



# World Tourism Organization

## Impact of the Global Economic Crisis on Local Tourism Destinations

### Survey Report

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## **Preface**

Given the current circumstances regarding the global economic crises; UNWTO has developed a “Roadmap for Recovery”, together with a message to world leaders and civil society to highlight the tourism sector’s potential to contribute to economic recovery. The UNWTO also established a Tourism Resilience Committee (TRC) to monitor and respond to the changing situation. Within this context, the Destination Management Coordination Office of the UNWTO Secretariat conducted a survey (March-May 2009) in which more than 50 local destinations (members/non-members) from different geographical regions participated.

This report provides a current situation analysis about the impact of the economic crisis on tourism destinations based on the opinions of Destination Management Organizations (DMOs) of coastal, urban, rural, mountain destinations and multi-type<sup>1</sup>

The purpose of this report is to develop a simple but reliable basis of knowledge about the tourism destinations at local and regional level in order to identify the main challenges they are facing, to measure the attitudes and actions on key policy issues and to provide useful information about good practices and best measures for the future.

- **Part 1**

Overview of the global tourism footprint and an analysis of the impact of the current financial downturn on tourism destinations.

- **Part 2**

Evaluation on the policy actions and measures applied or launched by different tourism destinations in order to respond to the crisis.

- **Part 3**

Good practices towards a new ‘Green Economy’.

- **Part 4**

Future plans and strategies for the recovery of tourism destinations.

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<sup>1</sup> The term ‘multi-type’ is being coined to describe destinations which fit in more than one of the given categories (e.g. an urban destination in an island).

## 1. INTRODUCTION

### 1.1 The Footprint of Global Tourism

World economy faces an unprecedented crisis, triggering one of the most severe recessions in generations. According to the International Labor Organization (ILO) the number of global unemployment in 2009 may ascend up to 50 million over the 2007 level. The financial and economic crisis keeps deteriorating with all the major source markets already in or entering downturn. The GDP is likely to decline by some 1.3% in 2009, the exports have been dramatically reduced and all the advanced economies urge to deploy fiscal resources. Even the emerging economies which at the beginning seemed to overcome, they are rapidly facing the impact of the economic crisis too.

The tourism sector alongside other economic sectors senses the impact of the deterioration of the global economy. According to the data on the UNWTO World Tourism Barometer, International tourist arrivals were estimated at 59 million for January 2009 and 58 million for February, a notable decline of about 8% in comparison with the very strong two months of 2008<sup>2</sup>. The severe economic downturn is accompanied by an increasing uncertainty, high market volatility and low business and consumer confidence, affecting both emerging and mature destinations apparently on a long term.

This trend is confirmed by data on air transport by the International Air Transport Association (IATA), which shows 7.7 % decline in air passenger's traffic up to May 2009<sup>3</sup> and data on hotel occupancy rates which, according to Smith Travel Research (STR), are down by 10% or more in all world regions in the period January-April 2009.

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<sup>2</sup> For detailed information about International tourist arrivals please click to the following link :

<http://unwto.org/facts/eng/barometer.htm>

<sup>3</sup> Source official web page of IATA :

[http://www.iata.org/nr/rdonlyres/d5eb1cd5-eda2-4aae-9dc7-22131a78a498/0/mis\\_note\\_apr09.pdf](http://www.iata.org/nr/rdonlyres/d5eb1cd5-eda2-4aae-9dc7-22131a78a498/0/mis_note_apr09.pdf)

