

3rd UNWTO Conference on Overcoming Seasonality

Torremolinos (Costa del Sol), Spain, 3 June 2015

CONCLUSIONS



INTRODUCTION

Seasonality in tourism is widespread and is generally characterized as a “problem”, particularly in terms of its business impact. Seasonality is much more usefully described as a business reality, induced by both climatic and socio-cultural factors and one for which there are no universal ‘solutions’. In this regard, tourism can effectively learn from other seasonal industries such as agriculture where the focus is not on the problems that, for example, seasonal cycles in viticulture induce for producers but rather on improving the quality and value-added of the grape crop.

Seasonality does create issues for tourism businesses and the purpose of this report is to reflect on some of these and to elaborate on my earlier briefing note. Addressing seasonality does not result in universal answers that can be applied to all destinations and contexts. Tourism destinations are unique and require localized responses, especially in terms of product development and marketing. At the same time, there are generalized lessons that can be learnt and transferred across destinations, whether cities, peripheral northern locations, cultural locations or sun, sea and sand resorts.

UNWTO’s approach to work with destinations in order to develop prototypes represents an important step to share learning about how a location can address seasonality. Punta del Este 365 offers a really valuable initiative and one from which other destinations can gain inspiration but should not seek to copy uncritically. UNWTO can certainly make a really valuable contribution to global tourism destination development by working with a range of very different seasonal destinations in order to showcase possible responses to the challenges that they face.

This report highlights the conclusions of the author’s keynote address and also highlights key findings from other papers presented. It is designed to address steps that are important and necessary within the business context to support attempts to overcome seasonality and which are not frequently considered in discussions of this nature.

SEASONALITY ISSUES FACING TOURISM ENTERPRISES

Tourism enterprises vary greatly in terms of their size, spread, scope and ownership. As a consequence, the way in which they manage the impact of seasonal variation in demand is likewise varied. Furthermore, many businesses meet the needs of markets that include both local communities and tourists so that they may or may not perceive themselves to be part of the tourism industry. Therefore, assessing the business-related needs of tourism enterprises from a seasonality perspective is challenging – clearly there cannot be any single response model that is applicable in all circumstances.

The destination of the UNWTO’s Seasonality seminar in 2015 provides a classic example of seasonality in the southern European region and the case study below is a good reference point for discussion of the range of measures that the public and private sectors can take to counter the negative business impacts of seasonality.

Tackling the ‘problem’ of seasonality is one of the most widely discussed practitioner and academic subjects. The reference list which follows this briefing note includes a small fraction of what is a voluminous literature on the subject and contains a range of recent articles with a focus on the Mediterranean region. Strategies to overcome seasonality are widely proposed at both a destination and business level and tend to focus on marketing and product initiatives to stimulate

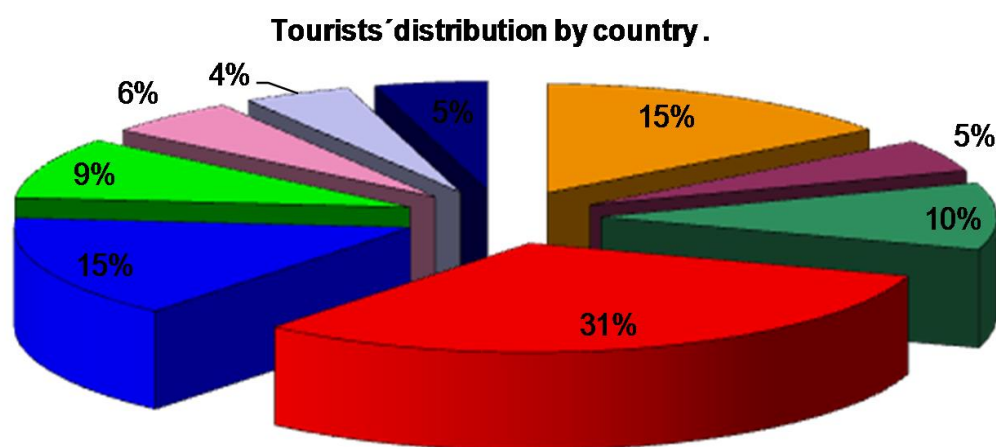
demand. These have been mixed in their impact and success, targeting markets that are less sensitive to the influence both supply- and demand-side ‘causes’ of seasonality – climate, fixed vacation periods etc. Strategies include pricing, targeting new markets (for example, based on culture) or the development or promotion of events and festivals. Marketing and product-driven responses to seasonality will not be elaborated further here.

