurttemberg and Nordrhein-Westfalen -- that accumulated 58.8% of the total home and foreign presences recorded in all the hospitality sector, represent in terms of surface area 56.6% of the entire national territory.

Despite the non-homogeneous administrative territorial subdivision between the various countries, it is always interesting to compare the FRG distribution with the French 'concentration': in France the first three regions, with a surface area of 16% of the entire national territory, represent 48.6% of the entire hotel sector. In Italy the first three regions -- Veneto, Emilia-Romagna, and Trentino-Alto Adige -- absorb 40.4% of the whole hotel sector capacity with a surface area of 18%.

If we exclude Nieder-Sachsen, all the FRG Land record tourist traffic strictly proportional to their territorial dimensions. FRG is, on the other hand, the country with the lowest percentage of foreign overnight stays (10.6%), and an average permanence of 2.2 days, while the home figure is 4.2 days.

These characteristics allow us to say that national tourism presents -- almost always -- a minor territorial concentration when compared to tourism from abroad in that national tourism is particularly linked to internal mobility which is not necessarily for tourist reasons.

It is impossible to distinguish, from the statistical evidence gathered in the hospitality sector, the 'purpose' and motivations for the stays: we should though consider that the modern tourist industry is very interested in forms of tourism like congresses, tourism connected with work or business, health visits, study, shopping, etc. It is sufficient to consider the capacity of any big city, beyond its

specifically tourist attractions, to see how the so-called tourist industry lives on a production that is not limited to strictly tourist consumption.

The eight big cities in the FRG -- Munich, Stuttgart, Frankfurt, Cologne, Hannover, Hamburg, Dusseldorf, West Berlin -- recorded 32,642,000 nights of stay in 1982 with an average stay of two days. If we add to this data the great importance for consumption of excursionism, we can see how economic development in general tends, with the increasing mobility of individuals, to diffuse tourism everywhere and in all directions: from areas of high density (the big cities) towards areas of low density which normally have a high environmental value and vice-versa, as is clearly shown by the FRG data.

The areas which are most 'touristic', where Germans go on holiday, are Bavaria (in particular Oberbayern, which for tourist importance can be considered the leading area with its thermal, mountain and cultural tourism), along with the Black Forest and the Baden-Wurttemberg and Nordrhein-Westfalen area and the North Sea coasts of Schleswig-Holstein.

Table 8

Table of FRG Regions Based on the Nights of Stay (German  
and Foreign) in the Whole Hospitality Sector - 1982

<u>Region (Land)</u>	<u>Nights of Stay</u>	
	<u>Numbers (000)</u>	<u>% of Total</u>
Bayern	56,207	28.7
Baden-Wurttemberg	32,053	16.3
Nordrhein-Westfalen	27,133	13.8
Hessen	22,268	11.4
Nieder-Sachsen	21,214	10.8
Schleswig-Holstein	14,559	7.4
Rheinland-Pfalz	14,180	7.2
West Berlin	3,963	2.0
Hamburg	2,753	1.4
Saarland	1,120	0.6
Brema	635	0.3
Total	196,091	100.0

Source: Statistisches Bundesamt - Wiesbaden.



## GREAT BRITAIN

The United Kingdom shows great differences between the distribution of home tourism when compared to foreign tourism: foreign tourism is concentrated mostly in London where about half the night stays of foreigners are recorded -- in 1982 the figure was 58.2% (source: BTA), against 12.1% recorded in Scotland and 3.6% recorded in Wales. Home tourism is more evenly distributed throughout the regions but favours the West Country, Wales, Scotland, the South East and East Anglia.

As to the hotel sector, there is a heavy concentration in the four Southern regions -- The West Country (including Cornwall), Southern England, South-East England, and London -- whose quota can be estimated at about 50% of the total number of hotel beds. Extra-hotel tourism is very high in the UK and affects too the foreign flow -- about 40% of foreign presences is registered in private homes while only 18% of the night stays registered by British tourists is in the hotel sector. (Sources: International Passenger Survey 1978; British Home Tourism Survey 1980)

'Open-air' tourism is also very popular among the British: in 1980 it represented 9% of total national presences. The BTA, although classifying only some camp sites (those which meet certain requirements), supplies the following territorial distribution of camp sites:

England	814
Northern Ireland	44
Scotland	257
Wales	<u>214</u>
Total	1,329

Table 9

UK Regions	1980 Overnight Stays (in millions)				No. of Beds	
	Foreigners	British	Total	%	1981	%
Cumbria	1.0	13.0	14.0	2.0	19,658	2.7
Northumbria	2.4	13.0	15.4	2.2	18,562	2.6
North West	6.4	38.0	44.4	6.4	59,262	8.1
Yorkshire & Humberside	4.2	37.0	41.2	6.0	43,286	5.9
Heart of England	4.7	26.0	30.7	4.4	37,775	5.2
East Midlands	2.6	26.0	28.6	4.1	21,992	3.0
Thames & Chiltern	6.7	18.0	24.7	3.6	17,192	2.4
East Anglia	5.9	47.0	52.9	7.7	37,985	5.2
London	60.7	32.0	92.7	13.4	97,037	13.3
West Country	7.5	96.0	103.5	15.0	104,679	14.4
Southern	6.1	38.0	44.1	6.4	77,408	10.6
South East	16.2	49.0	65.2	9.4	57,395	7.9
England total	124.4	433.0	557.4	80.6	592,231	81.4
-----						
Scotland total	13.1	55.0	68.1	9.8	89,001	12.2
Wales total	4.6	60.0	64.6	9.3	42,964	5.9
North. Ireland total	1.4	--. *	1.4	0.2	3,671	0.5
TOTAL	143.5	548.0	691.5	100.0	727,867	100.0

\* Data on home tourism in Northern Ireland are not available.

Source: (our elaboration of BTA data)

EIRE

Table 10

Regional Distribution of Receipts in 1982:

(International Tourism + National Tourism)

<u>Regions</u>	<u>Tourist income in millions of Irish pounds</u>	<u>%</u>
Dublin	117.6	19.1
Cork / Kerry	131.0	21.3
West	81.2	13.2
South East	71.6	11.6
East	63.4	10.3
Donegal / Leitrim / Sligo	55.7	9.1
Shannonside	50.4	8.2
Midlands	44.4	7.2
Eire total	615.3	100.0

In Eire the quota of extra hotel tourism is also very high: 50.6% of the presences recorded in the international tourism sector was registered in Private Houses (1982).

There is a territorial concentration of international tourism in Dublin, and there is a relative predominance in the region of Cork / Kerry for domestic tourism.

- The only available data we could find for Eire concerned tourism receipts.

## DENMARK

Denmark also is characterized by a net difference between national and international tourist flow: while foreign tourists prefer the Copenhagen region, the Danes prefer holidays in Jutland, using the many camp sites there.

Denmark records a higher number of presences in camp sites than in the hotel sector. In 1980 there were 1,015 hotels (hotels, pensions, guest houses, motels) and 999 in 1981, against 530 camp sites in 1981. The camp sites are used almost exclusively by Danes and Germans -- 85% of the total.

Table 11

<u>Regions</u>	<u>number of overnight stays in the hotel sector - 1981 ( '000)</u>				<u>number of overnight stays in camp sites - 1981 ( '000)</u>	
	<u>Danes</u>	<u>Foreigners</u>	<u>Total</u>	<u>%</u>	<u>Danes + Foreigners</u>	<u>%</u>
Copenhagen	901.2	2,116.2	3,017.4	36.2	1,113.7	10.2
West Zealand	76.2	14.8	90.9	1.1	404.6	3.7
Storstrøm	190.7	127.0	317.7	3.8	844.0	7.8
Bornholm	179.1	524.2	703.4	8.4	326.2	3.0
Funen	442.6	173.0	615.6	7.4	1,006.8	9.3
Jutland	2,058.6	1,522.1	3,580.6	43.0	7,178.0	66.0
Total	3,848.2	4,477.3	8,325.6	100.0	10,873.2	100.0

Source: (Our elaboration of Danimarks Statistik data)

## GREECE

The tourist explosion in Greece from 1971 to 1981 is more clearly shown by the increase in hotel capacity: in terms of number of beds the figure rose from 90,362 in 1967 to 303,855 in 1981, with notable increases also in the last few years and, as opposed to other EEC countries which recorded a levelling out if not a decline.

The development of the extra-hotel sector and camping sector which has taken place exclusively along the continental coast and on the islands is exceptional.

The 'poles' of tourist development are represented by the Athens region, Corfu, Crete and Rhodes. Athens and the surrounding region record a high level of territorial concentration, relative to the distribution of international tourism arrivals -- notable too is the number of excursionists who visit the Greek capital.

Table 12  
Distribution of International Tourism Arrivals  
in the Various Regions and Areas  
(1980)

<u>Regions</u>	<u>Arrivals in Thousands</u>	<u>% of Composition</u>
Athens region	2,103	33.8
Peloponese	854	13.7
Aegean Islands	796	12.7
Crete	696	11.2
Macedonia	603	9.7
Central Greece & Eubia	463	7.4
Ionian Islands	361	5.8
Thessaly	229	3.7
Epirus	80	1.9
Thrace	36	0.6
Total	6,222	100.0

N.B.: Better statistics not available.

Source: National Statistic Service of Greece - Athens

## BENELUX COUNTRIES

The situation in the three Benelux countries is marked by the same basic phenomenon:

- A levelling out of hotel production, with a fall in the number of beds.
- A high increase in extra hotel capacity, especially camp sites which are used mostly by national tourism.

In the Netherlands national tourism favours Nord Brabant and Limburg whereas international tourism is based around Amsterdam and West Nederland.

On the whole in the Netherlands there are three tourist areas -- Amsterdam and its beaches, Rotterdam, and the Hague and its beaches. Belgium too records a dichotomy in the distribution of tourist flow: national tourism is concentrated on the Belgian coast (65.8%), while international tourism prefers the artistic centres -- Antwerp, Bruges, Brussels, Gand, Louvain, Liege, Moline, Tournai and Tongres -- with a total amounting to 44% of foreign presences recorded in Belgium.

Table 13

Table of Belgian Provinces Based on the Overnight Stays  
Recorded in the Whole Hospitality Sector  
(national and international tourism)

<u>Province</u>	<u>Overnight Stays ('000)</u>	<u>% of Composition</u>
West Flandre	15,180	56.6
Brabant	2,737	10.2
Liege	2,107	7.9
Anvers	1,687	6.3
Luxemburg	1,652	6.1
Namur	1,393	5.2
Limbourg	1,064	4.0
East Flandre	722	2.7
Hainaut	278	1.0
Total	26,820	100.0

Source: Commissariat General au Tourisme - Bruxelles.



NETHERLANDS

Table 14

Table of Overnight Stays and Hospitality Structures

<u>Regions</u>	<u>Foreign overnight stays in the hotel sector - 1979</u>		<u>No. of Hotels</u>		<u>% distrib. Dutch people in NL 1981</u>	<u>No. of Camp Sites</u>
	<u>(000)</u>	<u>%</u>	<u>N.</u>	<u>%</u>		
Noor-Nederland (Groningen/ Friesland/Drenthe)	205.2	3.4	125	10.3	23.0	554
Oost-Nederland <sup>+</sup> (Overijssel/ Gelderland)	318.1	5.3	226	18.6	23.0	906
West-Nederland (Utrecht/N. Holland/ Zuid-Holland/Zeeland)	4,862.6 <sup>++</sup>	81.0	566	46.5	17.0	597
Zuid-Nederland (Nord Brabant/ Limburg)	619.6	10.3	301	24.7	38.0	553
Total	6,005.6	100.0	1,218	100.0	100.0	2,610

<sup>+</sup> includes Z.IJ. Polders <sup>++</sup> this province alone (North Holland) recorded 3,368.3 foreign night stays

Source: Bureau Central de Statistiques - La Haye.



## Chapter Three

### COMPETITION

#### 3.1 The Influence of Suppliers and Hospitality Industry on Competition

Once again we have to state that our study has shown how the lack of reliable data is at the root of the whole scenario of competition in tourism. The most obvious structural factors, hotels and TOs, which we have investigated in the preceding chapters, are collected and analysed with predominantly different motivations.

The research which we have undertaken into the reasons which motivate tourists to travel has been based on a series of analyses by the World Tourism Organisation (WTO) secretariat. Percentagewise, according to the WTO, tourist travel can be divided into two major motivations.

- holidays on the one hand
- differing reasons for holidays on the other

The subdivision of tourist travel, according to WTO, indicate that 'holidays' represent almost 50% of the total; however there are countries within the EUR 10 which show different data. For example:

Table 15  
Rate of Departures in the EEC

<u>Country</u>	<u>1982 (%)</u>	<u>Motivations</u>
FRG Germany	50.0	Holidays
Belgium	40.0	All motivations
Denmark	56.0	Holidays
France	49.1	Holidays
Greece	35.1	All motivations
Ireland	34.0	Holidays
Italy	42.8	Holidays
Netherlands	31.0	Holidays
United Kingdom	42.0	Holidays

Given that this may be so, this study intends to show that the use of the receiving organizations, hotels and hospitality in general, should be considered under these two motivations. Hotel beds are used either for holidays or for other reasons and the division appears to be arbitrary and inconsistent, unsatisfactory even for the WTO.

The superimposing of holiday tourism, business tourism, social tourism etc. indicates that competition in the tourist sector is anomalous with respect to other economic sectors. The tourist does not base his choice on obvious or clear needs. Often prevailing in the choice are social needs, or non-rational choice which make the tourist product a 'thing apart'. For example in the past, three major types of destinations were at the head of the range of choices:

- seaside tourism
- mountain tourism
- lakeside tourism

Today we are seeing the emergence of new types such as tourism of the Capitals, historic itineraries, the search for adventure, and of health.

Holidays in Paris, London, Amsterdam, Munich, Rome, Copenhagen and Athens are much more widespread than is believed but these are often considered as 'seaside holidays' because they are taken in conjunction with the European 'summer'.

Today it seems clear that competition can be considered in terms of image, and the development in the market is carried out with symbolic competition between:

- Countries and domestic models (e.g. Italy and Greece)
- Regions taken overall (e.g. Tuscany, Provence and Scotland)
- Destinations (e.g. Paris - London - Sorrento - Saint Tropez - Deauville - Copenhagen and Athens)

Competition between these destinations, countries and regions is strongly influenced by a series of non-rationally valuable factors, as we have already indicated in the research into the chance factors of choice.

The link between road, sea and air has a very important influence on tourist representation. The quality of the motorways seems to be of major importance for tourists travelling by car; similarly the efficiency of the railway service attracts a type of tourism which is more concerned with safety of the means of transport and its cost. These links and means of transport are fundamental components in the criteria of choice; therefore public investment in this field will ultimately have a great influence on competition between the ten EEC countries.

Among the factors which affect competition there are the various concessions on motorways, petrol, incentives and air flights -- taxes on airports, embarking and disembarking, the protection for charter

flights which have recently been put forward by various countries, not only in the EEC.

We have already indicated that the links and means of transport influence competition between the countries of the Community, where this intervention is of a public nature. In fact public intervention seems increasingly influential because it is not restricted to a national level but occurs even in the regions and areas. The policy of incentives on some means of arrival, the attempts to attract trade by discounts and concessions to the intermediaries are not the only activities in which the public bodies are involved.

The promotional budgets of the individual countries indicate that there is an increasing commitment by the public sector to attract tourists. For some countries the WTO has supplied data concerning the promotional budgets which can give an indication on how public investment is variegated.

Table 16

National Tourism Administration Budgets

<u>EEC Country</u>	<u>1983 (millions of dollars)</u>
Belgium	5.7
France	5.2
FRG (Germany)	13.5
Greece	12.5
Italy	12.2
Netherlands	6.0
United Kingdom	9.6
Denmark	under two million dollars
Ireland	" " " "

Source: W.T.O.

However this intervention often gets lost in an administration which is too widely dispersed, therefore less effective under the costly public bodies which are too large, with no means of communication, slow and yet affected by local intervention of various areas and Regions which try strongly to launch their destinations on the international tourism market.

We have found evidence of competition between little known areas which try to 'take off' by promotional activities and presentations at exhibitions, shows and international workshops.

Regional budgets (i.e. Regions - Districts - Areas - Landers, Promotional Funds) in countries like Italy can vary by one to three million dollars, in Germany by one to two million, but reliable statistics are not yet available. However we can state that the economic effort in the sub-regions is becoming increasingly consistent. All the regions aim to have a share of international tourism and investment is directed predominantly towards Europe.

Within the various areas, where the concentration of hospitality is already in force there is little evidence of competitive policies operated by the individual hotels. A non-standard hospitality being the predominant model available, the prices and conditions are determined by the seasonality of the tourist demand. For the same services -- that is, 'full board' in a seaside resort -- it is possible to pay a price reduced by 50% for low season against that for high season. The competition among small family enterprises is dominated in the low season by the prevailing demand. Often it is the client, after bargaining, who determines the price of service, while there is a strong tendency on the part of the enterprise itself to fill every room "under any condition". Competition develops more harmoniously in the classic European holiday months (July and August).

## The 'Star-Rating' of Hotels and its Importance for Competition

For a decade within the EEC a system for classifying hotels (Star-Rating) has existed, which presents different forms and ways of application in the various EEC countries. In some countries the authorities responsible for the rating are Ministries, in other countries it is the job of the Prefects; in others the competent body is the Category Association; while in still others the local authorities and Provinces decide. In some countries, Italy for example, there is no such classification yet. The extreme heterogeneity which exists in the criteria for the rating has created confusion among users and increases considerably the lack of clarity in the hotel market. There exists therefore no European Hotel Common Market tied to a reliable and homogeneous system of classification. The greatest lack of homogeneity is to be found in small and very small hotels which belong to the 1, 2 and 3 star categories.

Besides the fact that the identification symbol displayed by hotels differs from country to country, many hotels do not display the symbol because they feel it contrasts with their originality or because they are not able to meet the standards prescribed by the laid down norms. An exact and prompt identification of hotels is necessary, above all, for those tourists travelling on main roads. This explains why in Great Britain and Eire there are, alongside the official ones, classifications applied by the independent automobile associations which have created symbols and stars and that are displayed by hotels to help members make an accurate choice.

An example of the existing terminological confusion in the various countries regarding the classification of hotels in the high bracket is



the following list of definitions which are to a great degree interchangeable:

- 'Great Comfort' Hotel
- Five Star Hotel
- First Class Hotel
- Luxury Hotel
- De Luxe Hotel
- International Class Hotel
- First Category Hotel

These, and other similar definitions, are to be found in the Tour Operators' brochures, on headed note paper and in publicity materials. The hypothesis of a type of international classification or a valid system for the ten EEC countries appears at the moment highly improbable and difficult to carry out. A European law on 'star-rating', which would protect the information of the tourist travelling within the EEC, and which would use uniform visual symbols, cannot be considered, bearing in mind the present legislative direction of the Community. From what has been said above, it is easy to understand that the 'stars' have a rather reduced effect of information in the hotel market. In fact the 'stars' form at the moment a simple symbolic superstructure that has little effect on the appearance of the hotel market.