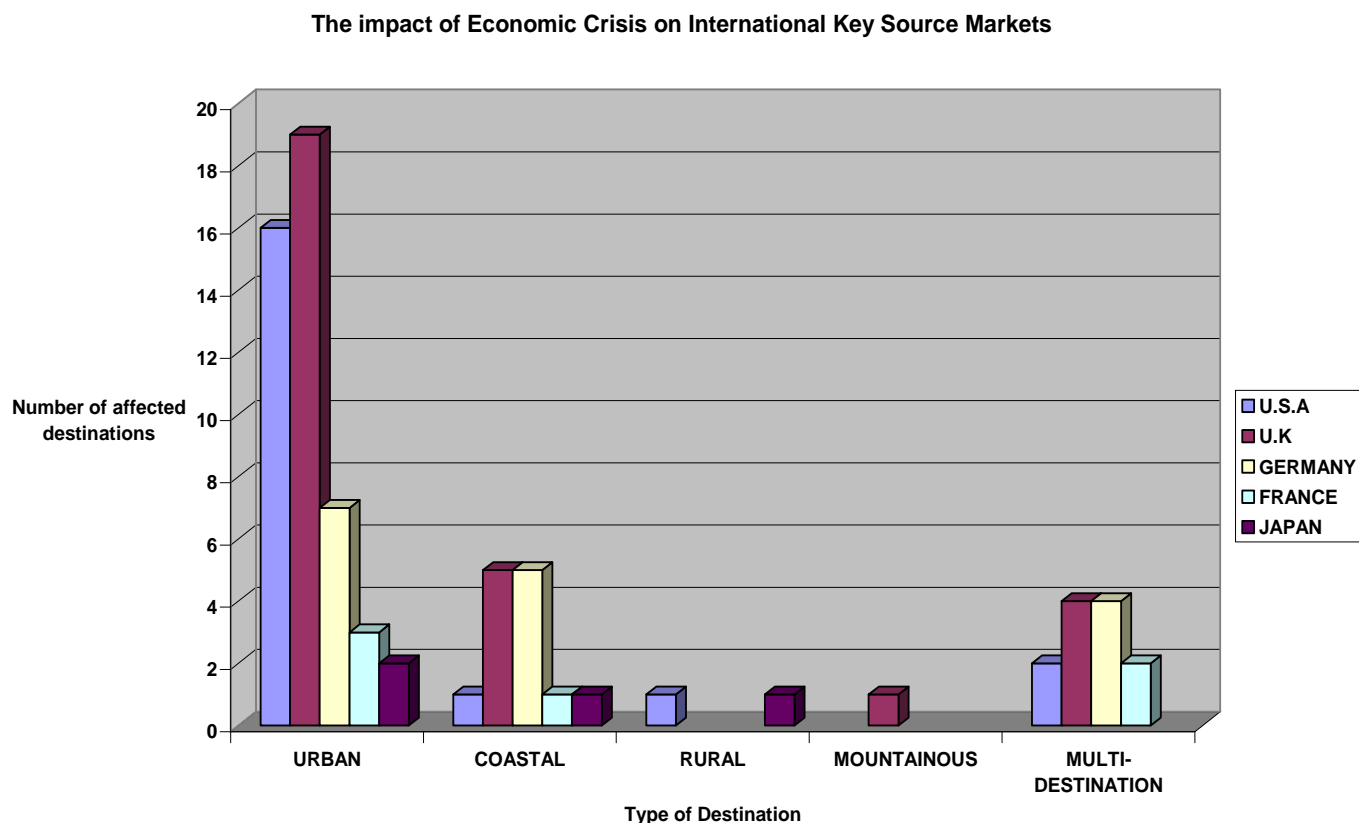
## 1.2 Current Situation Analysis of the Impact of Economic Crisis on Tourism Destinations

The global financial crisis has severely impacted the domestic and international source markets. As a result, the dynamics of tourism industry has changed significantly and tourism demand focused on less vulnerable markets and safer segments.

According to the responses received in this survey, the impact of the economic downturn on international tourist flows has been very high for most of the urban, coastal and mountain destinations and moderate for multi-type ones. Analytically, the majority of urban destinations have registered a major drop on arrivals, mainly from the U.S.A and U.K followed by Germany, France and Japan. The source markets of Germany and the U.K are the most affected in the case of coastal and mountain destinations; similarly multi product destinations have recorded a significant decrease on tourism flows from Germany and the U.K. (see graph 1)

Domestic tourism has been affected relatively less from the current economic conditions. However, the number of domestic tourists has dropped considerably in most coastal and mountain areas and in some multi-type destinations.

