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Sardinia between Product Maturity and International Competition

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ABSTRACT

The paper proposes the analyses of medium-long term dynamics experienced by the accommodation system of Sardinia in the light of growing maturity signals for regional tourist product. Potentials referring to a progressive diversification of incoming markets have been assessed in the light of domestic and international outgoing flows, as well as of megatrends crossing international tourism market. Results underline an only apparent inconsistency with respect to the positive evolution of macroeconomic variables relating to regional hospitality sector.

Keywords: Maturity, *Mass Market*, Competitive Scenarios, European Commission

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Introduction

Despite of increasing tourist flows in Mediterranean Basin and possible benefits that could be drawn from persistent political and social uncertainty affecting the area, recent tourist seasons have been confirming growing difficulties for Sardinian tourism system. As a National leader for sun, sand and sea segment, the absence of an updated analysis has suggested a comprehensive review on medium-long period figures.

Moving from flows redistribution in Mediterranean market, regional performances have been represented for the period 2007-2012, the latest evaluable on official basis. Local dimension focuses hospitality and transportation flows as well as trends for some macroeconomic variables; comparisons in the broader context consider national and international outgoing flows also with respect to some regional contexts in competition with Sardinia.

Analysis suggests that regional hospitality sector difficulties are only partially attributable to latest transports prices increases as well as to negative economic conjuncture at national and international level. In a destination like Sardinia characterized by an demand concentration (in space, in time and on markets) and supply expansion across mass market profiles mostly oriented to summer fruition needs, a more general market risk diversification failure seems to represent an important explanatory factor.

Also considering megatrends crossing international tourism market and tourism policy measures adopted at European level, results provides the opportunity to reflect on regional initiatives regarding supply side and a renewed competitive positioning for Sardinia tourist destination.

1. Competitive context and regional trends

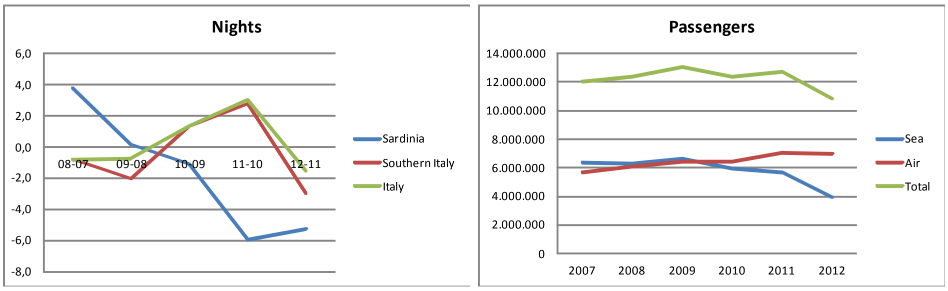
Consolidating the growth path started in the early 2000s and absorbing external shocks induced by financial crisis and economic recession, in the period 2010-12 international tourism showed rapid and significant signs of recovery. However, this new expansion phase has been characterized by a double speed evolution in which emerging and newly industrialized countries represented the real engine of recovery both in terms of arrivals and receipts.

In particular, the uninterrupted flows expansion at international level has been accompanied by a loss of market shares and a simultaneous internal redistribution between destination systems in the Mediterranean Basin. Among others, this trend has been sustained by a widespread political and social turbulence and increasing competitiveness levels in the area, moving relevant flows to eastern countries and in particular Turkey. Long term projections (2030) confirm a multi-speed evolution, with an outgoing European market influenced by economic and financial dynamics, preferring less distant destinations and reducing length of stays (UNWTO, 2011: UNWTO, 2012).

Although referring only to official flows visiting the destination (Renoldi, 2012b), progressive slowdown in growth rates for regional tourist flows has resulted in a stagnation at first, successive setbacks of total overnight stays to follow, sometimes considerable and in any case contrasting with average national values. This trend has been confirmed also in 2012, with relevant maturity signals coming from some of the most renowned coastal locations of the island (Renoldi, 2013).

At the same time profound changes have been occurred in transport sector, with a significant decrease of total passengers getting the island by sea and simultaneously a rising number carried by air[1], for the first time in 2010 higher than the first (Fig. 1). Referring to air transport there is also a steady increase of national and international passengers[2], with a progressive reduction of charters in favour of regular flights as observed on national scale.

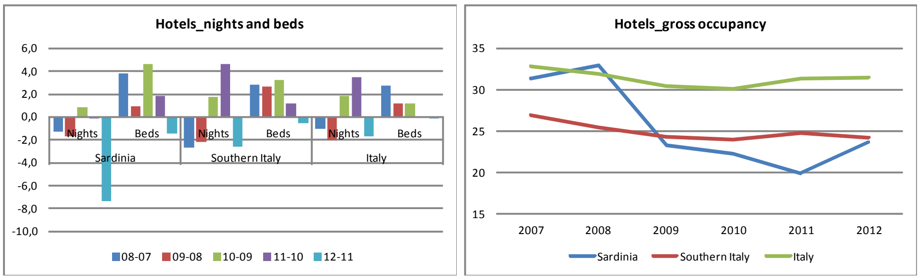
Fig. 1 Annual growth rate of total nights in regional establishments and total passengers by mode, period 2007-2012



Source: elaboration on ISTAT

Negative trend for overnight stays involved all tourist accommodation typologies, with hotel establishments showing first difficulties since 2008. At the same time there has been an overall increase of official beds, mostly among coastal districts[3] and the hotel sector, followed by a reduction of gross occupancy rates (Fig. 2).