In this confused market system where competition appears to move without any precise rules, influenced by non-rational factors, by transports, by economic factors often adjusted by public intervention even in the sub-regions, we considered it more scientific to direct our approach towards the participants who are the most visible and comprehensible in this sector:

- a) the hotel chains and large hospitality multi-nationals
- b) the tour operators

It seemed to us that the study should apply to economic phenomena comparable to industrial organizations and as such we are proposing them as suitable representatives of competition for tourism in the EEC.

#### Types of Hotel According to Standard of Hospitality and the Effects on Market Competition

A criterium of classification of hotels which seems particularly apt for the purposes of this study into the problems of competition in the sector is that based on the quality of the hospitality. Using as a starting point the observation that in the market there are industrial hotels and original / family hotels, systematic analyses of the kinds of prices and flexibility of price range have been carried out with the aim of identifying two large sectors of hotel hospitality which interest this study:

- 1) International Standard Hospitality (ISH)
- 2) Non-Standard Hospitality (NSH)

The difference between the two categories lies in the fact that while ISH hotels have structural and organizational characteristics with a range of services and prices that are, on the whole, homogeneous, NSH hotels are characterized by a notable difference in structures and services. Modern type hotels belong to the first category while traditional style hotels belong to the second.

International Standard Hospitality hotels are marked by the US structural style and use the American way of life as a service model. Their average size is between 250 and 500 rooms, even if there are more European style hotels, like Frantel and Etap/PLM, which have an average size of 150-200 rooms. The size of the Hilton, Sheraton and Holiday Inn hotels is emblematic (300-1000 rooms). Here the management model is uniform all over Europe and the world. The rooms in these hotels are almost identical (8m x 4m). As well as having a standard size, the furniture, accessories, lighting, blinds, air conditioning, bathrooms, linens, refrigerators, TV position and size, and quality of beds (usually a meter wide) are homogeneous products. Their 'comfort' is also based on good sound-proofing and warm and pleasant lighting. Restaurants, bars, cafes and snack bars have long open hours. Many operate on a 24-hour basis.

Non-standard hospitality is concentrated mostly in tourist resorts -- seaside towns, mountain areas, spas. NSH hotels are 40 times more numerous than ISH hotels. However their individual capacity (in number of beds) is much lower and usually does not go over 100 beds. Their smaller size is generally a sign of family management even if there are some small 'company run' hotels. Generally the management model is that of the 'aristocratic' household with timetables, behaviour and hierarchies that resemble the traditional way of running a house.

When the available services are examined we see the highs and lows typical of family life. Usually these services drop off after the main meals and at night because they are based on a schematic estimation of individual needs. The use of manpower is also based on rhythms which are anomalous and often disliked both by staff and clients. This kind of hospitality is marked by the offer of non-standard services -- beds, rooms, and bathrooms are different and their difference is considered a 'quality'. The size of the room, the services, the linens, the accessories, the lighting etc. are often different too. This is the case both for small family concerns at a good price, and the most expensive structures in the world, like the Nova Park in Paris.

The thousands of small pensions, which are the core of the tourist offer, each propose small differences in hospitality, in restauranting etc. but with numerous standards that co-exist, subdivided by price. The timetable, for example, is often identical -- above all meal times. The menus may be different and have local or regional specialties.

A survey carried out with a limited sample of hotels, supported by the opinion of some Hoteliers' Associations, has allowed us to establish that the price of a meal in a NSH hotel with a restaurant on a full board basis is very similar in EEC countries. The full board service restricts management and prevents any flexibility of the price list according to needs. In fact the cost of a meal is influenced by the number of standard meals served. So it seems credible that the full board service makes it impossible to adjust prices easily.

### The Growth of ISH Hotels

During the research we have seen how ISH hotels are increasing, while NSH hotels are dropping in number in the EEC. In fact, although growth predictions for the small hotel sector have been put forward by some, the 1980-84 period will reveal great success for ISH hotels. After the oil crisis and recession it was felt that hotels of 300-1000 rooms were bad investments, whereas today it is felt that this is the most appropriate size. While the large hotel companies have millions of presences with a room occupancy rate of 60 - 80% and record average annual profit quotes of between 10 - 20% in real terms, traditional companies, family hotels, pensions and luxury hotels, have at 35 - 55%, much lower occupancy rates. So while the ISH hotels manage to earn high profits to continually improve the standard of services without excessive price increases, NSH hotels have lower profits and so see their power to attract clients reduced. The only exceptions are some easily identifiable structures for selected and 'elite' clients and which are laws unto themselves. As regards number and size these hotels do not influence the general trends described and do not compete for leadership in the EEC market.

In short, there is in progress in Europe a gradual and dangerous breaking up of the families who run 'Non-Standard Hotels' and pensions. In well-established tourist areas the number of small hotels that go out of business is on the rise. The number of hotels that do not have restaurant facilities (meuble) is increasing too and this tendency prejudices the competitive advantage that these small concerns have.

## Competition between Hotels of Different Hospitality Standards

In order to reach conclusions about the effects on competition in the hotel market of the trends that we have identified so far, we must consider a series of observations that have been gathered from our surveys. From this information we can conclude that:

- The Tour Operators (TO) are mainly interested in hotels with a capacity of more than 100 beds;
- small hotels with less than 100 beds are of interest because of the flexibility of their price range and their family management;
- small hotels with less than 100 beds are not competitive because of the rigidity of their full board offer (the main offer they are able to make);
- small hotels with less than 100 beds often base their economic existence on 'grey economy';
- tourists' faith is 'greater' in small and Non-Standard Hotels than in ISH hotels;
- small and Non-Standard Hotels show lower labour costs (better than ISH hotels and have anomalous work rhythms);
- ISH hotels elaborate sophisticated policies in the management of the work force with better results as concern rhythm and 'per head' economic achievement.

The price of hospitality depends more on the demand than on the cost of production of the services. The seasonality creates a 'wavy' effect so that positive periods alternate with negative periods with scarce possibility of making precise predictions.

In synthesis, after many interviews, we can say that ISH hotels, with generally between 300 to 1000 rooms, do not suffer from the

competition of structures which offer non-standard services and which generally have far less than 300 rooms. Competition strategies are then carried out more within than between the two types of hotel we have identified. Between the small hotels competition is carried out above all in the low season. In the high season, however, they try to achieve the maximum exploitation of structures with the use of extra beds (which do not figure among those officially recorded). Between bigger hotels (chains) competition is hard fought throughout the year and is mainly directed at companies, firms and agencies -- at the institutional client market rather than at individuals. In the small non-standard structures prices are decided year by year considering the rate of inflation and with little attention paid to costs and market data. Price offers change frequently during the year and follow the various interlocutors, whether travel agents, bus operators, or private individual guests, but the main variations are connected with high and low season rates. In the ISH sector price-rate changes are the result of surveys, rational marketing analysis, and budgeting. Every offer is carefully planned and rarely are sales not programmed in advance. The scheme of competition in the hospitality and tour operators field shows differences compared with other economic fields.

When each seller provides a small fraction of total supply and when the products are almost identical (clients can substitute one product with the other), then we should speak of 'perfect competition'.

Hotel Chains (many) seem to be in an area of perfect competition. Tour Operators should be in the same condition, but advertising often changes 'the product' in the eyes of the client, to show originality instead of homogeneity. TOs sell similar nations, regions, areas, seats on aircrafts, airports, hospitality, history with different emphasis and slogans.

The great majority of EEC hotels and hospitality units operate in a situation between perfect competition and monopoly. Prof. S. Medlik of the University of Surrey calls the situation of most European hotels an "imperfect competition" market where monopolistic competition and oligopoly combined with differentiated products, influenced (more than any other) by locations, public investments, history.

It is striking to think that in the hospitality sector, competition is not determined only by the price, even for identical products. Hotels cannot be "transported" and the most prominent factor of competition seems, in fact, the location, the vicinity of a town centre, a beach, and airport.



### 3.2 The Obstacles and Influences to Competition

One of the fundamental peculiarities of the 'tourist product' consists in the fact that it deals with a product which is consumed at its place of production, which should not be confused with the place of residence of the consumer. From this it can be deduced that the distance and accessibility presents a determining factor in the choice of the consumer and tourist potential.

Two additional decisive factors (both easy to define and quantify) for the orientation of demand are the receiving capacity and the price level. The transport industry is protected from competition in the majority of the EEC countries: in the air transport sector a monopoly situation or a cartel is in force in each country (National Air Companies), with the ability to determine market conditions in which the need to satisfy the user is not necessarily a priority. Obviously the tourist areas which are furthest away from the principal demand sources suffer the most.

Instead the organizations which constitute the receiving capacity (hotels and extra-hotels) operate in conditions of strong competition within the areas, while the 'competition' between areas can be slightly distorted by promotional interventions or incentives of the public bodies (the incentive is normally aimed at areas on the margin or in difficulties and is granted with the aim of 'priming' the flow of tourists to these areas: 'priming' and not 'maintaining' because usually the incentive cannot be sustained for long).

Price levels are determined in conditions of strong competition, particularly in the medium-low hotel sector; further advantages or disadvantages however can result from fluctuations in the rates of exchange and the ability to acquire various currencies.

General Lines of Public Policies  
in the Field of Tourism

There exist constants of tourist policy that can be traced in all the measures adopted by public bodies in the EEC countries. The main lines along which the tourist policies of the Member States move are essentially these:

- to maintain and strengthen their international tourism quotas, state's finance promotional campaigns and support the commercialization of their own tourist product abroad: in this sector initiatives taken by public bodies in collaboration with private operators are on the increase;
- more and more attention is paid to domestic tourism;
- tourism is more and more considered as an economic sector that may be able to contribute to the development of 'weak' regions;
- even in 'strong' tourist areas the need for public intervention in support of the hospitality industry has been recognized; this is because the incomes of businesses are compromised more and more by the competition from other tourist areas and from extra-hotel tourism, as well as from the rise in costs; intervention to support these areas is carried out in the form of contributions for the modernization of structures and in the form of promotional and commercial expenses;
- grants supporting social tourism are more and more common and are aimed at the creation of a suitable tourist offer which will be run by those involved in the associations (social tourism seen also as a strengthening of domestic tourism);

- forms of financing and contribution to the extra-hotel offer are being developed (in particular camp sites and tourist villages) as an answer to the high growth in demand; and
- growing and forward looking attention is being paid to the tourist's protection and information. The commitment to the publicizing and the application of prices in tourist structures and to a check on the services offered by travel agents is growing. As regards the travel contract, the relative International Convention (CCV) -- applied only by Belgium and Italy -- seems to be outdated by the legislation adopted in almost all the other EEC countries which gives the tourist greater guarantees.

The Continuous Growth in the Commitment  
by the Public Bodies to Sustain  
the Development of Tourism

EEC treaties have always aimed at creating a single continental economy within which people, goods and capital can freely circulate according to the laws of the market and competition. In this way the need to be competitive and efficient is increased and technological progress is pursued.

But economic spontaneity, which presides over market organization, has always needed State instigated harmonizing and co-ordinating policies to correct its limits -- regional imbalance, sectoral difficulties, conjunctural periods (inflation, recession) etc.

The EEC sees in tourism one of the economic sectors that can contribute to the development of weak regions and intervenes through the European Fund for Regional Development by financing -- along

with Member States -- plans relative to the formation of a new tourist offer (from hotels to tourist villages), or relative to the modernizing of the existing offer, as well as financing infrastructures relative to transport, sport and recreation.

The European Fund for Regional Development also intends to promote rural tourism through financing of the building or modification of small hotels, rural boarding houses and camp sites, or through the creation and development of common services for bodies responsible for promotion, publicity, tourist activities, and for co-ordinated management of the 'welcome' potential, as well as the development of the transport necessary for the links between coast and inland.

All this does not take into account the interventions made by the European Fund for the Orientation and Guarantee of Agriculture in depressed agricultural areas which have a tourism potential, and which can provide incentives for investments in tourist or craftsmanship structures within the business concern -- direct interventions in favour of agrotourism.

Principally, however, State and Regional body intervention, like that of the EEC, is aimed not so much at the tourist sector (towards which intervention is limited and tends to push operators to carry out modernization and investment) but rather at the degree of attractiveness of a tourist area (with promotion, special events, meetings, support for commercialization of the tourist product, information etc.).

To consider these interventions as a limitation to free competition between tourist areas indicates an inability to appreciate that the tourist phenomenon, i.e. the mobility of citizens, has assumed such a large dimension and is so generalized in the territory that it is no longer possible to distinguish with ease, in the various areas, that which operates in favour of the local population from that which represents the promotion of tourism.

If one of the main objectives of European competition policy is that of creating a single market, it is evident that the main obstacle to the achieving of this objective is not the agreements between companies for the sharing of markets but the continuing existence of frontiers between the EEC countries.

Although from the Treaty of Rome onwards notable steps ahead have been taken, there remain at the frontiers many police and customs checks, in particular for travellers who use trains, buses and planes. The gradual elimination of customs procedures within the EEC and its subsequent ease of frontier crossings has been fundamental for the stimulation of intra-community tourism.

Within the EEC, tariffs and contingents have been reduced or eliminated (for Greece the restrictions on commercial exchange internal to the Community will cease to exist on January 1, 1986) while outside the Community common tariffs and contingents are still in force. But the abolition of customs procedures has not led to the abolition of intra-community frontiers.

#### The Problem of the Free Circulation of Capital

As regards the free circulation of capital, the EEC has not evolved to the degree reached in the evolution of the exchange of goods. The situation is made worse by the limits on the exporting of capital that the tourist meets in some EEC countries.

Table 17 documents, however, the tendency to overcome these limits; in fact the number of countries that no longer put limits on the export of currency is on the increase. However, an incongruency

remains in the case of France and Italy. They are both at the top of the scale for the tourist receiving countries but both maintain great monetary obstacles with regards to the international tourism of their citizens.

Table 17  
Ordinary Currency Allowances for Residents  
when Travelling Abroad

<u>Country</u>	<u>Year - 1969</u>	<u>Year - 1983</u>
FRG (Germany)	no limit	no limit
Belgium	no limit	no limit
Denmark	no limit	no limit
France	1,000 Francs <sup>1</sup>	2,000 Francs <sup>1</sup>
Greece	6,000 Drachmas <sup>2</sup>	250 US Dollars <sup>2</sup>
Eire	250 Pounds <sup>2</sup>	500 Pounds <sup>2</sup>
Italy	1,000,000 Lira <sup>2</sup>	1,600,000 Lira <sup>1</sup>
Luxemburg	no limit	no limit
Netherlands	4,500 Gulden <sup>2</sup>	no limit
Great Britain	50 Pounds <sup>1</sup>	no limit

1 - per person per year

2 - per journey

- From December 20, 1983 the French Government has lifted restrictions on currency: there will not even be limits on the number of journeys. The only restriction is on credit cards -- they may only be used abroad for work reasons.

- From May 2, 1984 Italy too has lifted restrictions on currency.

We would like to comment, also, on the transfer of capital within the EEC. According to various tour operators, which we have interviewed, there does not seem to be particular difficulty in the exportation of capital from the country of origin to other countries within the EEC. Difficulties arise however under the fiscal and administrative systems which differ in individual countries. In particular where the laws governing work often change with respect to the country of origin.

According to some TOs, difficulties present themselves when attempts are made to return the capital to the country of origin at the end of the investment period. The stock exchanges too operate under rules and regulations which do not encourage private investment in tourism within the individual countries.

In general, however, we have found a certain lack of financial acumen on the part of the managers interviewed. Our research revealed that there was greater concern in selling the 'product' than in looking for new ways to finance the operation among those interviewed in the hotel sector. Even the larger US hotel chains are trying to sell their brand and their managerial services, and paying little attention to investment in the hotel structure. Therefore we have not found obvious difficulties or obstacles in the transfer of capital.

However there are various problems and obstacles in the development of 'franchising' throughout Europe. The banking and fiscal systems in EUR 10, at the moment, do not seem ready to adapt to this new formula, in any uniformity, which is so widespread throughout the western world particularly in the restaurant and hospitality sector.

The Obstacles to Competition  
Concerning Tour Operators

The TOs indicate many obstacles to their activity. These obstacles, with one exception, do not concern EEC countries. The difficulty is primarily to do with the TOs' use of airplanes -- non-EEC countries would rather the TOs used local air lines -- and also with the use of their own staff abroad, in particular German TOs have had difficulties in using their guides in Greece. The real obstacle that concerns the EEC is very different and is the problem of VAT which is different in different countries. TOs' activities are complicated a great deal by the different VAT rates. (See Appendix D)



### 3.3 Competition and Strategies of Principal Hotel Chains and Tour Operators

Once again we have experienced difficulties in collecting reliable statistical data. However, in this sector, it is possible to verify the evaluations because the marketing strategies, which are the basis of competitive activities between the various economic groups, can be examined and compared.

The principal companies operate under the classic economic policy of 'market-forces' and invest considerable capital in research and analysis of the market, the consumer and consumer behaviour, in order to put together their strategic plans for company profit.

The evaluations given in this study are based on interviews and contacts within Europe, while a major source of the economic divisions and commercial strategies are produced in the US and Canada, outside the EEC. However, strong consolidated groups exist in Europe which make use of the marketing strategies of their principal US competitors and tend to anticipate their moves. At present the French groups Meridien, Plm/Etap, Concorde, Novotel, Sofitel and Mercure are very active (see Appendix B).

In our opinion an analysis of marketing activity can help to define the competitive strategies, but we must bear in mind that the flexibility and speed with which marketing strategies begin and then die away are factors which make all the hospitality offers and the market itself very changeable.

Profit is one of the indicators which we have investigated. According to an analysis by the Worldwide Lodging Industry, profit in the hotel structures, when they only supply accommodation, is around 72% of the turnover for Europe. When meals are included (full or half

board) this profit falls to 18%. Tour operators declare a much lower profit, certainly below 10% of turnover.

However the economic situation in the companies is that the share of capital is distributed among many owners and the shareholders engage in different activities (sometimes owning stocks of competing hotel organizations or travel agencies working in the same market). For this reason we have been unable to reach a reliable conclusion.

The research into strategies of competition is based therefore on the analysis of commercial activities through marketing and some balance sheets which we have been able to obtain in Europe. From the most recent scenario of hospitality we have found a system known as "Interhome" which operates in Europe with about 15,500 furnished units (apartments, and self-catering villas with a capacity of about 60,000 beds). Interhome also runs 4,270 hotel beds and has its head office in Switzerland.