**Graph 1**

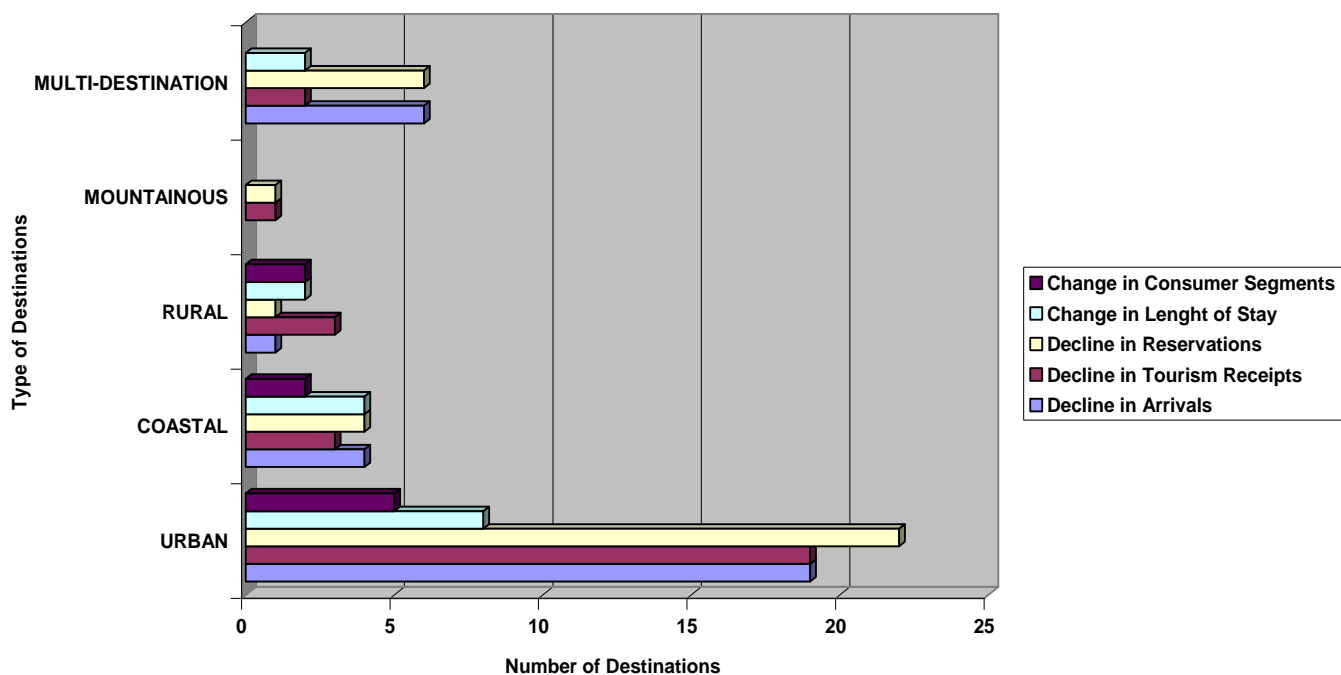


The current economic slowdown has triggered several changes and new challenges

for the tourism product of many destinations around the world. Based on the opinions of the Destination Management Organizations, the most important consequences of the crisis are related with decline in arrivals, tourism receipts and reservations, shorter length of stay and modifications in consumer segments. As it can be seen in *Graph 2*, the reservations and tourism receipts have declined dramatically in urban, coastal and mountain destinations whereas arrivals dropped in most coastal and in many multi-type destinations. The length of stay has shrunk in many coastal and several urban and rural destinations where most of the visitors were weekenders and short-trippers. Some urban, coastal and rural destinations have identified major changes in consumer segments with substantial shift to more affordable tourism products and an increasing demand for special interest tourism services.

**Graph 2**

**Main Challenges for Tourism Destinations due to Economic Crisis**



It is clear that various tourism products and services have performed differently against the current financial downturn. M.I.C.E activities were identified as the most affected tourism services by the majority of urban and multi-type destinations. Apparently, shopping and entertainment businesses have slowed down in many coastal, urban and multi-type destinations whereas cultural attractions are heavily exposed to the downturn in many coastal, mountains and urban destinations.

It is fairly certain that the accommodation sector has been affected to a larger extent from the crisis. Lodging performance has registered major declines in the majority of

urban, multi-type destinations and in many coastal, mountain and rural areas. Food and beverage enterprises have also turned down in the majority of urban and coastal destinations and to some extent in some rural destinations.

The picture was also gloomy for the transportation sector since several carriers have reduced and minimized operations mainly to the coastal destinations.

Conversely, tourism products based on natural attractions positively adapted to the situational conditions in many mountain, rural and coastal destinations. Health & wellness services, as well as sports/adventure products have performed substantially well in many urban and multi-type destinations.

Finally, it is witnessed by many DMOs that the support services have performed effectively to mitigate the negative impacts.

