

Turbulence in Mediterranean tourism

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ABSTRACT

Since mid-2015, the Mediterranean region has been rocked by a series of events that have collapsed major tourism markets like Egypt and Tunisia. This phenomenon has led to a substantial diversion of demand toward the countries of the Northern Mediterranean as evidenced by the rise in hotel prices. This growth in demand, however, has not been broad-based. While it has significantly benefited destinations such as the Balearic Islands, other destinations have seen a rather small effect. Also, at the level of company type and category, the new situation has primarily benefited low-end and mid-range establishments and major hotel chains. Lastly, *Brexit* has added market uncertainty and pushed down both the British pound and the share prices of large companies in the tourism sector—phenomena that will have long-term effects.

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1. Introduction

The aim of this paper is to analyse the diversion of tourism demand resulting from the conflict situation in several Southern Mediterranean countries since mid-2015. We start from an inescapable reality that holidaymakers seeking sun and sand are deeply risk-averse in every respect. They not only fear events that might affect their physical person, such as terrorist attacks, but they also know that critical events might cut short their prized holiday and turn it into an ordeal of unexpected transfers and repatriations amid a situation of war or serious upheaval.

The response of tourists to serious events has already been treated extensively in the literature on tourism (Baker & Coulter, 2007; Kozak, Crotts, & Law, 2007; Williams & Baláz, 2013), as have the tourist costs generated by incidents of varying types (Butler & Fennell, 1994; Cirer-Costa, 2015; Crotts & Mazanec, 2013; Ritchie, Crotts, Zehrer, & Volsky, 2013). Practically all of these studies, however, address the damage done to the destination affected by the event, analysing the cause of the fall in demand and its immediate consequences, but not the indirect effects. By contrast, this paper does focus on the indirect effects rather than on the damage, addressing the unexpected benefit accruing to destinations that have similar characteristics to the affected ones and so become alternatives, receiving an additional influx of tourists. The interest here is not to assess the damage, but to identify the phenomena of diverted tourism demand.

The Southern and Eastern Mediterranean have always been focal points of serious conflict. Nevertheless, some of the countries in the area, such as Tunisia and Egypt, had succeeded in developing a

substantial tourism industry. In the Southern Mediterranean, some years had passed since tourists were the victims of terrorist attacks (Wynne-Hughes, 2012), but the situation spiralled out of control when attacks in Tunisia claimed the lives of dozens of European tourists. In the Eastern Mediterranean, a bomb explosion on a Russian airliner over Egypt and attacks on tourists in Turkey convinced millions of potential visitors to cancel their holidays in those countries.

A large portion of those tourists were not willing to give up their annual visit to the warm waters of the Mediterranean and decided instead to look for alternative destinations. This is precisely the focus of the present study, to locate geographically the places that reaped the benefits of an unexpected rise in demand and to determine the types of establishments and companies that experienced a greater increase in revenue.

Lastly, *Brexit* will be introduced among the disturbances that have affected Mediterranean tourism in the past two years. The UK's eventual departure from the European Union has had few direct effects on the tourism market in 2016, but it has led to a falling British pound and declines in the share price of companies in the tourism sector—two factors that will doubtless affect tourism in the medium term.

2. The data in the sample

Throughout the spring of 2015, the authors collected data from the Internet on the prices of hotels in the fourteen Mediterranean islands that have an international airport. The islands were selected on the basis that they were the most representative destinations for mass tourism coming to the Mediterranean Sea. All of the islands had direct flight connections with the major tourist-generating airports in Europe. Also, focusing on islands served to limit the analysis to sun-and-beach tourism in the strict sense. In addition, the destinations are mature in

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every respect, from their level of tourism taken strictly to their inclusion in sales channels on the Internet, ensuring the homogeneity of prices and the absence of any complex pricing strategies that may be used by companies (Bock, Lee, & Li, 2007; Cirer-Costa, 2013; Hung, Shang, & Wang, 2010).

The object of the data collection was to use these prices as an additional element in a project aimed at distinguishing the main characteristics of the supply of tourist accommodation at each destination, a strategy already used by various authors (Baldassin, Gallo, & Mattevi, 2016; Papatheodorou, 2002; Thrane, 2005).

The prices were obtained from a single provider called *Alpharooms* to ensure their homogeneity, a technique well established in a variety of earlier studies using online data (Chen & Rothschild, 2010; Lee & Jang, 2011; Thrane, 2005). The typical stay was for a couple occupying a double room for seven nights, from Saturday to Friday, in the central weeks of the months of June, July, August and September, that is, the core of the summer's high and medium-high seasons. The booking was carried out with advanced notice of between two and three months because that is when prices are most stable, discounts for early bookings have disappeared, and neither heavy discounts nor surcharges are yet being applied for last-minute customers (Bilotkach & Gaggero, 2015; Salanti, Malighetti, & Redondi, 2012).

By chance, the data collection process ended just before the onset of the "Syrian refugee crisis" that primarily affected the Aegean Sea and before the intensification of the flow of irregular immigrants between North Africa and Sicily. The dramatic images of overcrowded boats and of dead bodies floating in the sea became increasingly more prevalent on European newscasts from June 2015 at the time of the attacks on tourists in Tunisia.