#### Competition Policies of International Hotel Chains

In the EEC there exist some hotel chains owned by European capital, but the market is dominated by brand names and companies which are owned by international capital. These companies operate according to strategies and with objectives that are not easy to study in depth. However, from our research, the following information concerning the situation and the tendencies of ISH hotels has emerged:

- The most positive growth in presences in Europe concerns 4-star hotels, while the trend in 5-star and 4-star deluxe hotels is more erratic and limited.

- The policy of the hotel chains is to work energetically for maximum room occupancy, without concerning themselves overmuch with commercial fairness. Thus the commission paid to travel agents varies and is proportioned according to the benefits they bring to the hotel group's occupancy rate -- their primary objective. Commission varies from area to area but usually it is above the traditional 8% and may even reach 20-30%.
- If the agency and intermediary commission are not competitive, recourse is made to incentives and rewards which are proportional to turnover.
- Promotional efforts towards the big clients' market (large companies etc.) are great and consist in demonstrations, projections, invitations, dinners, competitions, incentives, public relations etc.
- No company or 'International Standard Hotel' admits applying flexible tariffs: generally price lists containing 'corporate rates' are published and distributed -- these are special tariffs for associates and special clients which appear very standardized. However it is apparent that for the hotel chains there exist special contracting spaces for the 'best clients'.
- Among the directors of the main chains in the ISH sector that operate in Europe there are no worries for the future. The relative 'security' of the managers is supported by the fact that during these years of economic recession turnover and employment in ISH hotels have increased. This is due, above all, to the fact that their 'biggest clients' do not usually cut back on the expenses of night stays of their managers and staff, nor on the hospitality and incentives given to their

clients. In fact, hotel hospitality is used more and more to stimulate sales.

- Among all the chains and companies we have found that development and growth plans are being elaborated and carried out. The opening of new hotels mostly concerns cities, generally those with a high commercial concentration. None of the companies we contacted had plans to invest in tourist or seaside resorts, nor in thermal or seasonal resorts in the EEC.

#### Competition Policies of the Tour Operators

We must distinguish between those EEC countries where tourism is almost completely run by the TOs and travel agencies (Great Britain and FRG), and those countries where organized tourism passes through other channels (Associations, Leisure Clubs etc.). In the first case very few TOs control a high quota of the market; in the second case all the TOs together reach no more than half of the organized tourism. In this situation it is difficult to speak of a domination of the market by the TOs. There are no EEC areas where the TOs hold a dominant position because the weight and importance of the TOs is more qualitative than quantitative. Their importance is due to the enormous publicity investment, to the fact that long distances are made economically viable to more people and to the fact that the tourist who buys a package in a travel agency for the first time is the same tourist who will later become a regular tourist/buyer. It is still difficult however to speak of a 'common tourism market'.

In fact, as confirmation of this tendency, we must point out that almost all the TOs in Europe limit the main selling operations to their home countries. The few exceptions -- e.g. Danish Tjaereborg, Club Mediterranee, TUI and Neckerman plus Sunair, Luxair and C.I.T. -- do not affect the rule of scarce investment by TOs abroad.

Even if a negative trend of sales has become evident there is no sign of expansion or of mergers between TOs of different nationalities or of the EUR 10. Some of the reasons may be the obstacles to movements of investment capital, different labour regulations, ties on the use of charters and airports. Some TOs are convinced that it would be very hard for a German travel agent to sell holidays to an Englishman and vice-versa. We have not verified other tendencies to nationalism in the sector, nor other reasons for the lack of interchange of markets between TOs.

The survey conducted for this study has shown that the importance of organized tourism on the total of tourist traffic is on the whole relatively modest. On the other hand the development trend in the importance of the TOs has different characteristics in the various EEC countries. In some cases their influence is growing (Great Britain and France), in others there is a levelling out (FRG) and still others, countries with a more recent out-going tourism tradition, where the TOs' importance has slightly increased.

In the past the available data allow us to show that the increase in forfait holidays is most marked in FRG, France, Netherlands and Great Britain -- in these countries the increase from 1975 to 1980 was from + 47% for Great Britain and + 79% for FRG; in Denmark and Belgium the percentage increase from 1975 to 1980 for forfait holidays was about 11%. According to estimates we have received the TOs on the whole, along with the agency system, control about 15% of the market share. However this figure does not cover all the organized

tourist traffic (we have not considered the percentage due to organized tourism which is promoted by operators outside the agency system), and we do not in any way want to underestimate its importance.

## Chapter Four COMPETITIVENESS

### 4.1 Principal Trends and Evolution of Hospitality

In order to evaluate the trend in the competitiveness of the tourist industry in the EEC an analysis was instigated on the evolution of the international tourism quota (international demand), registered throughout the Community and by the various member countries and using this quota to form comparisons in the same way as the manufacturing industries evaluate their exports.

The major differences present in the survey methods adopted by the European countries makes it necessary to choose the number of arrivals in international tourism as the principal indicator of competitiveness, as this data is clearly more homogeneous and reliable than the number of tourist presences.

Table 25, which compares the number of international arrivals in the principal areas of the world, shows for the period 1967-1981:

- 1) a major increase in international tourism in the extra-European areas, where the flow of tourists was largely directed towards

- the US, Latin America and the Far East (an overall increase of 145.1% in 1981 compared with 1967);
- 2) an increase in the arrivals for the European countries not in the EEC, higher than that registered for the Community as a whole (Spain, Portugal, Yugoslavia and Austria show a higher increase than the average for the EEC);
  - 3) the trend in the tourist industry of the EEC (with clear differences from country to country) can give both similar or opposite evaluations of the level of competitiveness.

Table 18

	<u>Arrivals in International Tourism</u> (in thousands)		
	1967	1981	% variation 1967/1981
Total EEC	49,248	78,934	+ 60.3
Total Europe	103,600	202,000	+ 94.9
Total Extra-European Countries	35,900	88,000	+ 145.1
World Total	139,500	290,000	+ 107.9

Source: (our elaboration of OMT and OCSE data)

- a) If the enormous development in the majority of the EEC countries in the period prior to 1967 is taken into account, during which we were seeing the birth of a true 'Hospitality Empire', and it would have been thought improbable and unrealistic, for the EEC to consider the rates of development as similar to those shown by the emerging tourist countries; for this



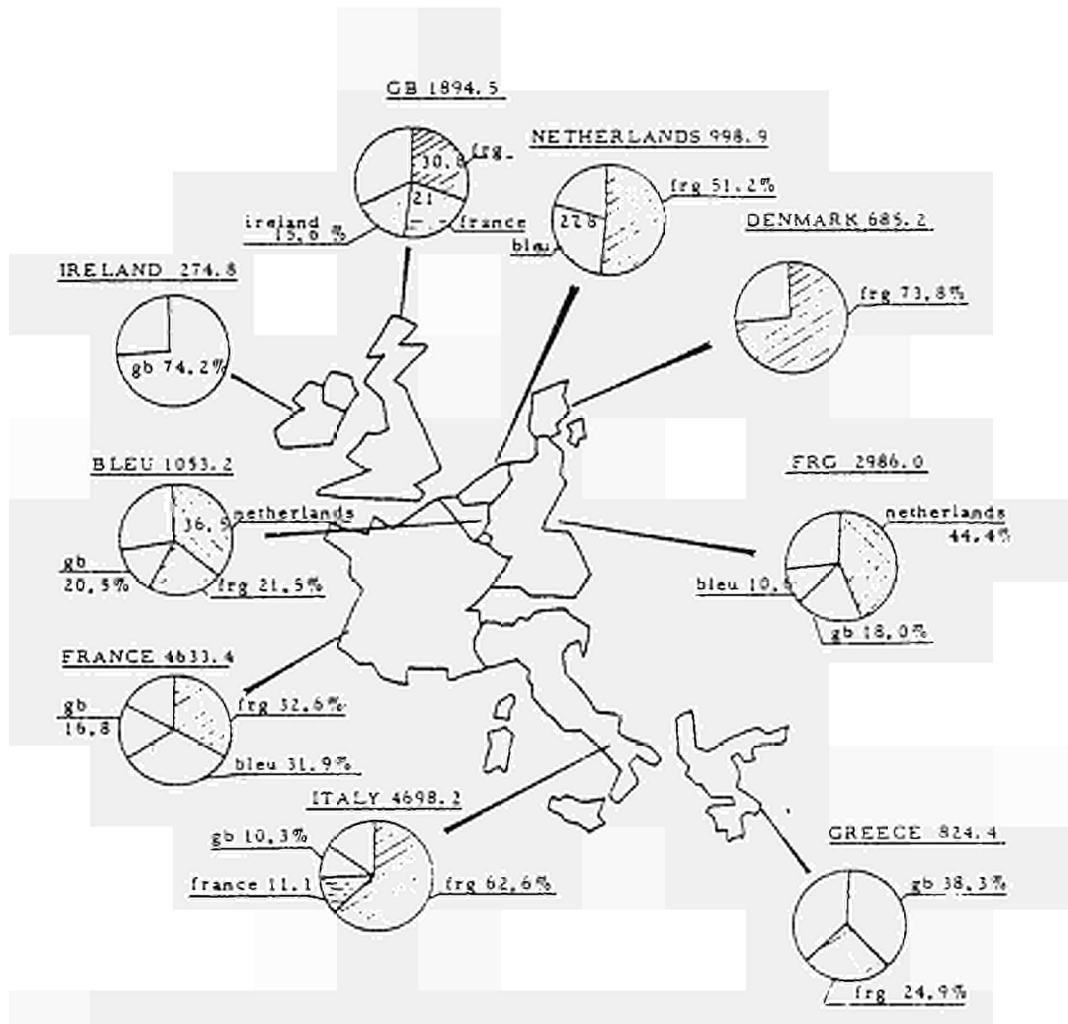
reason, the considerable increase registered by the EEC for the period 1967-81, about 60%, can be evaluated in terms of 'holding' the overall trend in the EEC industry and 'maintaining' the level of competitiveness, even if the percentage is inferior to that shown by the rest of Europe and in various regions of the world.

- b) The 'deceleration' in the development of the EEC tourist industry with respect to that registered by the competing countries should be taken as an 'alarm bell', in terms of the drop in competitiveness as compared with other emerging tourist areas.

Obviously this loss of competitiveness does not concern the entire tourist offer in Europe but, as can be seen in the country by country analysis, principally seaside tourism where structural differences exist when compared with the competition. France and Italy -- above all -- provide a seaside hotel offer which is more rigid, less flexible, in terms of price, with a structure that is less orientated towards the needs of the consumer, in contrast to the mediterranean and worldwide competition.

Figure 2

INTRA - COMMUNITY TOURISM - 1981  
 -----  
 RECEIPTS ( mio ECU )



Source: "The economic significance of tourism within the European Community"  
 February 1983.

Table 19

Percentage of Intra-Community Tourism in the Total of  
International Tourism in the 10 EEC Countries

<u>Country</u>	<u>1967</u>	<u>1981</u>
United Kingdom	49.2	57.8
Ireland	85.5	84.0
Denmark	45.7	54.5
Germany	52.7	49.6
Belgium	80.5	77.7
Netherlands	57.7	58.6
France	63.4	72.7
Italy	55.9	57.5
Luxemburg	84.4	82.2
Greece	45.8	45.0

Source: (our elaboration of OMT and OCSE data)

If the share of international tourism 'lost' in the period 1967-81 by the EEC can be attributed to the obsolescence of the hotel structures and their reduction in standard, this means that we are faced not with a passing phase but a process of decline.

This loss of competitiveness on an international level, in numerous countries, was underestimated and sometimes concealed by a strong and continuous increase in domestic tourism; but the tendency towards an increase on the part of each country's citizens to take their holiday abroad -- a tendency which could not be arrested -- has recently created difficulties in those areas and types of offer which had become dependent on domestic tourism in latter years.

### Share of Market of Individual Countries

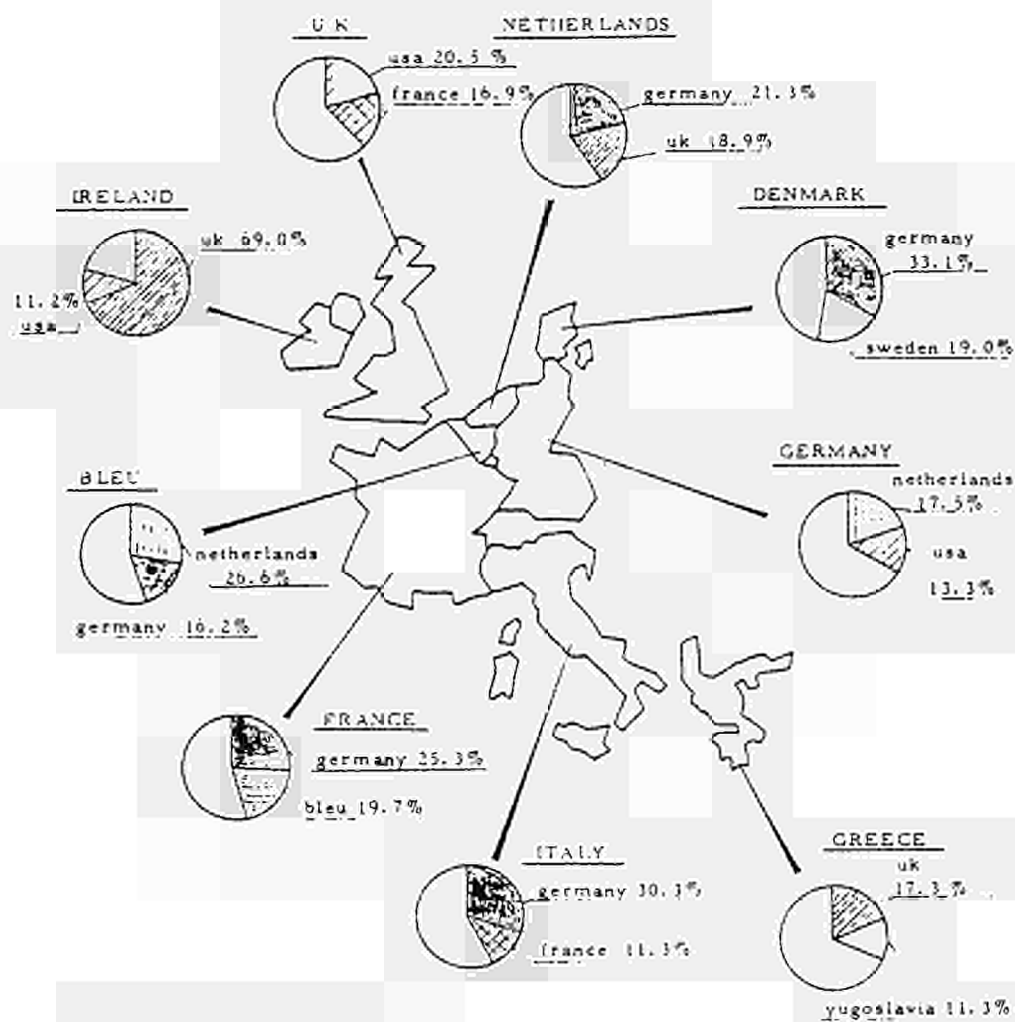
In the period 1967-1981 international tourist demand towards Europe (in terms of tourism arrivals, excluding excursionist traffic) almost doubled (+ 94%), with a growth parallel both to that of intra-regional flow (+ 93.95%) and that of extra-European flow (+ 100.6%), but the growth varies greatly from country to country. Only two countries in the EEC experienced growth in their share of international tourism higher than that of the general increase in terms of proportion: the United Kingdom with an increase of 167.8% compared to 1967, and Greece with an extraordinary increase of 500%.

Countries like Belgium, Luxemburg and Denmark progressively lost their share of the market as international destinations. Germany, Netherlands, France, Italy and Eire register an increase that is about half the European increase (consistent -- we must emphasize -- to a doubling of arrivals in the 1967-1981 period). The reduced share of quotas, in terms of international tourist arrivals, has not meant a drop in the role of the EEC countries in the total income for Europe as a whole, this could mean that:

- a) on average tourist prices in the other European countries are lower, and
- b) a higher average stay in the EEC countries.

Figure 3

THE MAJOR DIVISION OF INTERNATIONAL TOURISM IN THE 10 E.E.C. COUNTRIES



Source: Government statistics.

## UNITED KINGDOM

The comparison of international tourist traffic in the United Kingdom for the period 1967 -1981 (made possible by using the frontier data) does not include visitors from Canada, Eire or Commonwealth countries since their arrivals were recorded only in 1981 but not in 1967, out of the total the figure for 1981 amounts of about 20%. In all the total from extra European countries is 37.6% -- the highest in the EEC countries.

Table 20

### Arrivals at the Frontiers

<u>Origin</u>	<u>1967</u>		<u>1981</u>	
	<u>N.</u>	<u>% of total</u>	<u>N.</u>	<u>% of total</u>
Germany	294,600	11.4	1,469,400	17.6
Austria	27,700	1.1	100,000	1.2
Belgium & Luxemburg	127,700	4.9	489,400	6.1
Denmark	54,700	2.1	197,800	2.4
Spagna	38,100	1.5	278,900	3.3
Finland	14,600	0.6	51,300	0.6
France	454,100	17.6	1,413,400	16.9
Greece	22,800	0.9	80,000	1.0
Italy	112,000	4.3	409,200	4.9
Norway	38,200	1.5	195,300	2.3
Netherlands	210,600	8.1	745,000	8.9
Portugal	12,100	0.5	45,900	0.6
Sweden	107,500	4.2	277,900	3.3
Switzerland	70,000	2.7	280,500	3.4
Turkey	8,300	0.3	25,500	0.3
USA	839,400	32.45	1,715,900	20.5
Japan	37,400	1.4	163,800	2.0
Yugoslavia	10,200	0.4	19,000	0.2
Other European countries	46,900	1.8	138,200	1.7
Latin America	59,700	2.3	239,000	2.8
TOTAL	2,586,600	100.0	8,353,400	100.0

Source: Department of Trade - London.

A considerable quota of the extra-European market has always been a feature of the British tourist industry but, in the last 15 years, the UK has also recorded interest from European countries -- Austria, Benelux, Denmark, FRG, Italy, Norway, Spain and Switzerland -- as well as from extra-European countries even as far away as Mexico and Japan.

The 1970s however saw a stagnation of US and Eire visitors -- however in 1981 they still represented 22.6% of the total. The Germans too 'discovered' the UK and their 1981 total exceeded that of French tourists and became the second biggest after the USA.

EIRE

Table 21

Arrivals at the Frontiers

<u>Origin</u>	<u>1967</u>	<u>% of total</u>	<u>1981</u>	<u>% of total</u>
USA	159,000	11.9	249,000	11.2
Canada	12,000	0.9	30,000	1.3
UK	1,064,000	79.9	1,535,000	69.0
Northern Ireland				
Continental Europe	75,000	5.6	333,000	15.0
Other Countries	21,000	1.6	76,000	3.4
TOTAL	1,331,000	100.0	2,223,000	100.0

Source: Irish Tourist Board - Dublin.

