Seaside tourism and eco-labels: The economic impact of Blue Flags

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HIGHLIGHTS

- We estimate a dynamic demand model using panel data on international arrivals.
- Blue Flags are effective in attracting foreign tourists to Italian coastal destinations.
- Current certification positively affects future inbound flows.
- Highly detailed geographic data for arrivals allows the analysis to focus exclusively on seaside tourism.
- When the overall inbound tourism to the whole province is considered, no impact emerges.

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ABSTRACT

In a period of rising competition and environmental concern, tourism destinations increasingly use signals that certify and communicate the quality provided in order to gain a competitive advantage over competitors. Given their aim of providing synthetized information on destinations, certifications particularly affect foreign tourists who suffer more from asymmetric information. This study considers the Blue Flag, one of the most popular eco-labels aiming at promoting seaside tourist destinations. The relationship between label achievement and inbound tourist flows is explored. Panel data techniques and highly geographical disaggregated data covering a rather long time span (2000—12) are used to compare the attractiveness of certified and non-certified Italian provinces. The empirical evidence suggests that current certification positively affects future foreign tourist decisions to visit the destination. Moreover, while the presence of at least one signal is effective in attracting tourists, no significant difference emerges among destinations with different signal intensity.

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1. Introduction

Tourism is one of the most important industries in Italy. In 2012 its direct contribution to total Gross Domestic Product (GDP) amounted to 81.9 billion US dollars (4.2% of total GDP), which is significantly higher than the world average of $17.2 billion (WTTC, 2012). Although domestic tourism accounts for the largest part of Italian tourist flows, Italy is the sixth most visited country in the world and attracted approximately 44.4 million international tourist arrivals in 2013 (WTTC, 2013). Yet, the dramatic reduction in transportation costs and time, the simultaneous increase in travel comforts, the advent of new tourist segments and new tourist

destinations have introduced profound changes to the tourism sector. These changes are also likely to threaten Italy's dominance in seaside tourism, which is one of the most important segments of the Italian tourism market (in the period 2008—2012 seaside destinations attract the highest portion of total internal flows in terms of overnight stays and only follows cultural heritage destinations in terms of total arrivals, ISTAT, 2013). Competition among seaside destinations takes place both at the national and international level and tourism firms are increasingly focused on gaining significant competitive advantages over competitors. Rejuvenation strategies are therefore developed in order to gain or retain some market power over domestic or international competitors and ultimately increase revenues. A crucial part of this complex and multifaceted strategy is the signaling of high (tourism) quality, through strong, credible, externally certified quality signals.

In particular, in a period of rising concern for and awareness about the environment, environmental certifications (eco-labels) are employed to promote tourist destinations and increase their

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competitiveness. Despite being highly visible in the media and the continual increase of quality studies on environmental certifications, quantitative estimations of economic impact are almost nonexistent (see Section 3 for a systematic review of existing impact assessments).

In order to fill this gap, the present work considers one of the most popular eco-labels in seaside tourism, the Blue Flag award, and explores the relationship between certification and tourist flows, focusing on Italy as a case study. Since certification programs provide synthetized information on destinations, we expect that they will specifically affect foreign tourists who are the most affected by asymmetric information on tourism destinations. Moreover, the decisions made by foreign tourists are more likely to be influenced by destination attractiveness, whereas domestic flows are often driven by non-tourist factors such as geographic proximity or periodic visits to family and friends which translate into persistency in travel (Nicolau & Mas, 2006).

Thus, our analysis aims at assessing the effectiveness of an environmental certification for a seaside destination (beach) when attracting foreign tourists to Italian coasts. Panel data techniques are used to compare the attractiveness of certified and non-certified provinces, by controlling for all the factors impacting tourist flows and possibly confounding the certification effect. We adopt dynamic specifications in order to account for persistency and reputation effects in tourism flows and using province data focus exclusively on seaside inbound tourism, which is disentangled from total inbound flows. This represents a key innovation with respect to existing studies, which cover overall regional or provincial flows without respect to specific destinations (Marrocu & Paci, 2013; Quintiliani, 2009). After providing a robust estimate of signal effectiveness in attracting foreign tourists, we analyze how the estimate is affected by including non-seaside tourism.

The work is aimed at providing clear evidence about the effectiveness of quality signals in attracting foreign tourists. The authors believe these results should be highly relevant for policymakers and stakeholders especially since they will bear the costs of meeting certification standards and need more information on the expected economic returns of such an investment.