## 2. TOURISM RECOVERY ACTIONS BY DESTINATION

### 2.1 Immediate Responses against the Global Recession

In order to respond to the current economic downturn, governments at all levels have launched specific measures and re-designed their short and medium term strategies for tourism development. It is clear that the capacity of each destination to apply actions and policies differs and certainly is determined by several financial, institutional, political and cultural conditions. Since the level of tourism development together with the stage of the life cycle of the tourism product is different in each destination, the priorities and the impediments are distinct. Therefore tourism recovery calls for specific and tailor-made measures and actions.

The survey also identified the major policies and actions adopted by central /regional and or local governments in order to mitigate the impact and adapt to change. The destinations were classified into five different types, namely, urban, coastal, rural, mountain and multi-type. Furthermore and for analytical purposes the recovery measures and actions have been grouped into the following categories:

1. **Fiscal and Monetary policy**
2. **Marketing measures**
3. **Public/private partnership**
4. **Innovation & Technology**

It should be mentioned that in addition to the above mentioned categories, some measures regarding travel facilitation and human resources policy have also been launched by a few urban and multi-type destinations. These measures are basically related to the simplification of travel regulations and the enhancement of human resources performance.<sup>4</sup>

#### 2.1.1 Fiscal and Monetary Policy

A number of fiscal measures and monetary actions have been launched by governments at national, regional and local levels to assist the tourism industry maintain their competitiveness in the marketplace. It should be highlighted that several measures and actions were already part of the economic stimulus packages released by different countries due to the global financial downturn.<sup>5</sup>

According to the results of the survey, to better confront the crises, strategic measures like facilitation of payment and credit lines, direct allocation of funds for tourism businesses were supported by the majority of urban, multi-type and coastal destinations. Some regional and local governments initiated special allowances for the development of tourism infrastructure and the related services.

<sup>4</sup> For analytical information for tourism recovery measures and actions for each type of destination see ANNEX I.

On the other hand, a few urban and coastal destinations have considered the “rationalization of taxes” and / or subventions and financial exemptions for tourism enterprises particularly for the SMME’s. Again, a limited number of few urban and multi-type destinations provided incentives for tourism related investments and the development of new tourism products and services.

DMO’s of rural and coastal destinations have less benefited from the national stimulus packages whereas the urban and multi-type destinations seemed to have a serious advantage. The reason could be the relatively low level of economic and administrative decentralization in some countries and the overall difficulty of having access to funds and/or participation in the decision making process.

### 2.1.2 Marketing Measures

Marketing measures are being considered of high priority for the rejuvenation of tourism destinations. However, most urban and multi-type destinations have acknowledged the importance of marketing activities either as an independent mechanism for the promotion of local tourism product or as the common goal for public and private partnerships or even as a means for the application of innovative products and services that will advance the performance of the destination. By contrast, almost all of the coastal, mountain and rural destinations are rather skeptical about the use of effective marketing tools for a fast tourism recovery. The different levels of reliable information about the dynamics of the marketplace and the capacity to embrace the market needs and changes rapidly might be the reasons to advocate for these controversial approaches on the role of marketing. For some urban and multi-type destinations, marketing activities, either as a result of the synergies among NTAs, local authorities and the private sector or as part of innovation and technology, have proved to be a feasible response to the crisis. Likewise, urban destinations which are mainly business and administrative centers, where the influx of information and the exchange of know-how are far more developed, have taken the advantage of offering a better competitive positioning.

It should be noted that in this survey, destinations were asked to evaluate the marketing activities within three different categories:

1. Marketing strategies and promotional activities developed and organized by the tourism destinations.

2. Co-marketing actions which were part of public and private partnership process.
3. Marketing systems and programs which were used as innovative solutions to enhance the performance of the destination.

### **2.1.3 Public- Private Partnerships (PPP's)**

A successful model for public and private partnerships (PPP's) is acknowledged by tourism destinations as a key driver for tourism resilience.

The most common types of (PPP's) that have been identified by the majority of the destinations are those related with marketing/promotion activities and the development of new products/services.

More than 20 urban destinations encouraged and/ or launched PPP's in the area of marketing and promotion of their local tourism product. A similar picture is observable for the multi-type destinations where 9 out of 12 designed co-marketing plans based on the cooperation with private sector and national and regional authorities. For coastal and rural destinations as well, encouraging PPP's in the field of marketing was a serious step for their recovery from the crisis.