Continental Europe's growing interest has not however allowed Eire to maintain its quota of international tourism because of its dependency on the British and US tourist flows (in 1967 they represented more than 90% of the total arrivals at the frontiers). The tourists from Northern Ireland increased from 18.1% in 1967 to 20% in 1972 and 23% in 1982. Germany and France, both with similar quotas, represent about half of the entire continental European traffic. This is reflected in the development of the number of hotel beds: Eire, together with the Benelux countries, saw a reduction in the receiving capacity of the hotels in the period between 1972 and 1981.



## DENMARK

The only useful statistics, in order to compare the growth of market quotas in the Danish tourist industry, come from the number of night stays recorded in hotels (excluding hotels with fewer than 10 beds).

Table 22

### Overnight Stays

('000)

<u>Origin</u>	<u>1971</u>	<u>% of total</u>	<u>1981</u>	<u>% of total</u>
USA	810.5	22.2	337.7	7.5
Sweden	628.5	17.2	852.2	19.0
Norway	246.7	6.8	476.1	10.6
FRG (Germany)	791.8	21.7	1,481.0	33.1
Great Britain	241.5	6.6	336.5	7.5
Other European countries	633.9	17.4	622.9	13.9
Other extra-European countries	296.5	8.1	371.1	8.2
Total	3,649.4	100.0	4,477.3	100.0

Source: Danmarksstatistik - Copenhagen.

Denmark, in the period 1971-1981, suffered a change in its role as 'international destination', and saw, in absolute and percentage terms, the contribution of US tourists and tourists from other European countries drop from 40% to 20%.

Increases were only recorded for the tourist traffic only from neighbouring countries -- Sweden, Norway, UK, and above all FRG.

The occupancy percentage of beds in the whole sector dropped, in the period under consideration, from 42% to 37%.

. The presence of Germans and the Dutch in Danish camp sites is very high -- amounting to 75% of foreign night stays. On the whole the situation reflects the popularity of individual tourism and the lack of influence of the tour operators in tourist flows.

GERMANY (FRG)

Table 23

Arrivals in the Hospitality Sector

<u>Origin</u>	1967		1981	
	('000)	%	('000)	%
Austria	261.3	3.9	394.5	4.2
Belgium & Luxembourg	412.2	6.2	492.1	5.2
Denmark	528.1	8.0	505.4	5.4
Spain	76.9	1.2	142.1	1.5
Finland	64.6	1.0	83.9	0.9
France	648.0	9.8	615.8	6.5
Greece	60.4	0.9	74.6	0.8
Ireland	10.2	0.1	20.3	0.2
Italy	293.6	4.4	408.9	4.3
Norway	84.3	1.3	169.6	1.8
Netherlands	903.4	13.6	1,654.3	17.5
Portugal	18.5	0.3	29.9	0.3
United Kingdom	645.2	9.7	917.8	9.7
Sweden	345.9	5.2	467.8	5.0
Switzerland	356.4	5.4	427.6	4.5
Turkey	68.6	1.0	73.9	0.8
<b>Total Europe</b>	<b>4,945.5</b>	<b>74.7</b>	<b>7,058.4</b>	<b>74.7</b>
Canada	84.8	1.3	106.3	1.1
USA	1,146.7	17.3	1,260.6	13.3
Japan	94.4	1.4	327.1	3.5
<b>Other extra-European countries</b>	<b>349.9</b>	<b>5.3</b>	<b>693.2</b>	<b>7.3</b>
<b>TOTAL</b>	<b>6,621.3</b>	<b>100.0</b>	<b>9,445.6</b>	<b>100.0</b>

Source: Statistisches Bundesamt-Wiesbaden.

Some traditional tourism fell -- Belgium, Denmark, Switzerland and USA. The drop in French tourists is greater with an absolute fall in the number of arrivals: from 647,995 in 1967 to 615,837 in 1981.

BELGIUM

Table 24

Overnight Stays in the Hospitality Sector

<u>Origin</u>	<u>1967</u>	<u>% of total</u>	<u>1981</u>	<u>% of total</u>
Germany	869,000	13.3	1,165,074	16.2
Austria	39,000	0.6	48,632	0.7
Denmark	44,000	0.7	59,078	0.8
Spain	107,000	1.6	114,827	1.6
France	1,316,000	20.1	883,244	12.3
Greece	26,000	0.4	54,447	0.8
Ireland	7,000	0.1	40,915	0.6
Italy	204,000	3.1	214,313	3.0
Luxemburg	172,000	2.6	134,701	1.9
Norway	43,000	0.7	40,291	0.6
Netherlands	1,264,000	19.3	1,914,982	26.6
Portugal	35,000	0.5	44,371	0.6
United Kingdom	1,370,000	20.9	1,114,074	15.5
Sweden	50,000	0.7	65,322	0.9
Switzerland	69,000	1.1	77,174	1.1
Turkey	17,000	0.3	13,967	0.2
Total Europe	5,738,000	87.6	6,113,126	84.9
Canada	44,000	0.7	55,565	0.8
USA	477,000	7.3	490,742	6.8
Other extra-European countries	274,000	4.2	544,255	7.6
TOTAL	6,551,000	100.0	7,203,688	100.0

Source: Institute National des Statistique-Bruxelles.

The fall in tourism from the main tourist sources -- France, Luxemburg and the UK -- was particularly heavy. To be noted is the fact that from 1976 all the main tourist sources have registered negative

growth, including the Netherlands (the most important in 1981) and the FRG (in second place in 1981), whereas in the preceding period they had recorded a notable increase.

The levelling out of international tourism in Belgium is also reflected in the hotel capacity situation: there was a drop of 13% in terms of the number of beds in the 1972-1980 period.

## NETHERLANDS

Table 25

### Arrivals in the Hotel Sector

<u>Origin</u>	<u>1967</u>	<u>% of total</u>	<u>1981</u>	<u>% of total</u>
Germany	447,554	23.9	605,100	21.3
Austria	16,544	0.9	...	...
Belgium	90,257	4.8	120,900	4.2
Denmark	32,389	1.7	47,500	1.7
Spain, Portugal	27,895	1.5	69,400	2.4
France	163,452	8.7	233,200	8.2
Ireland	5,993	0.3	18,500	0.7
Italy	52,417	2.8	91,900	3.2
Luxemburg	5,232	0.3	10,000	0.4
Norway	20,395	1.0	41,600	1.5
United Kingdom	283,635	15.2	537,200	18.9
Sweden	57,525	3.1	106,200	3.7
Switzerland	60,629	3.2	68,900	2.4
Total Europe	1,312,096	70.2	2,074,500	72.9
Canada	34,048	1.8	56,800	2.0
USA	384,944	20.6	311,600	10.9
Other extra-European countries		7.4		14.1
TOTAL	1,868,764	100.0	2,846,000	100.0

Source: Bureau Central de Statistiques, La Haye.

After some growth in international tourism, even if not very high, in 1980 a drop was recorded in the Netherlands in terms of presences -- about 7.4% less. The period 1970-1980 is substantially one of stagnation in the ability of Dutch tourism to attract international visitors. This drop is reflected in the reduction in the number of hotel beds: 111,000 in 1968; 114,433 in 1975; 103,445 in 1980.

However the phenomenon which has created the most difficulties in the hotel sector is the very high increase in extra-hotel tourism (general all over Europe) which has shifted demand towards camp sites and apartments. In 1970, 697,000 places were estimated for Dutch camp sites, whereas in 1979 the figure was 1,391,736.

There was an analagous situation in the private lodgings sector and in the corresponding hospitality sector in general: the number of beds in 1970 was 780,000, in 1979, 1,399,939 -- the reliability of these figures is in doubt but the high increase can only confirm a tendency to the contrary in the hotel sector.

Foreign tourist sources from Europe show a substantial stability while negative growth is recorded for US clients with a drop of 73,000 arrivals in the period 1967-1981. The reasons for this drop are to be found in the variations caused by the Allied Forces in Europe -- 58,463 components in the Netherlands in 1967 and by the general reduction in US demand with regards to Europe as a whole.

## FRANCE

Table 26

### Tourists at the Frontiers

<u>Origin</u>	<u>% of total</u>	
	<u>1967</u>	<u>1981</u>
Germany	13.7	25.3
Austria	1.2	0.8
Belgium and Luxemburg	13.3	19.7
Denmark, Norway, Sweden	2.6	1.8
Spain, Portugal	6.5	3.1
Finland	...	...
Greece	...	...
Iceland	...	...
Italy	12.3	4.5
Netherlands	8.6	9.6
United Kingdom, Ireland	12.9	11.8
Switzerland	6.3	6.7
Turkey	...	...
Canada	1.0	1.5
USA	8.8	4.5
Other countries	12.5	10.8
TOTAL	100.0	100.0

Source: Secretariat d'Etat Charge du Tourisme - Paris)

N.B. From 1976 the data gathering system used at the French frontiers changed radically, establishing from that date onwards a series of statistics that are much higher than previous ones -- from 10,001,500 in 1975 to 23,413,300 in 1976.

The change is so great as to make it impossible to compare the data from the two series. We will, therefore, only value the variations through the percentage of total relative to 1967 and 1981. The development of international tourism arrivals in France, whose increase is



below the European average, which in the 1967-1981 period almost reached 100%, is characterized by a growth in the traffic from neighbouring countries (except Italy) and by a loss of importance of extra-European competitors -- especially the USA.

France, a country of great tourism dimensions, presents a complete offer and has, like Italy, benefited from the big increase in domestic tourism: an on-going expansion as is shown by the sample investigations carried out into co-nationals' holiday choices (31.2 million holiday stays spent by the French at home in 1973 increase to 44.8 million in 1980, an increase of 43.5%).\*

Heavy demand in the 1970s from home and abroad increased the hotel sector capacity (hotels and motels) even in this country where tourism is highly developed.

1970 (estimate) - 761,540 beds

1980 (estimate) - 913,128 beds

with an increase of 20% and a higher rise in the complementary capacity and camp sites.

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\* This corresponds to the period of development of the Southern Tourist Areas and the Alpine Region.

ITALY

Table 27

Arrivals in the Hospitality Sector

<u>Origin</u>	<u>1967</u>	<u>% of total</u>	<u>1981</u>	<u>% of total</u>
Germany	2,533,997	22.5	5,031,807	30.3
Austria	562,973	5.0	938,808	5.9
Belgium	346,042	3.1	487,866	2.9
Denmark	218,728	1.9	161,770	1.0
Spain	157,336	1.3	456,962	2.8
Finland	27,674	0.2	70,926	0.4
France	1,627,657	14.4	1,875,197	11.3
Greece	105,493	0.9	138,405	0.8
Ireland	22,500	0.2	60,116	0.4
Luxemburg	13,730	0.1	29,891	0.2
Norway	41,118	0.4	....	....
Netherlands	423,283	3.8	515,678	3.1
Portugal	27,890	0.2	....	....
United Kingdom	1,015,265	9.0	1,239,674	7.5
Sweden	188,238	1.7	222,494	1.3
Switzerland	633,998	5.6	907,953	5.5
Turkey	31,981	0.3	43,943	0.3
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Total Europe	8,485,650	75.4	12,896,507	77.8
Canada	125,942	1.1	158,272	1.0
USA	1,792,703	15.9	1,442,963	8.7
Other extra-European countries	849,920	7.6	2,082,606	12.5
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TOTAL	11,254,215	100.0	16,580,348	100.0

Source: ISTAT - Rome.

The slowing down of international tourist development in Italy is mostly due to the fall in North European (Scandinavia and the UK in particular), US and French traffic. Italy is the country that has paid the highest price for the birth of strong Mediterranean competition -- to the advantage of Spain and Greece. In general we can say that Italy is the country which has been most heavily penalized by the European Tour Operators who from 1966-67 on have stepped up the offer of holidays, as an alternative to Italy, in the other Mediterranean countries and in extra-European destinations.

The hotel capacity (second in the world only to the USA) stabilized from 1975 at around 1.5 million beds. Up to 1973 the strong development of domestic tourism had expanded the hotel industry even though there had been a levelling out of foreign tourism (46.3 million presences in 1970, 47.5 million in 1975), amounting to an increase in five years of 2.6% of foreign presences in the whole hospitality sector.

From the mid-1970s a period of crisis was recorded with a levelling out for the hotel industry, together with a notable slowing down of rates of development for foreign tourism and the growth of home demand towards extra-hotel type holidays.

The hotel and camping 'boom' of the 1960s was followed by an ever wider distribution of the hospitality sector -- residences, tourist villages, private lodgings, second homes, caravans etc.

LUXEMBURG

Table 28

Arrivals in the Hospitality Sector

<u>Origin</u>	<u>1967</u> <sup>a</sup> %	<u>1981</u> <sup>b</sup> %
Germany	8.8	14.1
Belgium	23.1	30.9
Denmark, Norway, Sweden	1.9	2.3
France	10.4	10.3
Italy	1.7	2.0
Netherlands	29.5	16.1
United Kingdom	9.0	6.5 <sup>c</sup>
Switzerland	1.3	2.1
Other European countries	2.8	3.9
USA	9.6	6.8
Other Extra-European countries	2.0	4.9
TOTAL	100.0	100.0

Source: Service Central de la Statistique et des Etudes Economiques  
(STATEC - Luxemburg)

a - arrivals in the hotel sector, hostels and camp sites.

b - arrivals recorded only in the hotel sector

c - Great Britain and Eire

The most significant data for Luxemburg is represented by the average stay of foreign tourists in the hotel sector (hotels, pensions, boarding

houses) which amounts to 1.2 days in 1981. This is a figure which has been constant in the last 30 years and which shows the local characteristics of international tourism -- excursionism and brief stays. Domestic tourism is almost irrelevant and for the hotel sector represents 4.9% of night stays (1981).

Luxemburg, with a growth rate relative to international tourism arrivals from 1967 to 1981 of 19.2%, records (along with Belgium and Denmark) a growth rate very much below that of the European average of 94%. Hotel capacity (in terms of number of beds) has hardly changed in the whole period: 450 hotels etc. with a number of beds amounting to 7,622 in 1981.

The situation is more dynamic and favourable in the extra-hotel sector -- 98 camp sites in 1967, 137 in 1981 with a corresponding growth in the number of night stays in camp sites. Dutch tourists alone represent 57% of the total night stays in camp sites. From 1979 onwards even in the extra-hotel sector a drop is recorded with fewer Dutch and Luxemburg tourists. The drop in Dutch numbers is confirmed by the hotel sector, as well as by a drop in UK and US tourists. However the situation with regards to German and Belgian visitors was positive.

GREECE

Table 29

Foreign Tourist Arrivals at the Frontiers

<u>Origin</u>	<u>1967</u>	<u>% of total</u>	<u>1981</u>	<u>% of total</u>
Germany	98,183	11.6	625,121	11.2
Austria	23,775	2.8	146,818	2.6
Belgium & Luxemburg	16,099	1.9	78,946	1.4
Denmark	25,885	3.0	131,918	2.4
Spain	3,924	0.4	31,679	0.6
Finland	5,511	0.6	96,627	1.7
France	80,200	9.4	296,499	5.3
Ireland	1,842	0.2	23,484	0.4
Italy	44,211	5.2	225,479	4.0
Norway	4,927	0.6	96,072	1.7
Netherlands	19,173	2.3	170,002	3.0
Portugal	1,503	0.2	5,458	0.1
United Kingdom	103,462	12.2	964,707	17.3
Sweden	38,066	4.5	252,146	4.5
Switzerland	21,604	2.5	143,844	2.6
Turkey	13,083	1.5	38,979	0.7
Yugoslavia	22,797	2.7	629,071	11.3
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Total Europe	553,153	65.2	4,069,668	73.0
Canada	14,566	1.7	65,732	1.2
USA	179,246	21.1	321,081	5.8
Other extra-European countries	102,020	12.0	1,120,628	20.0
TOTAL	848,985	100.0	5,577,109	100.0

Source: The Greek Statistic Service - Athens

(About half a million cruise liner passengers are included in the total number of arrivals.)

From 1960 onwards the Greek hotel sector has expanded greatly as has the extra-hotel sector and cruise liners, ferry services and the shipping lines between the mainland and the islands. But now that the costs of transport have increased for Greece the major handicap is its distance from the principal tourism generating countries. It is a distance that can only be overcome almost exclusively by air but at a cost which is generally higher than the cost of travel to Italy, Yugoslavia and Spain, where rail and road transport is possible. Seventy percent of tourists travel to Greece by air.

The Greek authorities have begun a series of political moves to stimulate demand -- concessions to foreign tour operators, collaborating with advertising expenses, lowering of airport taxes for charter flights, contributing to the expenses of congress organization and, of course, trying to encourage low season holidays. The growth in the Greek tourist traffic in this period is extraordinary. In 1967 foreign tourist arrivals in Greece amounted to 849,000; in 1981 they had reached 5,094,000: these are the 'boom' years and strongly influenced by North European Tour Operators with a proportion of international tourism of not less than 30% of the 1981 total recorded in Greece.

One of the reasons for the development in Greek tourism can be found in the political situation in the country during the 'boom' years. The need for international legitimacy, the ease in building and construction, the credit incentives and the restriction on union activity helped to make possible a politically inspired tourist boom, as has occurred in Spain.

In 1981 the British preferred Greece to Italy: 9% of the stays spent abroad by the British were in Greece, while the figure for Italy was only 7%. (Source: BTA / British National Travel Survey) The British source is by far the most important in international tourism recorded in Greece and represents 17.3% of the total at the frontiers

in terms of arrivals. In terms of presences the the role of the British component increases if we consider that 11.3% recorded for Yugoslavia concerns visitors who come for shopping with a consequently low average stay. This flow has recently been hit by the restrictions imposed at the Yugoslav frontiers.

In the same period the hotel sector (hotels, pensions, boarding houses, motels) increased the number of beds from 90,362 to 303,855. In 1981 the income from foreign tourists, with regards to the balance of payments, represented 14% of the imported goods and services and corresponded to 19% of exports.

The National Tourist Organization of Greece (NTOG) does not only take part in the promotion of tourism but also has operative functions of an economic nature and aims at the creation of an improved tourist offer. In order to launch new tourist areas the NTOG has built hotels in strategic places, gambling casinos, thermal stations and camp sites, as well as guaranteeing financial cover for private hotel investment.



## HOTEL CHAINS

The ability of Europe to compete at an international level, in the hospitality sector, is still high. Our study indicates a considerable fall by the traditional hotel model, which is suffering, above all, from a lack of size and managerial methods.

The gradual decline in tourist level towards NSH hospitality is counterbalanced by a corresponding rise in the demand for self-catering accommodation, which is already well established throughout Europe under various names -- 'Apartments, Residence, Aparthotels etc.'.