The rest of the paper is organized as follows. Section 2 briefly introduces the Blue Flag certification program and the diffusion of the eco-label among Italian seaside destinations. Section 3 surveys existing studies assessing the impact of quality certification on tourism. Section 4 details the model and the econometric methods used for estimation. A description of the data sources is included. Section 5 reports the empirical results. Concluding remarks are summarized in Section 6.

2. Blue Flag destinations and tourism flows to Italian seasides

Environmental certification programs define, test and summarize the multiple dimensions of environmental quality of tourism products into easy and readable codes. This has the effect of promoting and recognizing good practices among local public authorities and tourist sector operators and further increases the information available about tourism destinations, which is often asymmetric, especially for foreign tourists. Providing more reliable information might attract the tourists who would be otherwise discouraged by their lack of knowledge on destinations. In addition, eco-labels might beckon new market segments, namely those characterized by sensitivity to environmental issues.

The Blue Flag is awarded to beaches and marinas in 48 countries around the world by the Danish Foundation of Environmental Education. To obtain a Blue Flag, destinations must meet 32 criteria concerning water quality, environmental management of the site, environmental education and information, and accessible beach

services. Reaching such high standards of quality comes at a significant cost both for local authorities and for beach operators, who are highly interested in quantifying the economic return of these practices.

The Blue Flag is a recognizable symbol of quality around the world. In 2013, 3850 beaches and marinas were awarded a Blue Flag and every year more than 200 are awarded to Italian beaches, marinas and lake shores. Although they are attributed to specific segments of the coastline, local authorities and the media often leverage a Blue Flag certification to promote the whole seaside area in any given municipality. Our analysis excludes lake shores and marinas, which compete in an ad hoc section of the Blue Flag program, and focuses exclusively on seaside beaches using data extracted from the official Blue Flag data listing number per municipal area.

Table 1 summarizes the distribution of Blue Flags across the coastal regions in Italy in 2012 and in the period 2000–2012. As can be seen in the Table, neither the coastal nature of an area (proxied by the number of coastal municipalities) nor its accommodation capacity seems to univocally explain the geographic distribution of Blue Flags. Surprisingly, in the last 13 years, the regions with the highest number of coastal municipalities (Sicily, Calabria and Sardinia) have a limited number of Blue Flags, as compared to other areas with fewer costal municipalities (see Liguria, Tuscany and Marche). Although in some regions a high overall accommodation capacity matches with a high number of Blue Flags, this is not always true.

Fig. 1 depicts the Blue Flag distribution by province and shows how Italian coasts have become *bluer* in the last 13 years, when the number of certifications has increased from 73 to 131.

Table 2 provides an overall picture of the internal Italian tourism market. In 2011 seaside destinations attracted the highest portion of tourism flows measured in terms of overnight stays (31% of total flows). When the number of total arrivals is considered, sun and beach destinations (22%) come only after cultural heritage sites (36%), revealing a different average length of stay for the two types of tourism.

Table 1
Blue Flag distribution in Italy's coastal regions.

Coastal regions	Num. of coastal municipalities per region	Accommodation capacity (%) in 2012[a]	Num. of Blue Flags in 2012[b]	Total num. of Blue Flags in the period 2000–12
Liguria	63	3.5	18	172
Tuscany	35	11.7	16	170
Marche	23	4.4	16	161
Abruzzo	19	2.5	13	134
Campania	60	2.6	13	120
Emilia-Romagna	14	9.9	8	104
Apulia	67	5.6	10	88
Sicily	122	4.4	5	51
Veneto	11	15.9	6	49
Calabria	116	2.5	5	47
Lazio	24	6.7	5	47
Sardinia	71	4.6	6	37
Friuli-Venezia Giulia	9	1.0	2	26
Basilicata	7	0.9	1	21
Molise	4	0.3	2	16

[a] Total regional capacity for hotels and other lodging as a percentage of total national capacity.
[b] The correlation between the number of Blue Flags and the number of coastal municipalities in each province is 0.19 but not statistically significant; this result is confirmed over time.
Source: Italian National Institute of Statistics (ISTAT) data from the census survey "Indagine sugli esercizi ricettivi 2012" and the Blue Flag Program (http://www.bandierablu.org).