Torremolinos: a case study

Torremolinos on the Costa del Sol, Andalucía, Spain has nominal population of around 68,000 but this can rise to 250,000 during the tourist season with a total of over 4.2 million visitors annually. Torremolinos is the birthplace of the ‘sun, sea and sand’ holiday more than half a century ago and is host to ten per cent of all overnight stays in the region of Andalucía. Torremolinos has 9 kilometres of sandy beaches in a continuous strip. With over 300 days of sunshine per year, average annual ambient temperature is 20 °C (with autumns and mild winters 16°C, and springs and summers pleasant 24 °C). The average annual sea water’s temperature is 18’3°C.

With a renewed hotel industry demonstrated by over 170 hotel establishments and tourist apartments, totaling an offer of 30,000 beds, mainly in categories 4 **** and 3*** it offers accommodation for all tourists. Unlike some other Spanish destinations, visitors are a healthy mix of international and domestic tourists of all ages and this is reflected in the character and culture of the resort. International visitation by country of origin is shown in Figure 1.

Figure1



- Other countries outside UE
- Other UE countries
- Germany
- Italy
- Low Countries
- EEUU
- United Kingdom
- France
- Belgium

However, length of stay has been in steady decline over the past 15 years, as a result of changing holiday patterns and booking methods across Europe and the domestic market has also been adversely affected by the Eurozone crisis in the post 2008 period.

Hotel occupancy rates range from a low of 40% in January to a high of 89% in August, pointing to a very seasonal destination but one where clear demand does exist even in the low season. One of the worst consequences of the seasonality is the duration of the tourism period, as some of the tourism installations remain closed during large periods, and this increases the underutilization and inactivity rates of the municipality and, above all, of the population working in the industry.

Although the resort is famed for its early 'high rise' beachfront, with its hotels from the 1960s and 1970s, in fact, the tourism industry in the town is dominated by small, family owned businesses, creating a mosaic of small hotels, apartments, restaurants, cafes, kiosks, retail outlets, beachfront and other watersports facilities. It is these small businesses that are most vulnerable to the effects of seasonality and where the range of initiatives proposed in this report are likely to have the greatest impact.

Torremolinos has actively employed approaches to facilities development and marketing that are designed to extend the tourism season and, in some cases, to overcome its overall impact. Facilities development includes a focus on sports tourism and on conferences, conventions and events. Marketing initiatives include a focus on the cultural attractions of the wider region and targeting elder, long-stay visitors from northern Europe.

Key business issues facing tourism enterprises in seasonal destination include:

Attracting investment

Investors frequently look to businesses that provide sustainable returns on their investment. Seasonality concentrates income generation within a limited timeframe each year, in some cases meaning that businesses close completely for a number of months. This creates a degree of uncertainty that can deter investors, especially when considering small tourism businesses or start-ups.

Response: There is a need to encourage and facilitate investment in local tourism businesses from local sources, where people are sympathetic to the tourism business cycle in the area and can plan their expectations of a return on the basis of this understanding. This can be supported by the creative use of micro-financing and investment guarantees, with local/ national government support.

Sympathetic availability of loans and bridging finance

Particularly since the financial crisis, banks and other financial institutions have shown some reluctance to provide loan financing (both short- and longer-term) to small businesses. Such finance can be critical for seasonal businesses in order to enable them to meet fixed and renewal costs during the off-season and a lack of availability of such money can lead to widespread business failure. Many of these small enterprises constitute the backbone of tourism industries in many regions and countries, particularly in peripheral, non-urban regions and, as a consequence, failures in this sector can undermine the viability of destinations.

Response: Banks and other financial institutions must be mandated by Government to take a realistic approach to support the business cycle faced by small enterprises in seasonal tourism destinations.

Cash-flow

Cash-flow for businesses is frequently a major challenge for tourism businesses that depend upon seasonal demand. Covering fixed costs during the low season (especially when operations may shut down completely) can present organisational/ management problems for small businesses in the absence of financial planning skills.

Response: There is a real need to support tourism SMEs with their financial planning through training and advisory services so that issues of cash-flow are managed more effectively. This is a clear role and responsibility for a coalition of local enterprise organisations, local government and education/ training providers. Local government can also support cash-flow issues for tourism

enterprises during the low-season by allowing entrepreneurs to meet their tax obligations in a way that reflects their cash-flow over the full year.

Supplier relations

Tourism seasonality transfers the impact of uneven demand throughout the full supply and support chain of the business and passes on the effects to a wide range of associated businesses both within the wider tourism sector (taxis, tour guides, concession-holders) as well as into associated sectors such as agriculture, wholesale, distribution etc.