By observing tourism from American sources, and the new emerging tourism arriving from the Far East, certain tendencies can be seen:

- The level of Latin American demand is largely orientated towards the traditional hotel model.
- Tourists from Japan, Singapore and the Far East are most likely to come for business trips and genuine tourism. The type of hospitality is of little relevance, however; because of language difficulties, it is oriented by the air line companies which use the ISH hotels model.

Hotels with oriental brand names are increasing and the New Otani and Nikko chains open new units in the major Western destinations.

With regards to the American continent it is interesting to examine the dominant component in European tourism: that of the United States. The European competitiveness for US tourism is based on a series of motivations: a common language, racial connections, family links, history, culture, international business, conferences and world congresses all mixed with climatic conditions favourable for tourism,

which can be at the base of the primary evaluation. Therefore it would not be incorrect to say that Europe is more competitive than Latin America in the US market.

The purchase power of the dollar can also influence the destination, although we have observed that price is only one of the components which determine choice. Moreover, the availability of beaches, lakes and mountains with high social status adds to the competitiveness of the European tourist product.

However it must be pointed out that the American tourist product, particularly that of the US, is consistently attracting more and more European tourists -- even allowing for the difficult situation with regards to the value of the dollar. A more carefully planned tourist policy on the part of the US seems to be capturing an impressive share of visitors from all over the world (New York, Los Angeles, Miami).

The European hotel hospitality model appears to be very popular with US clients, particularly in the major capitals of the EEC. Elsewhere the preference is directed towards highly original hotels with a strong traditional image, where comfort is balanced against historic status symbols. The price of booking into a hotel can be defined on a fairly standard basis by the category of comforts provided. The structural definitions, under the international standard, figure in a 'price list' which is almost homogeneous for most of the world. However, the 'Non-Standard Hotel' market presents wide variations in price whose basis is not clear for tourists in terms of link between price and quality.

An analysis of the prices charged to individual clients for a double room reveals that the European average in 'ISH' structures is between 100 ECUs and 140 ECUs per night. The prices offered by the travel agencies and the packages inclusive of the air travel come down

to an average of between 35 ECUs and 65 ECUs per night (a double room in the same kind of hotel for one night).

The reservation of an organized holiday in a destination with lodging in an ISH hotel usually means lower cost, when compared to a night stay made by an individual in the same hotel. A hotel structure with between 500 and 1000 rooms needs special programming, a planning which allows it to reach an occupancy rate of about 70% (700 of the, say, 1000 rooms must be occupied throughout the year). The rate of beds filled could seem to be an indicator of efficiency by the organization concerned, with scarce influence on its competitiveness. On the contrary it seems to us that the need of the large hotels to have a high occupancy rate pushes the price down for the organized holidays and, therefore, also improves the conditions of competitiveness of and within the EEC, in comparison with the rest of the world.

If we consider that the hotels sell 'time' and that they cannot store unsold rooms, then we can understand the often used 'discount' policy in the commercial area in order to recover room occupancy and keep it high. The opposite happens during 'peak' time periods. According to reliable information, one of the most important hotel companies operating in Europe dominates Scandinavian Coach Tour demand by offering 80% discounts -- about 20.000 lire (14 ECUs) per night per bed.

A study of competitiveness in the hotel sector can be carried out through an examination of the situation of some of the most important companies. However to measure the potential of the hotels it is necessary to examine their annual profit and room occupancy, in short their advantages and disadvantages over the more traditional hotel offer.

The Athens Hilton, for example, in 1983 had a 75% room occupancy rate and a gross profit of 1,770,000 dollars -- a very high return on investment if we consider its size (480 rooms). Again concerning

competitiveness, the case of the Rome Sheraton, which opened an ISH hotel in the Italian capital in the second half of 1983 with 700 rooms, is interesting. In the months of January and February 1984 the occupancy rate was already at about 80%. At the same time, the biggest company operating in Rome, CIGA -- present in the city for decades -- had a much lower occupancy rate (59.4%) which was marked by discontinuity and seasonal traffic. CIGA profits, too, are much lower than those of the Sheraton, probably due to the discontinuity of flow and the discontinuous use of manpower. Looking at the prices practices we noticed, as far as was possible, a greater rigidity in the CIGA offers and greater flexibility in those of the Sheraton. However the price lists and the 'corporate' offers looked much the same.

In the EEC capitals it is to be noted that the major companies have similar price lists. European companies like Meridien and Concorde have come into line with the prices of US companies. Other groups and chains have also reached a common price level, but at a lower standard -- Sofitel, Novotel, Trust House Forte, Etap, Crest, Nikko, Penta etc.

The success of the Meridien chain confirms the positive tendency of the ISH hotel organizations. The Meridien increased its turnover by 25% in 1983 over 1982 and had a room occupancy rate of about 62%. This European chain carries out intense market research activity and recognizes that its major competitors are the large chains and the 'corporate' conditions that they apply.

Meridien, Concorde, Loew's and Hilton all describe their average client as a forty year old businessman who travels about six times a year. There are too many other characteristics that differentiate clients but, with a common market base similar to the one indicated, the competition between ISH hotel companies is very strongly fought. In 1983 Meridien spent 62 million Francs in marketing, and 70% of that

sum was spent on professional clients (bodies and companies) which form 45% of the total. Meridien uses flexible price lists to a great extent and is against standard travel agency commissions.

We can be assured that competitiveness in the ISH hotels will be maintained through intense market research. Although the European hospitality without hotel chains would not be successful in the world markets, traditional hoteliers register strong protests. It has been confirmed by many sources that the chains clear the whole market without many scruples. The battle is fought out with little regard for fairness and the traditional European companies and the single hoteliers seem to be on the losing side, above all, when faced with the US hotel chains. These chains, often financed with US capital, exploit their high level of standardization in services, quality and diffusion of their offer in the world.

Furthermore, especially in large cities, the traditional companies and single European hotels, 'struggling' to supply ISH service, concentrate more on the style and on the 'day-time' model of their service than on the needs of an international clientele which is now used to flexible timetabling and a 24-hour service. The availability of restaurant services at night, an efficient front office, highly qualified staff etc. make clients prefer the ISH hotels on account of their security and the reliable services they offer plus a guarantee of round-the-clock availability -- this is the case in all EEC capitals.

The most active and diligent US chains carry out on-going research into the future development of hospitality. S. Bergmann, director of Holiday Inn Europe, told us that his company, in order to differentiate itself on the market, will open a series of new structures, probably to be called 'Hampton Inns', with about 100-120 rooms.

In the pursuit of a flow of clients in order to maintain the necessary high level of occupancy, the hotel chains represent a major

component in the competitiveness of Europe against the rest of the world. A series of innovations is planned in the hotel sector, originating from the study in the Holiday Inns, which foresees an investment of more than a billion ECUs in order to diversify in the international hospitality market, with a new hotel chain under the name of Hampton Inns. The size and services of this chain will be much more orientated towards international demand, paying particular attention to tourist expectations in terms of price, hygiene and security.

At the moment the inventiveness, creativity and research and tourist planning are in the hands of the large hotel chains, while the majority of the individual organizations do not seem to appreciate the trends in marketing and studies of the market. Therefore, the competitiveness of the traditional hospitality in the EEC carries on more as a result of inertia than managerial go-ahead.

All the large US and European hotel chains have expansion plans for Europe in the short term. The EEC is seen as a good potential market. The leadership of the large companies will expand because:

- they have greater ability in penetrating the world market;
- they invest greatly in marketing;
- their services are highly standardized;
- they have a high culinary standard and perhaps the best beds;
- they are flexible in prices and conditions;
- they use qualified managers and select their staff (their staff are trained within the company); and
- through franchising and management contracts they enlarge continuously their 'catchment area' with limited investments.

'Hotel groups', instead is the term used to explain a 'non-competing association' within a marketing scheme agreed by member units. This 'grouping' very often helps the individual hotelier to ameliorate his

standard, the efficiency of the hotel and obviously the profit figures. Brands like Best Western will increase, and hotel groups, with hotel chains, are going to develop an important role in the competitiveness of EEC tourism, specially in the field of extra-European tourism, on the basis of standardizing hospitality. Standard prices, credit cards and reservations, standard bed, security systems mean a 'homogeneous product' for the tourist and consequently a market of perfect competition. Competitiveness in tourism cannot be measured on hospitality prices, as about 50% of the costs of a vacation are 'transportation'.

## TOUR OPERATORS

The TOs' strategies for keeping their actual clientele and developing it are based especially on:

- publicity policy;
- price policy; and
- a policy of rationalization and improvement of services.

The importance of the price factor has grown gradually in these years of energy crisis. It has become, for a growing part of the market, the single most important element in the choice of destination. Many predictions that had guaranteed the generalized development of forms of tourism tied to the satisfaction of cultural needs have had to be revised on account of the energy crisis. All this has been to the advantage of 'self-help' holidays and those destinations that do not require much expense in terms of transport.

The central role played by prices in organized tourism is the cause of a progressive similarity in offers and tariffs on the part of the TOs. Obviously this phenomenon has been stepped up by the presence on the market of a high number of operators and by the necessity to be competitive. The TOs have tried to reach this objective of competitiveness by raising the risk element in their programmes and aiming at earnings based on the quantity of tourists carried.

The TOs who have not accepted these risks have been left with a very marginal slice of the market, that of specialized groups which by nature are small in number. However it must be stated that a TO who specializes in a specific product, or a more restricted area, is more elastic in comparison with the market, and reacts more quickly to the stimuli expressed by clients and therefore runs fewer risks of finding himself suddenly confronted by a major cutback. In this way some TOs have been quick to see the development of new forms of tourism



-- business tourism, congress tourism, old peoples' tourism, sports tourism etc. Some TOs react to the drop in the buying power of their clients by increasing the range of proposals: from hotels which are of a modest level at contained prices to hotels of a higher category. As to publicity expenses which, as we have seen, are very high for the large TOs (in the UK and FRG more than elsewhere), we have noted a constant increase in investment in this area in the last few years. At the top of the list, along with the TOs, are the air lines which are giving more and more importance to the elements that form their image (and not only from the graphical point of view). The expenses of the public tourist bodies are very much lower -- in France, for example, our data indicates that, in 1982, investment in publicity taken out by hoteliers was, for the first time, greater than that of the public tourist bodies. As to the form of publicity, the decline of the documentary seems inevitable. The few meetings etc. in the EEC countries dedicated to this form of publicity do not receive much support, and not only the TOs but also others interested in the field are moving towards other solutions. However the New York Convention and Visitors Bureau do not take this view and have brought out, for the European market, a 19-minute film "Taste the Big Apple" which, as well as publicizing the City, also presents stars like Liza Minelli and Brooke Shields. The major expense a TO of middle or large size has to face is that of the catalogue. Some very big operators print up to ten types of catalogue -- summer, winter-sun, snow, activity holidays, apartments etc. Cosmos has printed, for 1984, a summer catalogue of 220 pages in about 2 million copies -- the cost of each page was about 1400 ECUs. And Cosmos is not the TO which spends the most -- Thomson prints twice as many catalogues and they have about 400 pages each. With the passing of the years the TOs' catalogues have begun to look much the same -- from the cover to the holiday offers,

to the prices (country by country). In some countries the 'umbrella' organizations have tried to meet this problem by awarding prizes for the best or most original catalogue. This is the case in France but great results have not yet been achieved. This imitation effect, characteristic of organized tourism, is still continuing today to the point that a manager of a big TO told us that the only difference between the top four TOs of his country was the staff's uniform. J. Christopher Holloway, reporting on an ASTA survey, according to which about half the catalogues do not get to their potential customers, calculates that four or five catalogues are needed for every reservation. Each reservation however concerns, on average, two people.

If we exclude specialized operators in the winter holiday sector, 60% and often 70% of the TOs' income comes from their summer programmes. In the last few years the TOs have invested a great deal in their internal organization in order to improve and make their own services more efficient. In particular attention has been paid to systems for the automation of reservations and in some cases these have reached high levels of sophistication and have modified the traditional system of booking.

With regards to the type of services offered it must be underlined that there is a tendency on the part of TOs towards specialization -- diversification of the product offered by seeking alternative solutions for more personal holidays. This is in answer to new tendencies in the taste and preference of their clients, as well as a step towards a diversification of the product and therefore fewer restrictions on price policy.

In the future there will be, for organized tourism, a greater need for marketing. We have noticed that within the product / holiday lines offered by the TOs at times there are cases of 'cannibalism', that is

erosion of market quotas by products within the same operator's line. There will also be a greater need for marketing because in a situation, where the market is very crowded, intuition will be less and less useful. Some TOs still commit errors in their programming of holiday stays, proposing destinations that do not suit the target and so having to cut back the 'dead wood' in the catalogue -- this has happened in Italy with Rimini, Costa Smeralda and Viareggio.

#### 4.2 Competitiveness Through the Price of Holidays and Some Goods

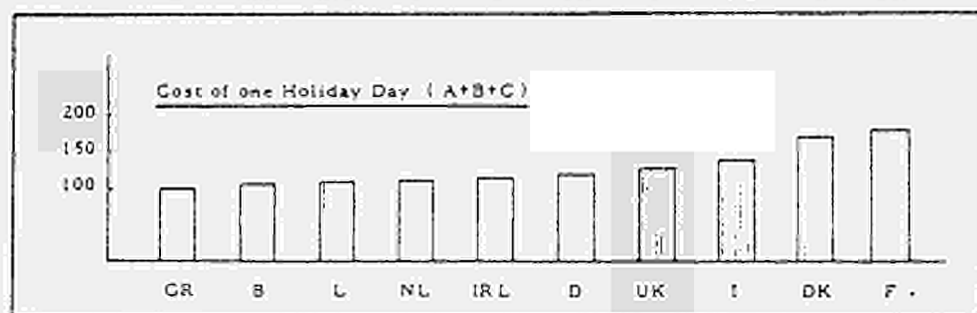
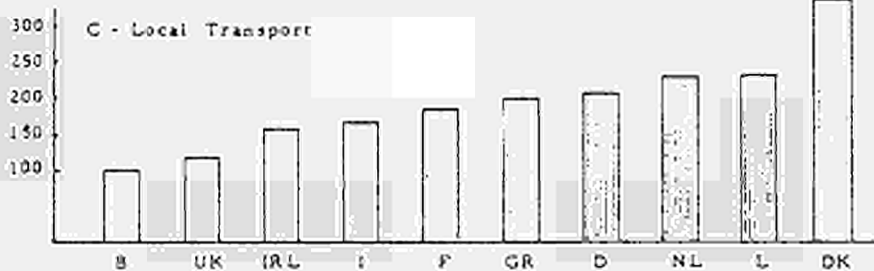
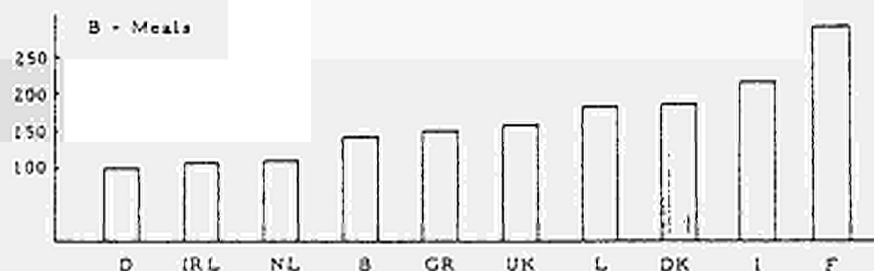
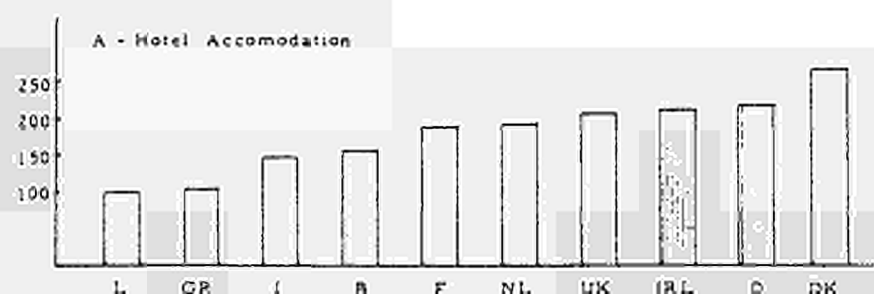
In order to better evaluate the suppliers of hotel services we have attempted to examine hospitality models in the 10 EEC countries to see if there are any substantial anomalies with regards to prices. Our research was based on the hypothesis that a tourist couple, travelling within the EEC, use in each country the same kind of services and the same spending model -- moderate prices:

- a double room with bath in a non-standard hotel (2-3 stars) including breakfast;
- lunch, following the habits of the particular EEC country and following the usual alimentary model in that country -- including drinks;
- a less typical European dinner -- including drinks;
- one or two rides in a taxi or three or four rides on a bus.

This model is similar to that used by many guides for 'budget' holidays. It is simple and effective. Hospitality is of the non-standard type.

Figure 4

COST OF A DAY'S HOLIDAY (MODERATE PRICES FOR TWO PEOPLE)  
COMPARATIVE TABLE OF THE 12 EEC COUNTRIES



N.B. The countries indicated at the baseline of 100 are those whose prices are the lowest and all other countries should be compared in proportion to this figure.

### 4.3 Evolution of the Market

The tourist market is going through a period of great change; much more than a few years ago, tourists want to discover the country they are visiting and make the most of their yearly holiday. In the future a type of tourist can be predicted who will be less restricted by habit and more willing to move around, even if the changes will neither be rapid nor homogeneous.

As to the clientele served by the TO, the changes that are taking place are very slow; in the last five years each TO has kept the same kind of clientele -- if we consider age and social background. In some cases there are new clients from lower income brackets. Due to the difficult economic situation tourists now tend to wait before making reservations. Ten years ago most reservations made with the major TOs were placed before March -- in the UK the figure was 80% before the end of February. Now booking / reservation times are far closer to the holiday dates.

Another problem is the reduced holiday period. Thomas Cook reports that the average length of a stay is 12 days, for Cosmos clients it is 11 days. All these changes are having an effect on the economic and financial organization of the TOs. On the one hand, profit margins have been reduced in order to keep prices as fixed and competitive as possible; on the other hand, the late flow of money, consequence of the late reservations, worsens the monetary liquidity situation.

Faced with these new difficulties and higher risks there is in progress a strong similarity in the products offered by the TOs, with similar structural size characteristics. The similarity of TOs' products, destinations and hospitality is due to the effort of reducing transportation costs with maximum occupancy of seats on aircrafts, and

at the same time the tendency to limit risks by operating on well known markets and areas. TOs are becoming less pioneering and are not prepared to wait too long for the success of a destination. This is a trend that can be seen also by looking at the evolution of those TOs who concern themselves with the young peoples' market and which, with the passing of time and the increasing age of their clients, have become like any other TO.

The high number of wholesale tourist operators, the low price policy and the sale of last minute holidays have increased the risk factor for the TOs. The TOs have responded by carrying out a systematic selection of the retailing travel agencies and reducing or eliminating the number of copies of the catalogue given to them in an attempt to cut back on running costs.