PPP initiatives focused on the development of new tourism products and services have been a significant tool for some urban and multi-type destinations to emerge from the recession. However, the coastal and rural destinations in their efforts to develop new products and services could not benefit properly from PPP initiatives due to limited resources and options for cooperation.

### **2.1.4 Innovation & Technology**

Undisputedly the harness of technology and the introduction of innovative systems and solutions in tourism are of crucial importance for recovering from the crisis. The tourism destinations encouraged the innovation and technology in the following areas:

- 1) Information and communication technologies
- 2) Product development and operation
  
- 3) Resource management
- 4) Quality of products and services
- 5) Marketing and promotion

The improvement of communication systems and a broader use of information media such as internet have been considered as essential measures for all, particularly for coastal and mountain destinations which are relatively the less advantaged in this regard.

The development of new products and the design of innovative services would help rural and urban destinations to be more competitive and attract new target groups. However, few coastal destinations focused on the creation of innovative products/services as a reaction to the economic crisis.

Also very few destinations have incorporated innovation and technology into their resource management plan.

Innovative marketing techniques and the utilization of information technology for promotional purposes have been considered as a major tool, particularly for urban destinations.

Improving the quality of products and services is of crucial concern for some urban, coastal and multi-type destinations in their efforts to stimulate demand and achieve a higher performance.

### 3. GOOD PRACTICES TOWARDS A “NEW GREEN ECONOMY”

The lesson that can be learned from the global crisis is that the model of “business-as-usual” can no longer serve, and if we want to create a post-recession economy we should adopt new solutions that will mitigate greenhouse emissions, reduce carbon dependency, prevent ecosystems degradation and preserve the natural resources. These goals are the principles of the so-called “New Green Economy” which will invest in clean technologies and redirect economic activities towards an environmental friendly perspective.

Tourism and Travel could be a key sector and important vehicle to the transformation to the Green Economy due to its unique capacity to create jobs, stimulate infrastructure and boost trade and development, especially for the least developed economies.

In order to adopt the new principles of the ‘Green Economy’ many of the Destination Management Organizations develop or implement specific actions and measures.

Some of these good ‘green’ practices are highlighted below:

- Promotion of soft tourism by encouraging non-carbon or low-carbon tourism services.

#### **Example**

The creation of a self-bike hire system for urban and multi-type destinations.

- Implement a long term regional plan for renewable energy and natural resources management.

#### **Example**

The development of solar and Aeolian energy technologies and the creation of advanced water management system in insular tourism destinations.

- Design and host future eco-friendly events and activities.

#### **Example**

The organization of zero energy green events like a trekking festival in a mountain destination and cycling event in a multi-type destination.

- Design a master plan for the development of total green destination.

**Example**

Develop a strategic plan for sustainable public transportation, recycling and waste management, and protection of fragile ecosystems, encourage sustainable agriculture in rural destinations and promote green tourism products/services like agro tourism and slow tourism. Create an eco-certification system and encourage tourism enterprises of urban and multi-type destinations to adopt national and international eco-labels and standards.

- Launch a grant scheme for the promotion of sustainable tourism.

**Example**

On the basis of participatory processes the local/regional tourism administration, tourism enterprises and local stakeholders of coastal, rural and mountain destinations may launch a grant scheme for capacity building of tourism professionals, environmental awareness, ICT training, investments on clean technologies and energy efficient systems and the promotion of green tourism services and products applicable on local economy.

- Launch transnational, regional and local green initiatives and exchange information and experiences on green tourism.

**Example**

Encourage the engagement in initiatives such as the coalition of the rainforest countries, the Coral Triangle, Ocean Conference and Trade, the participation in national and international sustainable tourism forums and share information with other coastal, rural and mountain destinations on good practices and best solutions for the development of green tourism.

- Use environmental-friendly promotional material.

**Example**

The replacement of paperback brochures, maps and information flyers with electronic ones and the use of internet as a platform to promote coastal and rural destinations in green tourism niche markets.

#### 4. FUTURE PLANS AND STRATEGIES FOR TOURISM DESTINATIONS

Tourism and travel is a major job creator, trade and exports generator and development stimulator for many national and local economies particularly for the developing countries. The global economic crisis is a unique opportunity for the rejuvenation of the tourism sector at all levels. The current challenges are calling for new tailored-made actions and measures. Most of the destinations that participated in this survey are ready to readjust their long term policy strategies and plans in order to better promote their products and create job opportunities for the future.