These were the conditions in which the idea emerged to repeat the data collection recently completed in the summer of 2015 in the following year, 2016, to evaluate the impact of the various crises suffered by the Southern Mediterranean on the prices of tourist accommodation being offered on the islands of the Northern Mediterranean. The new search only took into account the 1750 hotels that had featured in the 2015 list and that had not changed category or undergone other significant changes. The data collection was limited to the "bed and breakfast" board type because it is the most common across the entire geographical area under analysis and the timing for obtaining the data was repeated exactly one year later. The result was a new database that included 5061 prices for the months of June, July, August and September in 2015 and 2016, for 1750 hotels. Throughout the summer of 2016, data continued to be collected to determine the evolution of the prices over the course of the tourist season.

Fig. 1 highlights the fourteen island destinations used in the study. They are part of six different countries: Spain, France, Italy, Malta, Greece and Cyprus. None of these countries has been directly affected by the events in Tunisia, Egypt or Turkey.

The central object of interest for this study lies in the variations in prices, not in their absolute level. For this reason, we can directly use gross price data and the differences between 2015 and 2016 without any need to resort to weightings or indices.

3. Setting out the hypotheses

We are using the prices of tourist accommodation as indicators of the state of the tourism sector. This requires us to identify prior price trends, which depended on the conditions of supply and demand before the various events listed in Table 1 caused them to change.

On the supply side, the market trend was clearly downward, given the special economic circumstances existing in Mediterranean countries. In recent years, all of these countries have been immersed in a deep economic crisis characterised by high unemployment levels and systematic declines in domestic prices (Cellini & Cuccia, 2015). Also, one of the basic inputs of the tourism sector, oil, has seen sharp drops in price. In a competitive sector like tourism, the simultaneous fall in real wages and consumer prices are factors that generate clear downward pressure on hotel prices.

On the demand side, the prospects were better, but not much. The main European tourist-generating countries had emerged from the economic crisis and their GDP per capita was growing, with an increasing number of potential tourists, but this growth has been mild and it has barely offset the losses in domestic markets, which have been sharply affected by the economic crisis being experienced in Mediterranean countries.

Table 2 shows the stability in the Mediterranean tourist accommodation market in the three years preceding the period analysed. The Greek islands and Sardinia were growing vigorously, but the remaining island destinations recorded little growth or even moderate losses.

Despite the growth in demand experienced in some destinations, prices did not follow a similar trend. Table 3 shows the prices offered by the online travel agency *Hotels.com* for various Mediterranean island destinations. A comparison of 2015 prices with those of the preceding year points to a clear tendency toward stability, with the increase in bookings not enough to push prices higher. Indeed, *Hotels.com* indicates that prices for Europe & Middle East in 2015 stagnated after four years of modest gains.

Another factor to take into account has been the emergence of new forms of informal supply in tourist accommodation, most notably *Airbnb* because of its character of disruptive innovation (Guttentag, 2015). To assess the impact of this new type of accommodation offering, the number of *Airbnb* rooms available on each of the fourteen islands in the study was quantified for the high season in 2017. The total came to 3394 rooms, a very small figure in relation to the traditional hotel offering. At present, *Airbnb* has only a marginal presence in the Mediterranean accommodation market, with one notable exception: Italy. Of

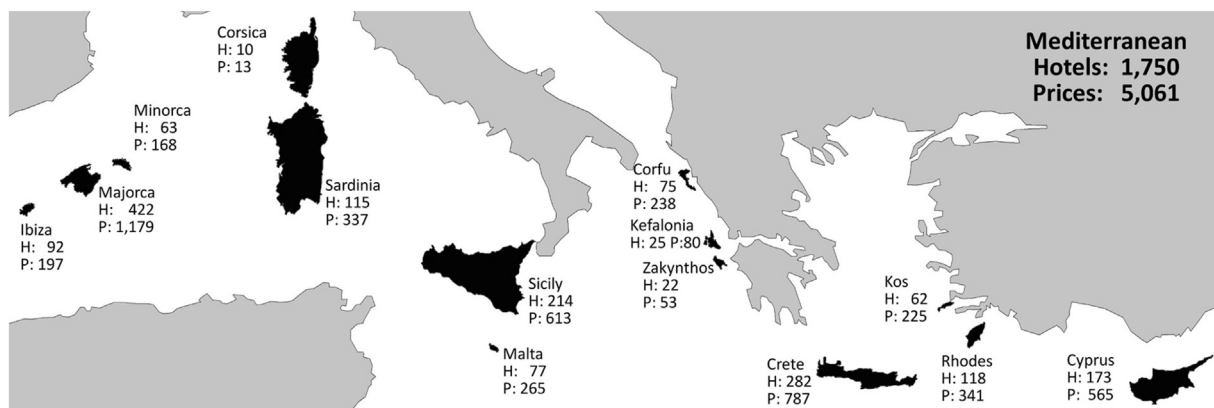


Fig. 1. Mediterranean islands included in the study. All have at least one international airport. The number of hotels (H) and the number of prices (P) considered in the study are shown next to each island.

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