The TOs have also tried to diversify their presence on the market and offer themselves directly. By doing so they can cut back on the agency commissions and maintain a tie with their clients. In almost all the EEC countries the TO sends the catalogue to old clients. In the new market structure the travel agents risk losing part of their role. A contributing factor to this is the evolution in progress in the way distribution is organized concerning the tourist product as a result of progress in the information and telematic fields. The predictions of experts, however, are quite optimistic about the travel agents' future. In their opinion the travel agent's role will be guaranteed, above all, by the need for direct relationships that can be established with clients. Increasingly the tourist will be demanding a made to measure holiday. To do this the travel agent will have to know how to transform himself from 'news agent' for the TOs into a consultant at the service of his own individual clients or organizations.

It is in the picture that we have painted that we find an increasing growth in 'self catering'. This is in answer to a greater and

greater need for a freedom from expense and a refusal of rigid time-tabling in the traditional 'full board' solution. Up until a few years ago this seemed to be the exclusive domain of a small number of specialists. Now the big TOs are becoming increasingly interested -- TUI and Thomson are the leaders in their markets, and in apartment tourism too. As well as the holiday formula, which allows freedom in spending, club and hotel club formulas are on the increase. In this context the development of two-centre holidays seems to be a contradiction. If, as it seems clear by now, that holidays based on sea, sports, art etc. alone are not on the decline, it is just as clear that cultural formulas do not as yet represent a major alternative. Operators are very wary about concentrating on this trend. It is certain though that cultural tourism, or that tied to the art of minor centres will have to serve its apprenticeship with other forms of 'classic' holiday before it can be proposed independently. In this sense the two centre holiday proposals (towards which the TO is certainly more responsive) may have a role to play.

The changes in progress in demographic structure will bring consequences to the TOs' activities. In particular, the increase both in absolute and percentage terms in senior citizens and more particularly the new senior citizens -- those who were adults in the consumer society -- will require a full series of products which will have to be extremely varied. The present TO offer to senior citizens is still not diversified enough -- in this way the new senior citizens risk seeing their tourism needs go unsatisfied.

Appendix F, "Top Ten Holiday Resorts" illustrates the British preference for holidays and useful information on general competitiveness. It emerges clearly how important a role Spain plays in the activity of TOs. For a visual exposition we include in Appendix G a Thomas Cook publicity brochure which shows the degree of



competitiveness that Spain has when compared to other EEC countries even in the extra-hotel sector.

The importance of Spain is confirmed by similar figures relative to the TO activity in other EEC countries. Spain is the most sold holiday in FRG, France, Belgium, Holland and Denmark, while it is gaining importance in the countries where the presence of TOs is much less felt -- for example, in Italy in 1983 there was a real 'boom' for holidays in the Balearic and Canary Islands which does not seem to have finished. The Spanish 'boom', which began in the 1950s, is still continuing. The reasons for this are to be found in the past. Other studies have attempted to identify the historical causes which we feel we can synthesize in the substantial identity in outlook and economic interests between TOs and a large group of Spanish operators, hoteliers and others.

We must not forget however that by disregarding the fact that there was a common interest base between TOs and hoteliers which gave rise to difficult relationships in many of the competing areas in Spain. The birth in the 1970s of hoteliers' co-operatives and also of commercial organizations formed by hoteliers had among their objectives "the elimination of the useless intermediary". The importance of Spain in the organized tourist market is very strong. At the root of this phenomenon there are cultural causes as well as the underlying structural reasons like large hotels with identical rooms which allow a standardization of the product. In order to come to an agreement with a TO it is necessary to adapt to the TO's 'commercial rhythms' -- preparation of prices the year before the season, accepting basic contractual conditions like a 20% commission. Working with a TO means acquiring a business like tourist mentality -- being ready to accept the risk of seeing partially filled rooms cancelled 14 to 21 days before -- the planned arrival of the clients. It is the risk run by those who

know that the TO is incurring the same risk in the filling of airplane seats, with the resale of the product through a travel agent who takes a 10% commission. At the root of the Spanish success there is the fact that this modern tourist culture has found a willing market, whereas in other countries, like those of the EEC, it has not been welcomed. This is particularly true of the weaker tourist areas where such a mentality is indispensable.

The survey has also confirmed the growing importance of Greece as a tourist market, a growth that has been caused by the TOs. In 1979 an ENIT survey examined the catalogues of 27 European TOs published in 1977, 1978 and 1979 and concluded that there had been a large increase in the number of pages dedicated to Greek destinations.

Another element that has emerged from our survey is the position of Italy which, although being the major EEC tourism area, is considered as being in a state of 'tired maturity' -- to use a marketing expression concerning the life cycle of a product. The TOs explain this situation by the progressive loss of competitiveness of the Italian tourist offer and particularly of summer / seaside tourism. Other reasons for the gradual decrease in tour operator traffic, towards Italy, are price increases resulting from a high inflation index, structures of hospitality badly in need of modernization, and a poor image due to general events in the country, largely arising from social and labour problems over recent years.

The criteria followed by the TOs for including a given place or area in their catalogues are essentially these:

- clients' choice; and
- the level of possible profits.

The same criteria are used to estimate whether it is worthwhile to keep a designated area in the catalogue or not. The TOs pay great attention to possible complaints that clients may make about not having

found what had been promised them. This has greatly contributed to the elimination from programmes of various tourist localities.

In fact the incentives that are often offered, with no control, by different public bodies in the same locality are not always sufficient to ensure that a non-worthwhile destination remains in the TOs' catalogues. The TOs consider these offers as a system of assistance which is inefficient and harms the image of the place in question, even if they have often used them as 'an extra argument' during the negotiation stage. Usually these incentives in fact hide serious problems -- low professional level or business level in the operators, sub standard product, distribution problems -- and often cause harmful imitation cycles. Incentives have been spoken of in terms of a perverse and uncontrollable mechanism.

However we have discovered that very few EEC countries and very few destinations do not use the incentive formula. They may take the following forms:

- contributions to the expenses of air programming;
- contribution for every tourist 'sent';
- contribution to ground services expenses (transfers, excursions); and
- contribution for every tourist coach 'sent'.

Among the Regions which offer incentives to tour operators there are many in Italy -- Sardinia, Calabria, Puglia, Marche, Sicily, Veneto and many airports, in Greece and FRG. There is a general complaint made against those regions which promise financial aid but which have such a complicated bureaucracy that years pass before the money arrives -- this is particularly true about Sicily.

Incentives can also be offered to tourists -- in Italy there are petrol vouchers and motorway toll discounts. The TOs consider that

the best incentive is competitive tariffs in the hotel, extra-hotel and transport sectors.

## SUMMARY

This study was carried out in the second half of 1983 and in the first six months of 1984. On the one hand the study has attempted to focus on a number of conclusions, some of which have already been partly elaborated by the research institutes which concern themselves with tourism, while on the other hand, it has identified new development trends and original hypotheses. In order to arrive at the results contained in these pages we thought it worthwhile not to limit ourselves to a critical reading of data and unreliable statistics, but to attempt an approach which went beyond the usual official figures.

Besides the results that this approach has produced, we think we have been able, in this way, to obtain an outlook which is more indicative of the real situation. Nevertheless our presentation of the data, we feel, is sometimes more accurate than the official data obtained through the different gathering systems used in previous analyses on tourism in Europe.

The division between concentration, competition and competitiveness is not always easy to define as very often factors which figure in one can also be included in the others; indeed the subject of tourism itself is anomalous. For example, in the hospitality sector production and consumption are created, exist and are consummated all at the same time.

The principal conclusions which this study has revealed are:

- 1) As governments become more and more interested in tourism, public investment increases and private investment decreases in the hotel sector. The share of domestic tourism is increasing in individual countries and is stagnant on the international level. Tourism is becoming the largest industry in the world, but available data furnished by individual countries according to non-standardized interpretation render them non-homogenous and only partially useful.
- 2) The impact of tourism on the economies of the EEC countries is considerable. The flow of tourists has a profound effect on the Balance of Payments and helps to stabilize them. There is, nevertheless, in the tourist sector a frequent use of the "grey" economy because of the thousands of small number of large tourist firms in the hospitality and intermediary sectors.
- 3) The labour market in the tourist industry is characterized by a massive use of "unofficial labour". In the period examined the number of employees in Hotel and Catering and related sector totalled under six million, but this figure is considered in our study largely underestimated. The seasonal nature and the prevalence of female labour are the principal characteristics of the labour market in the the EEC.
- 4) There is a high degree of geographical concentration of accommodations in the EEC, but there is an increasing tendency towards diffusion of holiday resorts. Suppliers are not economically concentrated and small family enterprises prevail. The only form

of economic concentration in the hospitality industry of the EEC can be found among Hotel Chains, Hotel Groups, and International Corporations. Their share of total hotel capacity is scarce but greatly increasing.

- 5) The average hotel capacity in the EEC varies from 26 to 27 beds per Hotel Unit (min-max) according to the country. The major operations that can influence the market are those of Hotel Chains and international corporations, mainly originated in the U.S., France and U.K. are very active in this field of Hotel Grouping and concentrating accommodation. The principal hospitality and vacation suppliers in the EEC are the Tour Operators who control approximately 15% of the tourist market in the EEC. The role of the TOs is not only to intermediate, but also to organize, promote, and sell hospitality, transportation, and assistance. The tourist product assembled in this way is sold either directly or through tourist agents. Only in certain EEC countries (Greece and France) is there a high level of geographic concentration in the tourist supply-side industry.
- 6) The territorial division of Hotel supply and the concentration of hotel accommodations is stagnant, the only exception being Greece, where Hotel capacity has tripled. There is a development of extra Hotel accommodations that has a tendency towards territorial diffusion. Bed concentration in the Hotel sector has been considered as a major indicator of the study.
- 7) Government policy has a certain influence on tourism: other than staggering vacation time, setting the school calendar, and preserving the artistic heritage, the countries of the EEC invest

consistent sums of money to promote their individual tourist industries. The EEC hospitality is graded according to a star system that does not furnish accurate information on the type of hospitality, and, in fact, confuses tourists.

Our study divides hotel hospitality into two large categories according to the type of management and the hotel dimensions:

INTERNATIONAL STANDARD HOSPITALITY (ISH) Mainly supplied by Hotel Chains and International corporations.

NON-STANDARD HOSPITALITY (NSH) Individual Hotels of small dimensions, Traditional Management, family-run, Grand Hotels, etc.

ISH are more competitive than NSH hotels and tend to capture an increasingly large share of domestic and international clients in the whole of Europe.

- 8) There are no special limits to the transfer of capital, and no evident restrictions or obstacles to the policies of Tour Operators and Hotels. There is no evident presence of Banks in the hospitality industry and scarce evidence of mergers between companies of different EEC countries. Air transport holds the potential to determine market conditions, but no relevant obstacles are signaled by Tour Operators and Travel Agents in the EEC. The phenomena of inter-dependence between public and private institutions has sometimes led to interventions by public administrations offering incentives to capture tourist flows.
- 9) Hotel Chains (ISH) are expanding yet their plans are scarcely concerned with those areas that provide seasonal-holiday tourism, although booking systems and computerized reservations are bringing towards them an increasing share of the travel market.



Originality seems to be the only defence by the individual hotels (NSH) against the growth of the chains and hospitality corporations (ISH). But, originality is also important among TOs because of the differences in their offers. Intense marketing strategies are used largely by ISH chains, that generally obtain higher occupancy of rooms than NSH hotels, and sell at flexible tariffs, very favourable for organized tourists. Tourists of some EEC countries are also influenced by TOs' policies. This is the case of FRG (Germany) and Great Britain. TOs seem to maintain the ability to launch tourist destinations and make them become fashionable resorts. Tour Operators rarely invest outside their country of origin. Hotel chains instead expand more abroad than at home.

- 10) European capacity to attract tourists is still high but there is a slowing down of international tourism in the EEC compared with other European Competitors. The loss of competitiveness does not concern all the tourist services in the Community but principally the seaside resorts in Italy and France. The loss is particularly striking in Belgium, Luxembourg and Denmark. Greece and Britain in the last 15 years have registered an increase in international tourism above the average. The development of new tourist areas outside the Community able to offer, on average, a lower price to that of tourist destinations within the EEC is the main reason of the loss of competitiveness.
- 11) In certain EEC countries prices of hospitality service have increased more rapidly than the index of consumer prices. The situation of competitiveness within the EEC reported in our study through a sample analysis on "one holiday of a couple travelling

in Europe" shows that in the Community there are for similar services, large differences in price.

- 12) An analysis of evolution and of forecasts on tourism trends show that the tourist market is going through a period of great change. The average holiday period is shortening and this is affecting both Hotels and Tour Operators, because of the need for more clients. TOs are becoming less pioneering while International Chains are instead expanding their hospitality in developed and underdeveloped areas. Spain seems to be the country that has more chance to gain a larger share of the EEC market because it has acquired a tourist mentality and culture and has positive hospitality structures at a medium distance from the main countries generating tourism. Greece will have growing importance, while Italy shows a position of "tired maturity".

## APPENDIX A

### DOMESTIC TOURISM

The greatest shortcomings in information are, as we have already said, concerned with domestic or national tourism. However, some estimates are possible. In the evolution of tourism, the role of national tourism is decisive: its percentage is estimated, at a world level, to be about 90% and it is in rapid growth. In 1982 when international tourism, for the first time, registered a drop (- 1.3%), domestic tourism expanded a great deal.

Then 1982 saw domestic tourism grow at the expense of international tourism -- in this way intra-regional tourism benefited at the expense of extra-regional tourism. One of the reasons is that tourist demand is strongly influenced by transport costs -- an important consideration in the tourism budgets of families. All this was despite the tendency seen in all European countries, but particularly the Northern ones, among residents to increase the percentage of holidays spent abroad compared to those spent at home. By holiday or stay we mean a period of three to four consecutive days.

Week-ends and excursions are another topic, but are on the increase too. They are forms of tourism that favour home destinations

and that are not taken into account by official statistics. The OMT estimates that there are as many people on excursions as tourists.

In synthesis:

- The major quota of production of services and consumption is aimed towards domestic tourism in all EEC countries.
- In the 'mature' tourist countries like Italy and France the slowing down in the development of international tourism has been amply compensated by greater increases in domestic tourism.
- The extra-hotel offer, an ever more important component in the total capacity, has developed as a response to domestic tourist demand.
- The attention shown by public bodies and private operators for domestic tourism is growing -- there is a greater promotional and trading drive towards the home market.

Table A-1

Indicators of Home Tourism in the EEC Countries

<u>Country</u>	<u>Holiday Stays</u> (in millions)	<u>% of resident population travelling at home</u>		<u>% of domestic tourists out of total arrivals in the hospitality sector</u>	
		<u>1980</u>	<u>1980</u>	<u>1981</u>	<u>1980</u>
United Kingdom	36.5	47.0	45.0	79.0	79.3
Denmark	2.6	...	...	55.2	54.4
FRG (Germany)	14.5	49.9	50.0	90.6	...
Netherlands	4.6	61.2	63.0	...	41.0
Belgium	3.0	40.1	...	72.3	73.1
Luxemburg	...	...	...	...	...
France	44.8	56.2	57.2	...	49.4
Italy	...	41.0	41.0	64.8	67.6
Greece	...	...	...	...	...

Source: WTO and Domestic Holiday Reports.

Table A-2

Evolution of Holiday Stays Spent at HomeCompared to Total Stays

<u>Country</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
UK	85.8	82.5	81.5	83.1	85.7	83.4	83.8	82.3	81.3	79.0	75.3	73.4
Denmark	...	...	59.0	57.0	60.0	64.0	64.0	66.0	58.0	60.0	58.0	...
FRG	48.0	44.9	43.2	44.3	42.1	43.6	42.7	41.0	40.7	36.5	38.1	36.5
Netherlands	54.1	50.1	50.7	50.5	49.1	48.9	47.4	44.4	40.0	38.2	38.9	...
Belgium	50.3	...	43.2	40.4	44.6	44.4	44.2	44.4	48.4	46.6	50.0	...
France	...	...	...	83.2	85.7	84.4	85.2	83.4	83.2	85.0	84.8	84.6
Italy	...	...	93.7	...	...	95.2	...	...	94.8	...	...	...

Source: Reports on Domestic Holidays.

## APPENDIX B

The appendix records the representation of the largest French Companies operating in tourism:

Club Mediterranee	(1)
ACCOR	(2)
Concorde	(2)
Meridien	(3)
PLM/Etap	(4)
Sofitel	(4)
Novotel	(5)
Mercure	(5)

and a scheme of the financial structures of major companies.

## CLUB MÉDITERRANÉE

### PRÉSENTATION :

● Siège social : 25, rue Vivienne, 75002 Paris. Direction Générale Groupe : 51, avenue Hoche, 75008 Paris. Téléphone : 261.85.00. Télex : 850518 Hoche, 210078 Vivienne.

● Activités : Hôtellerie - Restauration - Villages de vacances - Résidences locatives.

● Date de création : 1950.

● Capital : 183.183.250 FF.

● La société est cotée en bourse, valeur du titre au 1<sup>er</sup> janvier 83 : 528 F. Au 1<sup>er</sup> janvier 84 : 774 F. Au 15 avril 84 : 884 F.

● Management : Conseil d'administration : Gilbert Trigano, président-directeur général, Gérard Blitz, vice-président fondateur, Michel Gallot, Jacques-Henri Gougenheim, Jean-Yves Haberer, I.F.I. International S.A., représentée par Glantougl Gaberfil, vice-président et administrateur délégué, Robert Lion, Wolfgang Graebner, Ghath R. Pharaon, Edmond de Rothschild, Direction générale, groupe : Gilbert Trigano, Olivier Michel, François Becker, Jacques Bénacini, Charles Benlikou, Shalom Hassan, Jean Speranza, Secteur Europe-Afrique : Jacques Giraud, Secteur Amérique du Sud : André Ragad, Secteur Amérique Nord et Centre : Serge Trigano, Secteur Asie-Océanie : Jean-Robert Reznik, Relations publiques et relations avec la presse : Patricia Mortaigne.

● Nombre total d'unités ouvertes au 1<sup>er</sup> janvier 1984 : 166, totalisant 90.648 lits dont étranger : 85 unités, totalisant 54.600 lits.

● Nombre d'établissements exploités en France : 81

● Répartition des établissements : France Métropole : 74 OOM-TOM : 7, Europe : 45, Afrique : 23, Asie-Pacifique : 3, Australie O. Amérique/Carabes : 14

● Nombre d'emplois total : environ 18.000.