Response: There is a need to encourage the formation of supply chain partnerships so that there is better understanding of the impact of seasonality by both tourism businesses and their suppliers and appropriate planning can be put in place.

Collaboration and cooptition

In addressing seasonality, very few tourism enterprises can operate in isolation from the wider sector within the destination and beyond and cooperative approaches are often valuable to businesses that are, on the face of it, operating in direct competition with each other – for example, a successful, low season conference business for the destination depends on the cooperation of a range of accommodation suppliers, none of which can meet the needs of large events on their own. Small tourism enterprises frequently perceive competition to be a very localised phenomenon – the hotel or restaurant across the street – rather than a destination elsewhere in the country or further afield. This lack of vision inhibits vital cooperation.

Response: Local tourism marketing and destination management organisations must take a lead role in facilitating a culture of collaboration at a destination level or *coopetition* whereby businesses cooperate in order to promote the destination out of the main season while also competing among themselves for the business that is attracted once it is won. This will require active intervention and training by the tourism authorities in order to change a culture that is normally focused exclusively on competition. Cooptition also extends to the notion that a viable, low-season destination requires a critical mass of tourism businesses to remain open and attractive to visitors. Therefore, sharing business around a number of suppliers must be encouraged, even if this means that some operators accept a lower volume of business than might otherwise be the case.

Employment

A key impact of tourism seasonality is on the continuity of employment which operators are able to offer. This impinges on all aspects of the employment cycle, notably recruitment and retention; training and development; employment relations; and general working conditions. The absence of continuity in this regard means that tourism operations in seasonal destinations are unable to offer sustainable employment, are less able to compete for the best local talent, are reluctant to invest in the training and development of their staff and are less likely to offer the flexibility in working conditions that many contemporary employees require. These factors, in turn, also impact on product and service quality and, ultimately, can damage customer satisfaction and the likelihood to return to the business and the destination. The vicious cycle of seasonal tourism employment is one of the main challenges that are faced by destinations with a pronounced high and low season.

Response: There is a need to adopt a partnership employment approach to provide sustainable, all year employment for talented tourism employees – this can be done in partnership between,

for example, beach and ski resorts or, indeed, between local companies in a destination ('coopetitors').

Wider responses to seasonality – reflections on conference presentations

The key lesson from the conference is clear – addressing seasonality for most destinations requires integrated strategic planning and investment by both public and private sector stakeholders. The presentations all effectively promoted the need for all stakeholders destinations to collaborate in order to make a challenge to the effects of seasonality happen. This is not something that the tourism marketing authorities alone can achieve; it is not within the scope of action for selected private sector operators to achieve. Addressing seasonality requires a 100% integrated effort and the presentations showed how this can be achieved.

The case of Benidorm and the Costa Blanca (Nuria Montes “Benidorm, destino de éxito?” http://dtxqt4w60xqpw.cloudfront.net/sites/all/files/pdf/nuria_montes.pdf) illustrated how a resort that developed, initially, on the basis of its exclusively summer offering has transformed its facilities and connectivity in order to become an attractive 12 month destination. This change has taken time and investment in planning and in the public infrastructure in order to give the private sector (airlines, accommodation providers, attractions, services) the confidence to maintain their operations as “open for business” throughout the shoulder and, increasingly, also the low season. A similar experience of working towards overcoming seasonality through product and market diversification and strategic planning was effectively illustrated by the case of Marrakesh in Morocco (Majdi Khalil “La saisonnalité Cas de Marrakech” http://dtxqt4w60xqpw.cloudfront.net/sites/all/files/pdf/8_khalilmajdi.pdf). The particular focus has been on product development and diversification, supporting the growth of new facilities and offering visitors diversity when they do visit, whatever the time of year – a range of golf courses and conference facilities from which to choose, for example. Marrakesh’s thinking as a destination is also long-term, with clear targets for a more diversified visitor profile through to 2020 in place.

The development of a strong sports tourism product is certainly a viable option for seasonal tourism destinations in warm climates such as the Canary Islands and the Mediterranean basin. Sports tourism can be based on a range of fixed facilities, effectively illustrated at the conference by the case study from Lanzarote (Kenneth Gasque “Sport Tourism” http://dtxqt4w60xqpw.cloudfront.net/sites/all/files/pdf/keneth_omt_2015.pdf) in demonstrating that a destination can accommodate visitors with sporting interests on a year-round basis who travel to the location to engage with over 60 sports. The same venue also hosts a major annual event, Ironman Lanzarote that attracts special interest visitors from around the world. The key point here is that visitors with a special interest in a thematic offering, whether sporting or cultural, will travel in spite of climatic or other barriers and the challenge for seasonal destinations is to identify what they can offer in this category in a way that competing destinations find difficult.