The main priorities in the strategic plans of the Destination Management Organizations focus on the following areas:

- Marketing and promotion: The improvement of the distribution channels has been considered as a primary goal for the vast majority of destinations. Also, several urban destinations are planning to better promote their comparative advantages, build an appealing tourism image and establish a distinguished brand name in the tourism market. Many urban and multi-type destinations have acknowledged the need for a continuous evaluation and integration of their marketing plans following the demand and changes in the market.
- Innovation and technology: The introduction of innovative products and creative services combined with the harness use of ICT are crucial components of the medium and long term plans for many destinations. Particularly, e-tourism services and e-marketing systems have been identified as crucial pillars of the strategic plan.
- Re-positioning of products/services to niche, domestic and nearby source markets: Many destinations tend to lure specific niche markets and focus on reliable segments as the key drivers for the future. To this end, the DMO's of almost all destinations are taking actions to encourage the development of tourism products and services for the domestic and the nearby markets. Some coastal and mountain destinations have also intended to diversify their product and attract special interest groups for religious or adventure tourism. This is seen as a possible opportunity to stimulate tourism demand in the long run for some destinations. Mature urban destinations have prioritized the creation of added-value packages and quality services in order to increase tourism expenditure.
- Customer relationship management. One of the basic strategic priorities of the destinations is to improve CRM using ICT.
- Re-evaluation of budget. Some DMOs (basically coastal) plan to launch effective resource management initiatives to adapt to the new circumstances. E.g. remodeling of staff structure, cutting-off non essential costs.
- Increase synergies among all stakeholders and PPPs: Efforts are being made by many destinations to improve PPP structures for medium and long term actions. Re-assessment of the comparative advantages, development of a portfolio of segmented tourism products and services and the joint-marketing and promotional activities are some of the areas for alliances.

## ANNEX I

**Table1. Tourism Recovery Actions by Destination**

TOURISM RECOVERY ACTIONS BY DESTINATION											
NUMBER	TYPE	FISCAL POLICY	MARKETING	MONETARY POLICY	PUBLIC-PRIVATE PARTENSHIPS	PRODUCT-SERVICE DEVELOPMENT	INNOVATION & TECHNOLOGY				
					MARKETING-PROMOTION		INFORMATION & COMMUNICATION	PRODUCT DEVELOPMENT	RESOURCE MANAGEMENT	ADVANCE QUALITY	MARKETING
30	URBAN	11	17	20	21	7	21	14	4	11	17
5	COASTAL	3	1	1	2	1	4	2		2	1
5	RURAL	2	1	3	3	1	3	4	1	1	3
1	MOUNTAINOUS	1		1			1				1
12	MULTI-DESTINATION	6	10	7	9	1	5	7	5	9	10

## ANNEX II

### List of destinations which participated in the survey

Destination	Country
Aix-en-Provence	France
Algarve	Portugal
Buenos Aires	Argentina
Bali	Indonesia
Barcelona	Spain
Barcelona Provincia	Spain
Berlin	Germany
Biaritz	France
Bratislava	Slovakia
Brussels	Belgium
Budapest	Hungary
Cape Town	South Africa
Consetur Chile	Chile
Copenhagen	Denmark
Cordoba	Spain
Cumbria	United Kingdom
Dublin	Ireland
Florence	Italy
Gent	Belgium
Gijon	Spain
Girona	Spain
Granada	Spain
Hawaii	USA
Honduras SNV	Honduras
Hungary	Hungary
Ile de la Reunion	France
Kwa Zulu Natal	South Africa
Las palmas de G.Canarias	Spain
Lisbon	Portugal
Madeira	Portugal
Malta	Malta
Monterey	Mexico
Munich	Germany
Namure	Belgium
Nantes	France
Nuremberg	Germany

Olomouc	Czech Republic
Pakistan	Pakistan
Palma de Mallorca	Spain
Papua New Guinea	Papua New Guinea
Paris Convention	France
San Sebastian	Spain
Santiago de Compostela	Spain
Sofia	Bulgaria
Tallin	Estonia
La Tania	France
Tarragona	Spain
Uppsala Tourism	Sweden
Uttar Pradesh	India
Valencia	Spain
Vicenza	Italy
West Sweden	Sweden
Worcestershire	United Kingdom
York	United Kingdom
Zurich	Switzerland