### CHIFFRES :

● C.A. TTC exercice 1983 : Total consolidé : 4.504.933.000 FF  
● Structure du C.A. TTC

	En France	en %
France + OOM-TOM	1 407 618 000	31,25
Etranger	3 097 315 000	68,75
Total	4 504 933 000	100

### ● Taux d'occupation moyen en 1983 :

France + OOM-TOM	78,98 %
Etranger	86,48 %
Total	84,71 %

● Pourcentage de la clientèle étrangère en France, dont OOM-TOM : 49,5 %.

● R.B.E. : 411.608.000 FF.

● Résultat net avant impôt : 270.952.000 FF.

● Montants des investissements réalisés en fonds propres en 1983 (hors franchisés) : Total : 298.929.000 FF.

### INFORMATIONS COMMERCIALES :

● Budget publicitaire et promotionnel de la chaîne. Total : 225.000.000 FF.

● Campagne nationale 1983 : Radio - Télévision - Presse - Affichage urbain.

● Image de marque : Forfaits vacances tout compris (hébergement, restauration, activités), équipes internationales d'animation (GO).

● Faits marquants de l'exercice 1983 : fort accroissement de l'activité Amérique du Nord.

### EVOLUTION - PERSPECTIVES :

● Unités ouvertes entre le 1.1.83 et le 1.1.84 : Menuires (Savoie), Saint-Raphaël, Hyères.

● Ouvertures prévues en 1984 : Etranger : Mexique (84) Turks and Caicos (84).

● Projets : nouveaux pays de développement : Bali (1985/86), Thaïlande (1985/86), Metaponto (Italie), France, Hawaï, Philippines, Mexique, Chine, Bermudes.

**ACCOR**  
ENTREPRISE D'HÔTELS, DE RESTAURATION ET DE SERVICES

ACCOR

**PRÉSENTATION :**

- Siège social : 2, rue de la Mare Neuve, 91021 Evry Cedex. Téléphone : (6) 077.93.20. Téléx : 691.852 F
- Activités : Hôtellerie - Restauration - Villages de vacances - Résidences locales.
- Date de création : 26 juin 1983.
- Capital : 872.827 000 F.
- La société est cotée en bourse.
- Valeur du titre au 1<sup>er</sup> janvier 83 : 135 F, au 1<sup>er</sup> janvier 84 : 228 F, au 15 avril 84 : 219 F
- Management : Présidents : Paul Dubrule, Gérard Pelisson, Directeur général : Bernard Westercamp, Direction du marketing : Paul Yvernat, Direction du développement : International Stanislas Rollin, Direction de l'hôtellerie : Benjamin Cohen, Direction de la restauration : Robert Zoladz, Direction financière : Michel Bignon, Direction du personnel : Pierre Pointu, Relations publiques et relations avec la presse : Christian Mure.
- Nombre total d'unités ouvertes au 1<sup>er</sup> janvier 1984 : 406, totalisant 48.188 chambres, dont étranger : 146, totalisant 21.928 chambres. Hôtels 2\* : 114 ; 3\* : 200 ; 4\* : 78 ; 4\* L : 12.
- Nombre d'établissements exploités en France : En filiale : 172. En franchise : 74. En mandat de gestion : 14.
- Répartition des établissements : France Métropole : 225, DOM-TOM : 5, Europe : 66, Afrique : 46, Amérique du Nord : 3, Amérique du Sud : 16, Autres : 15
- Nombre d'emplois : au total : 36 000

**CHIFFRES :**

- C.A. HT exercice 1983. Total : 8,2 milliards de F.
- Structure du C.A. TTC Hôtellerie France

	Hébergement	Restauration	Divers	Total	en M.
France	1 440 123	1 291 796	177 403	2 909 322	57,4
Etranger	1 078 415	905 868	172 548	2 156 829	42,8
Total	2 518 538	2 197 664	349 959	5 066 151	

- Taux d'occupation moyen en 1983 :

	Finées	Franchises	Autres	Total
France	62,5	62,3	62,8	62,5
Etranger	57,2	51	53,1	54,3
Moyenne	61,3	59,8	54,3	59,1

**INFORMATIONS COMMERCIALES :**

- Budget publicitaire et promotionnel de l'entreprise total : 20 millions de F.
- Tirage du guide : Novotel, 1.100.000, Mercure, 500.000, Solitel, 500.000 exemplaires
- Campagne nationale 1983 : supports nationaux et internationaux - News - Presse économique et financière - radio
- Faits marquants de l'exercice 1983 : fusion Novotel SI&H et Jacques Borel International

**EVOLUTION - PERSPECTIVES :**

- Unités ouvertes entre le 1<sup>er</sup> 1 83 et le 1<sup>er</sup> 1 84 : 59 hôtels toutes marques confondues
- Unités ayant quitté la chaîne en 1983 : 3
- Ouvertures prévues en 1984 : voir les différentes marques d'entreprises.

Concorde



CONCORDE

**PRÉSENTATION :**

- Siège social : 58, boulevard Gouvion-St-Cyr, 75017 Paris. Téléphone : 758.12.84. Téléx : 650.990
- Activités : Hôtellerie - Restauration
- Date de création : 1970.
- Groupe auquel la chaîne est rattachée : Société anonyme, filiale de la société du Louvre.
- Capital : 67.300.000 F.
- Management : Président : Jean Taittinger, Vice-Président et Administrateur général : Claude Taittinger, Directeur général : Gérard Mauger, Direction commerciale : Yvon de Pontcharra, Direction financière : Max Bugéaud.
- A cause de l'absence de réponses à notre questionnaire, nos informations sur le groupe des hôtels Concorde n'ont pu être actualisées. Ainsi, de nombreux éléments, en particulier économiques, nous font défaut. Le parc des hôtels Concorde en France se compose de 18 hôtels : Paris : Hôtel de Crillon, Hôtel Concorde La Fayette, Hôtel Ambassador Concorde, Hôtel Louvre Concorde, Hôtel Lutetia Concorde, Hôtel Saint-Lazare Concorde, Cannes : Hôtel Martinez, Angers : Hôtel Concorde, Le Mans : Hôtel Concorde, Lyon : Grand Hôtel Concorde, Marseille : Hôtel Concorde Palm-Beach, Hôtel Concorde Prado, Melun : Hôtel Grand Monarque Metz : Hôtel Royal Concorde, Nancy : Grand Hôtel Concorde, Nice : Hôtel Plaza Concorde, Hôtel Westminster Concorde, Toulouse : Hôtel Le Concorde, plus 2 hôtels associés à Biarritz et à Evian. A l'étranger, l'enseigne se trouve en Belgique (41 chambres) et au Caire en Egypte (408 chambres) plus un hôtel associé en Suisse, à Genève (hôtel Métropole : 104 chambres). Le nombre de chambres total est donc de 4 806.



## MERIDIEN

### PRÉSENTATION :

- Siège social : Société des Hôtels Méridien, 13, square Max Hymans, 75781 Paris Cedex 15 Téléphone 323 89 67 Télex 270 521.
- Activités : Hôtellerie - Restauration - Village de vacances - Résidences locales.
- Date de création : 1972.
- Groupe auquel la chaîne est rattachée : Groupe Air France (filiale à 100 %).
- Capital : 35.880.000 F
- Management : Président : Paul Bruyant. Direction commerciale : Jacques-Yves Berard. Direction du marketing : Myriam Rient. Direction du développement : Jean-Paul Cambolin. Direction du personnel : Antoine Blavignac. Direction d'exploitation : Roland Ayme. Direction financière : Franco Pisanello. Relations publiques et relations avec la presse : Francine Machenaud.
- Nombre total d'unités ouvertes au 1<sup>er</sup> janvier 1984 : 43, totalisant 13.300 chambres dont étrangers : 36 unités, totalisant 11.020 chambres. Catégorie : hôtels 4\* : 43
- Gestion : en filiale : 6, en franchise 5, en mandat de gestion : 32.
- Répartition des établissements : France Métropole : 4 DOM-TOM : 3, Europe : 2, Afrique : 12, Asie/Pacifique : 15, Amérique/Caralbes : 7
- Nombre d'emplois : Siège : 95. Total : 12.000.

### CHIFFRES :

- C.A. HT/HS exercice 1983 : Total : HT/HS 2.765 millions de F.
- Structure du C.A. HT/HS : en millions de F

En France			
Hébergement	Restauration	Divers	Total
1 509	989	265	2 763

- Pourcentage de la clientèle étrangère en France : 77,5 % hors DOM-TOM 64,3 % DOM-TOM inclus.
- Taux d'occupation moyen en 83 : 62 %.
- R.B.E. : 664 millions de francs

### INFORMATIONS COMMERCIALES :

- Budget publicitaire et promotionnel de la chaîne Total : 75 millions
- Tirage du guide : 50.000 exemplaires catalogues corporate + 450.000 ex. brochure grand public.
- Campagne internationale en 1983, presse grand public et professionnelle.
- Image de marque : Création image de marque loisirs, livre de normes, uniformes.
- Faits marquants de l'exercice 1983 : ouverture hôtels Singapour, décembre 1983, San Francisco, octobre 1983. Lancement Méridien loisirs.

### EVOLUTION - PERSPECTIVES :

- Unités ouvertes entre le 1.1.83 et le 1.1.84 : San Francisco, 676 chambres, U.S.A. Singapour Ville, 413 chambres, Singapour Milan, 263 chambres, Italie.
- Unités ayant quitté la chaîne en 1983 : Monastir, 200 chambres, Tunisie.
- Ouvertures prévues en 1984 : Colombo, 493 chambres, Sri Lanka, New-Orleans, 507 chambres, U.S.A. New-Port Beach, 474 chambres, U.S.A. Singapour Airport, 280 chambres, Singapour Porto, 232 chambres, Portugal.
- Ouvertures suivantes : 1985 : Lisbonne, Portugal. Alep, Syrie. New Delhi, Inde, 1986 : Heliopolis, Egypte, 1987 : Vancouver, Canada. Taipei, Formose

**PRÉSENTATION :**

- Siège social : 8, rue d'Athènes, 75009 Paris. Téléphone : 280.66.13. Téléx : 643 241.
- Activités : Hôtellerie - Restauration - Villages de vacances - Résidences locatives.
- Groupe auquel la chaîne est rattachée : Compagnie Internationale des Wagons Lits et du Tourisme.
- La société est cotée en bourse.
- Management : Administrateur, Directeur général : Jacques-Bernard Dupont. Directeur général adjoint : M. Boyaux. Direction centrale hôtelière : J. Bellin. Direction du marketing : J. Herbert. Direction financière : Gérard Duffieux. Direction du personnel : M. Willmes.
- Nombre total d'unités ouvertes au 1<sup>er</sup> janvier 1984 : 92 totalisant 11.865 chambres, dont étranger : 56, totalisant 7.165 chambres. Catégorie 3\* : 47, 4\* : 36, 4\* L : 8.
- Nombre d'établissements exploités en France : 36, en filiale : 29, en franchise : 1, en mandat de gestion : 6.
- Répartition des établissements : France Métropole : 28. OOM-TOM : 8. Europe : 25. Afrique : 26. Asie-Pacifique : 4. Amérique/Caribbes : 1.

**CHIFFRES :**

- Structures du C.A. HT SC.

	En francs			en %
	Hébergement	Restauration	Total	
France	404 100 000	292 700 000	696 800 000	53
Etranger	527 300 000	83 200 000	610 500 000	47
Total	931 400 000	375 900 000	1 317 300 000	100

- Taux d'occupation moyen en 1983 : 64,6 % en France, 56,8 % à l'étranger.
- Pourcentage de la clientèle étrangère en France : Paris + St-Jacques : 70 %. Province : 30 %

**INFORMATIONS COMMERCIALES :**

- Budget publicitaire et promotionnel de la chaîne : Total : 100.000 F + budget propre à chaque hôtel du groupe.
- Tirage du guide : 300.000 exemplaires.
- Faits marquants de l'exercice 1983 : A la suite de négociations engagées depuis de longs mois, le groupe CIWLT prit en 1983 contrôle de la chaîne P.L.M., par l'achat de plus de 37 % du capital. Décision fut prise de fonder les deux chaînes sous le nom "PLM Etap".

**EVOLUTION - PERSPECTIVES :**

- Unités ouvertes entre le 1.1.83 et le 1.1.84 : 5 à l'étranger, 561 chambres dont Vienne (Autriche), Brazzaville (Congo), Ismaïlia (Egypte), Nîmeque (Pays-Bas).
- Projets : Le Caire (ouverture d'un hôtel prévue)

**PRÉSENTATION :**

- Siège social : 2, rue de la Mare Neuve, 91021 Evry Cedex. Téléphone : 077 93.20. Téléx : 691 852.
- Activités : Hôtellerie - Restauration.
- Date de création : 1961
- Groupe auquel la chaîne est rattachée : ACCOR.
- Capital : 79.023 400 F
- Management : Président : Benjamin Cohen. Direction du marketing : Joël Mingasson. Direction d'exploitation : André Coeugnet. Relations publiques et relations avec la presse : Marie-Christine Combel
- Nombre total d'unités ouvertes au 1<sup>er</sup> janvier 1984 : 51, totalisant 8.555 chambres dont étranger : 23, totalisant 4.437 chambres + 164 bungalows. Catégorie 4\* et 4\* L.
- Nombre d'établissements exploités en France : en filiale : 20, en franchise : 5, en mandat de gestion : 1. Sous d'autres formes : 1
- Répartition des établissements : France Métropole : 27. Europe 2. Afrique : 13. Asie/Pacifique : 7. Amérique/Caribbes : 2.

**CHIFFRES :**

- C.A. TTC exercice 1983 en milliers de Francs : Filiales : 1.109.218 KF. Franchisés : 55.104 KF. Total : 1.164.322 KF.
- Structure du C.A. TTC.

	En milliers de Francs				en %
	Hébergement	Restauration	Divers	Total	
France	351 696	252 067	72 650	676 415	58
Etranger	204 220	253 717	27 970	485 907	42
Total	555 916	507 784	100 620	1 164 322	100

- Taux d'occupation moyen en 1983 :

	Finances		
	Finances	Franchisés	Autres
France	82,3	99,3	55,3
Etranger	56,9	-	49,6

- Pourcentage de la clientèle en France : 40 %

**INFORMATIONS COMMERCIALES :**

- Budget publicitaire et promotionnel de la chaîne : Total : 5.755.000 FF (1983)
- Tirage du guide : 500.000 exemplaires
- Campagne nationale 1983 : oui, presse.
- Image de marque : Hôtels contemporains de bon confort, décor sans luxe ostentatoire, politique de qualité au niveau de la restauration, sécurité d'un service efficace, professionnel

**EVOLUTION - PERSPECTIVES :**

- Ouvertures prévues en 1984 : Etranger : Hollande
- Projets, nouveaux pays de développement : Europe

## NOVOTEL

## MERCURE

### PRESENTATION :

- Siège social : 2, rue de la Mare Neuve, 91021 Evry Cedex. Téléphone : 077.93.20. Téléc : 691.852.
- Activités : Hôtellerie - Restauration
- Date de création : 1967
- Groupe auquel la chaîne est rattachée : ACCOR.
- La société est-elle cotée en bourse : oui, groupe ACCOR
- Management : Co-Président : Paul Duorule, Gérard Peisson. Direction du marketing : Henri Faraut. Relations publiques et relations avec la presse : Laurence de Saulieu.
- Nombre total d'unités ouvertes au 1<sup>er</sup> janvier 1984 : 166, totalisant 22.825 chambres, dont étranger : 84, totalisant 13.369 chambres.
- Nombre d'établissements exploités en France : En filiale : 47, en franchise : 19, en mandat de gestion : 16
- Répartition des établissements : France Métropole : 80, DOM-TOM : 4, Europe : 57, Afrique : 20, Asie-Pacifique : 1, Amérique/Carabes : 14.

### CHIFFRES :

- C.A. TTC H.S. exercice 1983 : Filiales : 1.061.069.400 F. Franchisés : 820.016.600 F. Total : 1.881.086.000 F
- Structure du C.A. TTC

	En francs			Total	en %
	Hébergement	Restauration	Divers		
France	428.478.000	381.706.000	58.109.000	868.293.000	44,98
Etranger	322.364.000	431.812.000	80.817.000	1.034.993.000	55,02
Total	1.050.842.000	793.318.000	136.926.000	1.881.086.000	100

- Taux d'occupation moyen en 1983

	Finies	Franchises	Total
France	85,5	84	85,1
Etranger	53,4	58,2	53,8
Total	59,4	61,6	60,5

### INFORMATIONS COMMERCIALES :

- Budget publicitaire et promotionnel de la chaîne. Total : 6.200.000 F.
- Tirage du guide : 1.100.000 exemplaires.
- Campagne nationale 1983 : oui.
- Image de marque : Hôtellerie grand confort, internationale. Produit très homogène par la taille, l'équipement chambre ; restauration type grill avec amplitude horaire 6 h-24 h.
- Faits marquants de l'exercice 1983 : décisions sur compléments d'aménagement des chambres, nouveau produit chambre, vaste programme de rénovation des restaurants, pâtisseries et nouveaux grills.

### EVOLUTION - PERSPECTIVES :

- Evolutions technologiques au service des clients. Gains productivité pour le personnel.
- Unités ouvertes entre le 1<sup>er</sup> 1 83 et le 1<sup>er</sup> 1 84 : 59 (Allemagne, Autriche, Sénégal, Gambie, Brésil, Grande-Bretagne, Congo)
- Ouvertures prévues en 1984 : France : Paris La Défense, Quimper, Paris Les Halles (en 1985) ; Etranger : Londres, New York, Duisbourg, Oman, Lisbonne, Portogentil, Moroni, Bamenda, Burundi, Madrid, Hasselt

### PRÉSENTATION :

- Siège social : 2, rue de la Mare Neuve, 91021 Evry Cedex. Téléphone : (6) 077.93.20. Téléc : 691.852.
- Activités : Hôtellerie - Restauration.
- Date de création : 1973.
- Groupe auquel la chaîne est rattachée : groupe ACCOR
- Capital : 872.827.000 F.
- Management : co-présidents : Paul Duorule et Gérard Peisson. Direction du marketing : Henri Faraut. Directeur de la marque : Guillaume Vidal.
- Nombre total d'unités ouvertes au 1<sup>er</sup> janvier 1984 : 49, totalisant 5.117 chambres dont étranger : 3, totalisant 292 chambres. Catégorie 2\* : 2 ; 3\* : 42 ; 4\* : 5.
- Nombre d'établissements exploités en France : en filiale : 37, en franchise : 9.
- Répartition des établissements : France Métropole : 46, Europe : 3.
- Nombre d'emplois : Siège : 6. Unités filiales : 1.294. Total : 1.470.

### CHIFFRES :

- C.A. TTC exercice 1983 : filiales : 400 millions de F. Franchisés : 47 millions de F. Total : 447 millions de F.
- Structure du C.A. TTC.