The Estaciones Nauticas case (Rafael Moreno “Estaciones Nauticas” http://dtxqt4w60xqpw.cloudfront.net/sites/all/files/pdf/presentacion_aeen_2015.pdf) illustrates how a company (rather than a destination) can address seasonality by offering a common product (watersports) in multiple locations in Spain. This means that the company can develop customer loyalty by offering year-round water tourism opportunities within the same brand but in a variety of locations. It also allows for the transfer of key operational and human resources between locations according to seasonal demand, thus overcoming some of the business challenges that have been identified in this report.

Shopping, as a touristic activity, is of course less restricted by climatic factors but still requires creativity and an effective understanding of new markets in order to flourish in the off-season (Antonio Santos “Innova Taxfree” http://dtx4w60xqpw.cloudfront.net/sites/all/files/pdf/antonio_santos.pdf). Understanding the differing shopping interests and priorities of segments of the market enables retailers but also their wider tourism partners to ensure that the shopping offerings that are available, at all times of the year, match the needs of the targeted clients. The needs of customers can also be met by putting appropriate systems in place to ensure that they have access to the maximum financial resources during their stay, for example through an early VAT redemption scheme.

A focus on sports or shopping tourism are very good examples of market segmentation in practice and the value of this approach to countering the impact of tourism seasonality was further emphasised at the conference (José González Rivera “Estrategia de microsegmentación y marca” http://dtx4w60xqpw.cloudfront.net/sites/all/files/pdf/7_josegonzalezrivera.pdf). This presentation looked at evolving methods of marketing communications, especially through the use of social media, as one method of maintaining emotional connectivity with existing and potential clients on a year-round basis, using storytelling as a core strategy. This creative approach creates attraction and stimulates curiosity – “I wonder what Torremolinos might offer us in the winter?” The answer to effective communications through use of social media is not unidimensional – it, too, requires an integrated and strategic approach that draws on inputs from all the key players in a destination, creating the impression of the resort as a ‘happening place’.

Ensuring that the actual (and not just virtual) connectivity is in place is essential in order to allow for year round travel to a destination and was a theme that was also highlighted at the conference (Jared Harckham “Developing Contra-Seasonal Air Service Connectivity” http://dtx4w60xqpw.cloudfront.net/sites/all/files/pdf/5_icf_she_presentation_unwto_june_2015_final.pdf), using North American and Caribbean examples. As with the case of an actual resort destination, the crucial consideration here is long-term planning and investment, designed to ensure that destination airports build long-term and sustainable relationships. For visitors to fly conveniently to a predominantly summer destination, for example, in off-season requires a coordinated programme by the local stakeholders, to work with airlines on the topic (often called an Air Service Committee) that will include the airport, the local hotel association, the Local and National Tourism Authorities, the city council and the Chamber of Commerce, representing retail and other business interests.

The conference presentations, combined with the international aspects addressed in the subsequent Round Table, gathered insights into strategies that destinations and tourism enterprises can adopt in seeking to reduce the impact of seasonality on the economy and well-being of the tourism industry. The experience of Punta del Este as a UNWTO pilot destination in illustrating how the challenge of seasonality can be met, is important as one route that destinations can take. The conference highlighted that there are many different routes to success but also a wide range of challenges that can only be overcome by cooperation and coordination.

Conclusions

Analysis of the Torremolinos case study and, to a considerable extent, the wider cases examples addressed within the conference, highlight the value of carefully-planned business strategies as measures to support the further development of off-season tourism. What these and similar

approaches highlight is the need for tourism enterprises in seasonal destinations to improve their financial, operational, human resource and partnership businesses practices. At the heart of this approach is the need for a strategic partnership and collaboration approach involving all stakeholders at a destination level rather than price and quality driven competition, a 'race to the bottom'. This cooperative approach must be combined with longer-term thinking and planning about tourism, seasonality and the destination in question. Many seasonal 'sun' destinations have sought their answer to the shoulder and low season through focusing on the grey or seniors market and this has worked to good effect. Thoughtful planning and recognition of the changes that are taking place within Europe's aging populations will lead to recognition that, post baby-boomers, older people in Europe will need to work longer and harder, pensions will be less smaller and, overall, older people may find it more difficult to travel. These changes will have a profound impact on seasonal destinations that have built up dependencies on the senior European market.

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