	En %		
	Hébergement	Restauration	Divers
France	58	38	4
Etranger	58	38	4

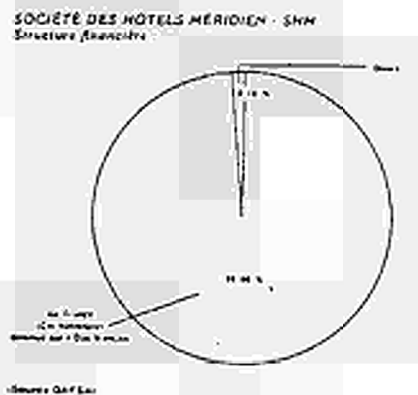
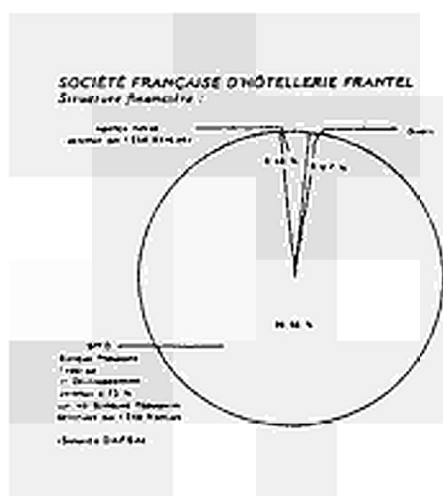
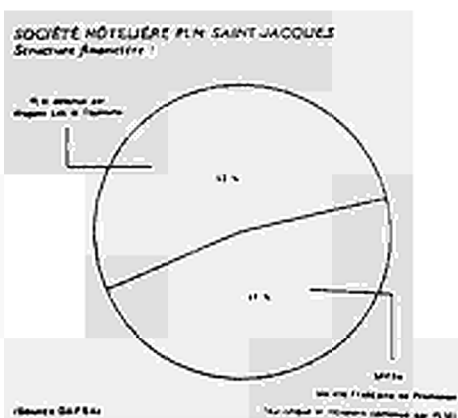
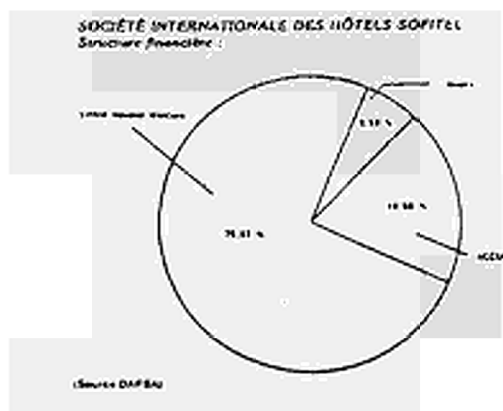
- Taux d'occupation moyen en 1983 : 57,6 %.
- Pourcentage de la clientèle étrangère en France : 25 %.

### INFORMATIONS COMMERCIALES :

- Budget publicitaire et promotionnel de la chaîne. Total : 5.520.000 F.
- Tirage du guide : 500.000 exemplaires.
- Campagne nationale 1983 : presse hebdomadaire, relations publiques, promotions aéroports, etc.
- Image de marque : Hôtellerie 3\*, restauration traditionnelle adaptée à la région.
- Faits marquants de l'exercice 1983 : augmentation du nombre d'hôtels.

### EVOLUTION - PERSPECTIVES :

- Unités ouvertes entre le 1<sup>er</sup> 1 83 et le 1<sup>er</sup> 1 84 : 7 en France, 700 chambres 3\*.
- Ouvertures prévues en 1984 : France : 2 à Lyon, 1 à Dunkerque ; Etranger : Wien (Autriche).





APPENDIX C  
FRANCHISING IN THE HOSPITALITY INDUSTRY

- Franchising is a method of distribution that justifies itself in tourism.
- There are several forms of franchise in the hospitality world.
- The investment franchise is the main type of franchise in the hospitality industry.
- Recently a textbook, "Franchising and Other Business Relationships in Hotel and Catering Services", by Janet Housden, explains, in practical terms, the value of this system. (Heinemann-London 1984)

The main USA hotel chains use general franchising criteria and we summarize some of the general lines:

HOLIDAY INNS : New franchises must have a minimum of 100 rooms, provide a full restaurant service, and must be built to Holiday Inns construction standards. Swimming pool, direct dial phones, air conditioning, color TV, meeting facilities, on-premise laundry are some of the required facilities.

Every Holiday Inn must enter the reservation system and lease the company sign. Many supplies must be purchased from the company.

- + The main investments and costs:
  - a) initial franchise fee per room
  - b) royalty fee on gross room revenue
  - c) royalty fee on restaurant and bars revenue

- d) advertising fee on rooms revenue
- e) reservation fee on rooms revenue
- f) leasing cost of standard Holiday Inn's sign plus optional signs

+ The services provided to franchisee:

- training of personnel and management
- supply assistance
- marketing coordinator
- standards and quality inspections
- consultancy and general assistance

SHERATON : Requires similar characteristics plus a feasibility study. Royalties based on fixed percentage on rooms sales and on beds capacity. Generally three annual quality inspections.

HILTON : Minimum requirements are similar. Costs and investments range around same percentages as Sheraton's.

There is evidence also of franchising in the companies we have called Hotel Groups. The most important in Europe and in the EEC is Best Western. In the United States these groups are also called 'referral groups'.

The general lines and principal criteria for membership:

BEST WESTERN : No minimum number of rooms is generally requested. No restaurant service but many brand gadgets, wrappers, objects and printing are compulsory supplies. Members must use the company reservation system.

+ Costs and Investments:

- a) cost of membership depends on the size of hotel
- b) annual cost of Standard Best Western sign
- c) reservation system cost (monthly fee plus fee on single reservations)
- d) national advertising fee per room and per day

+ Best Western provides:

- training school for staff members
- design consultancy and general assistance
- quality inspections

In every country these criteria may be modified following the general standard requirements of the group.



APPENDIX D

VAT Rates in the EEC States

<u>Country</u>	<u>Hotels</u> <u>(night stays only)</u> (%)	<u>Restaurants</u> (%)
Denmark	22	22
UK	15	15
Eire	15	15
FRG (Germany)	13	13
France	7 <sup>a</sup>	17.6
Belgium	6	17
Italy	10 <sup>b</sup>	10
Luxemburg	5	5
Netherlands	4	4
Greece	Greece does not have Value Added Tax	

a - 17.6% in luxury hotels

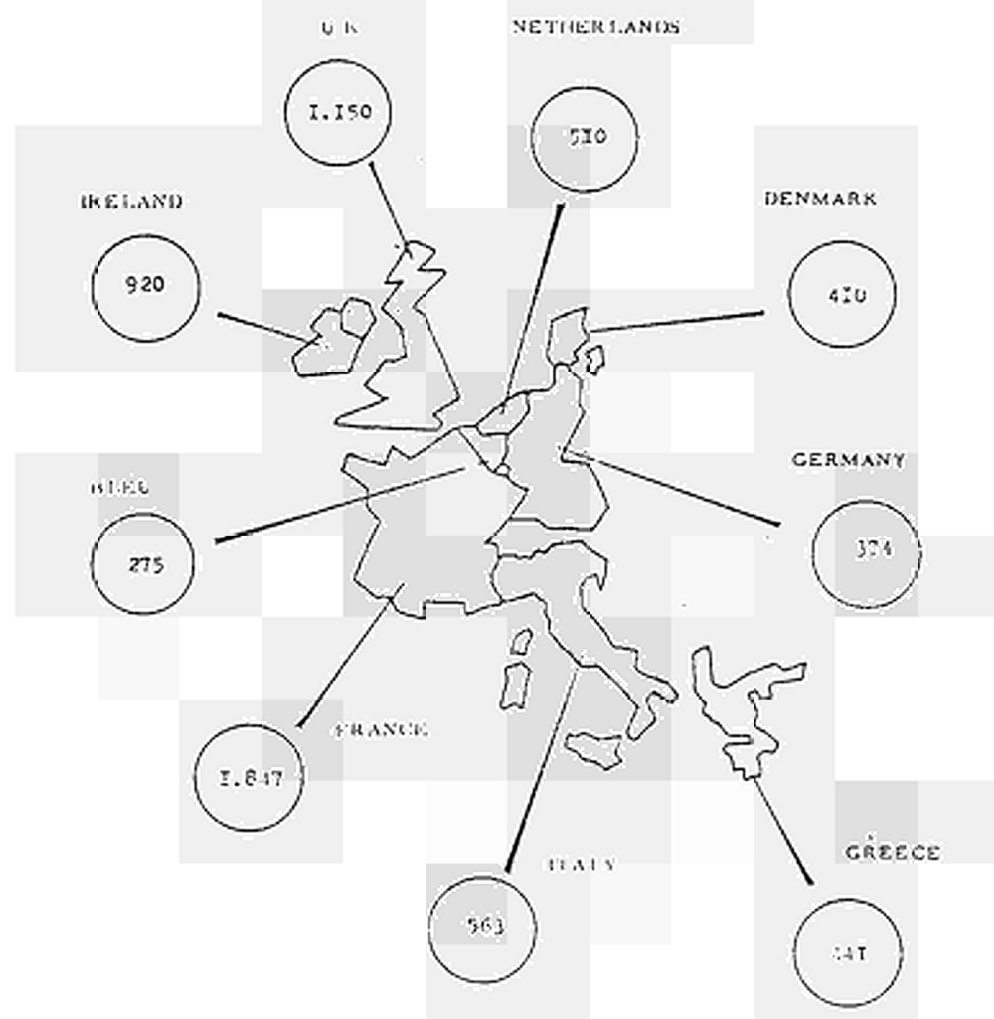
b - 18% in luxury hotels

## APPENDIX E

### RATE OF IMMENSITY OF TOURISM IN THE EEC - 1982

Number of inhabitants/overnight stays per 100 inhabitants

(Source: WTO Secretariat)



# TOP TEN HOLIDAY RESORTS

## FOR PACKAGE HOLIDAYS

(Last years positions in brackets)

### SUMMER 1983

1. BENIDORM (2)
2. CORFU (1)
3. PARIS (3)
4. LLORET DE MAR (7)
5. MAGALUF (4)
6. SAN ANTONIO (5)
7. TORREMOLINOS (8)
8. SALOU (11)
9. PALMA NOVA (6)
10. OTHER TENERIFE (13)

### WINTER 1983/84

1. BENIDORM (1)
2. TORREMOLINOS (4)
3. PUERTO DE LA CRUZ (3)
4. OTHER TENERIFE (2)
5. MAGALUF (6)
6. GRAN CANARIA/LAS PALMAS (5)
7. PALMA NOVA (8)
8. LANZAROTE (13)
9. FUENGIROLA (11)
10. PARIS (7)

### SKI RESORTS 1983/84

1. SOLL (2)
2. MAYRHOFEN (1)
3. KITZBUHEL (4)
4. SAUZE D'OULX (5)
5. CERVINIA (3)

These charts are based on package holidays booked up to end

OCTOBER 1983 for departures APR '83 to MAR '84 as measured by the British Market Research Bureau's "Holiday Booking Index"

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**BMRB**

APPENDIX G

## Your Holiday Shopping Basket

ITEMS	PORTUGAL	BALEARIC ISLANDS	SPANISH MAINLAND	CANARY ISLANDS	MALTA	GREECE	YUGOSLAVIA	ITALY	FRANCE	AUSTRIA	NORTH AFRICA	LONDON
	£	£	£	£	£	£	£	£	£	£	£	£
DINNER FOR TWO 	4.54	6.55	6.43	8.72	9.00	6.07	5.73	12.68	10.76	6.85	9.34	17.50
WINE 	1.02	0.92	0.60	1.72	2.25	1.02	1.40	1.09	2.15	3.32	2.60	4.50
CUP OF COFFEE 	0.09	0.26	0.32	0.31	0.40	0.32	0.22	0.37	0.39	0.74	0.26	0.60
BEER 1/2 LITRE 	0.28	0.34	0.34	0.57	0.35	0.50	0.50	0.65	0.39	0.70	0.73	0.60
CUP OF TEA 	0.14	0.25	0.30	0.29	0.32	0.32	0.22	0.26	0.43	0.55	0.26	0.40
CAMERA FILM 	2.09	2.11	2.64	1.55	3.05	3.13	3.35	1.79	2.06	2.55	2.60	1.66
SOFT DRINK 	0.19	0.31	0.32	0.25	0.32	0.26	0.35	0.39	0.69	0.63	0.31	0.50
SUN OIL 	1.98	1.95	1.88	2.21	3.67	1.95	1.61	2.53	1.72	2.21	0.90	3.50
POSTCARDS (incl stamp) 	0.19	0.15	0.14	0.15	0.19	0.17	0.14	0.20	0.33	0.31	0.13	0.22
CAR HIRE 	59.53	59.43	61.03	59.43	59.08	104.89	131.25	89.95	93.98	97.34	145.23	104.65
PETROL PER GALLON 	1.91	1.80	2.00	1.40	1.68	1.66	1.65	2.31	3.85	1.73	1.66	1.83
<p>The total shown below is based on dinner for two (plus two drinks to share each night, 2 cups coffee and tea, 2 beers and 4 soft drinks each day for a week, 2 rolls of 24 print camera film, 1 frame of 35mm film, 5 postcards (including postage), car hire for a week and 5 gallons of petrol.</p>												
TOTAL FOR ONE WEEK	127.57	148.22	151.90	168.97	180.84	196.12	221.36	233.84	237.85	245.49	271.04	315.36

All prices shown are only a guide. Actual prices may vary. All prices are in £/pence and are correct as August 1984.

APPENDIX H

Table H-1

Evolution of Hotel Capacity

(number of beds in the hotel sector  
including recognized hotels)

<u>Countries</u>	<u>1967</u>	<u>1981</u>
United Kingdom	187,840 <sup>a</sup>	727,867 <sup>e</sup>
Eire	43,731	47,861
Denmark	57,577	69,303
FRG (Germany)	776,968	1,042,611
Netherlands <sup>b</sup>	---	103,445
Belgium	98,764	84,769
Luxemburg	13,060	15,244
France	(358,526) <sup>c</sup>	1,577,996 <sup>d</sup>
Italy	1,173,800	1,576,871
Greece	90,362	303,855

a - estimate

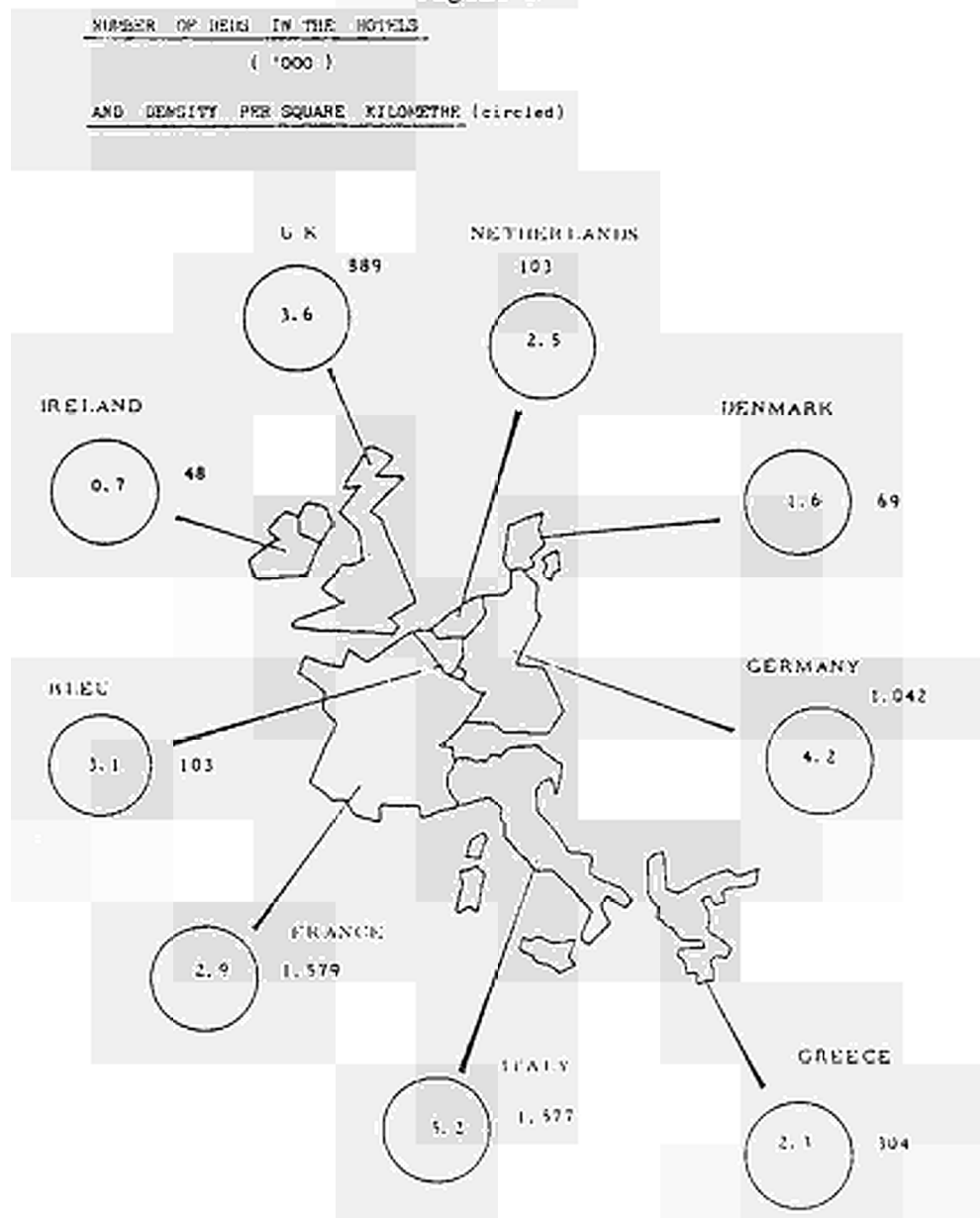
b - capacity relative to the hotel's members of HORECA

c - number of rooms relative only to recognized hotels

d - number of beds in all the hotel sector

e - number of beds in the hospitality sector calculated by the  
National Tourist Boards

Figure 5



## APPENDIX I

Recently different sources have tried to estimate the most important chains and their bed capacity throughout the world. The assembly of the data offers a classification:

<u>Hotel Chain and Groups</u>	<u>No. of Rooms Worldwide</u>
1. Holiday Inn	312,000
2. Best Western International	205,000
3. Sheraton	113,000
4. Ramada Inn	98,000
5. Hilton International	94,000
6. Trusthouse Forte	75,000
7. Grand Metropolitan	52,000
8. Hyatt Hotels	50,000
9. Club Mediterranee	48,000
10. Marriott's	46,000

1984: Approximate data.

Our estimation on data of TTG / Hotel and Restaurants / R.A. Nykel.

## APPENDIX J

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European Communities — Commission

**The tourism sector in the Community**

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