Fig. 2 Annual growth rate of hotel total nights and beds and trend in gross occupancy rates at regional level, 2007-2012. Comparison with national and Southern Italy average values

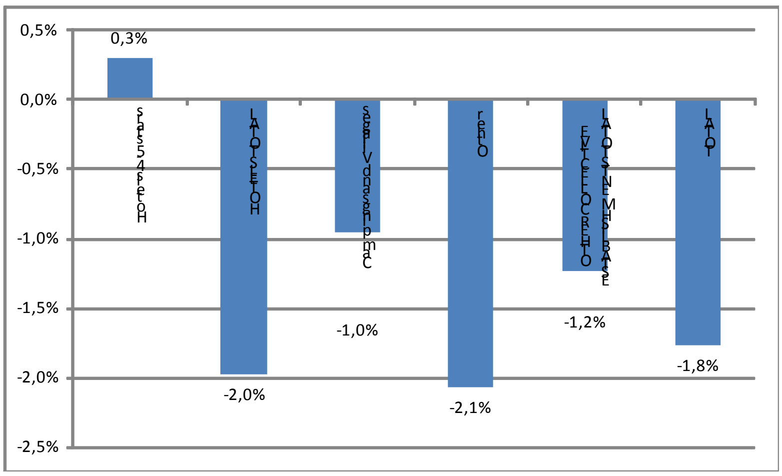


Source: elaboration on ISTAT

In terms of generating markets, flows contraction has been induced by Italians as the main regional source, partially offset by an international expansion involving both hotels and other collective establishments. As a result there has been an advisable[4] increase in demand internationalization ratio[5], however followed by an unchanged seasonality rate for arrivals and overnight stays[6].

In particular, reductions in those peak months which from decades have been justifying most of sector profitability are attributable to a national clientele, more sensitive to downturn and sharp appreciation of the destination. It is testified by the enduring growth path undertaken by top facilities operating in the hotel sector, for many years the only ones not affected by a changeable economic and social context as well as by sudden changes in national and international tourism consumption patterns (Fig. 3).

Fig. 3 Average annual growth rate of overnight stays in some accommodation typologies, 2007-2012

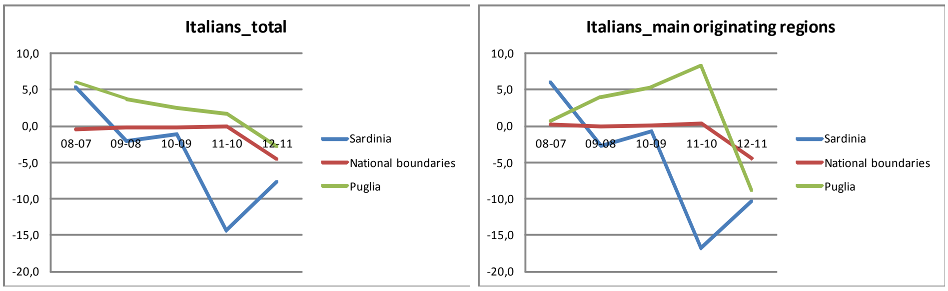


Source: elaboration on ISTAT

Despite of reductions observed in Sardinia, however Italians travel propensity within national boundaries remained unchanged until 2011. While main originating Italian regions[7] were experimenting huge decreases in terms of flows visiting Sardinia, since 2009 these same regions have been the engine of a tourist movement addressing alternative destinations, for example Puglia as a direct competitor[8] that only at the end of the period registered a slight decrement (Fig. 4).

The same considerations could be made with reference to Italians propensity for International travels (both for total population and main originating regions), registering an average growth for nights spent in most important collective establishments (hotels and villages) rather than in overall accomodation solutions (Bank of Italy, 2007-2012).

Fig. 4 Annual growth rate of nights spent by Italians and main originating regions *(*)* in Sardinia, 2007-2012. Comparison with national and Puglia average values



Source: elaboration on ISTAT

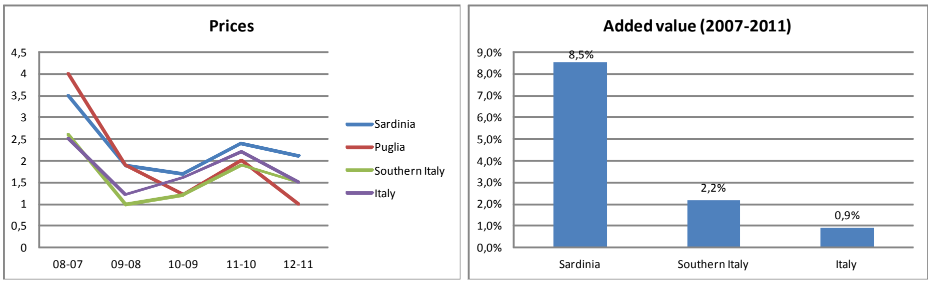
(*)Lombardy, Lazio, Piedmont, Emilia Romagna e Tuscany

The established presence of hotel chains and traditional Italian tour operators is accompanied by a consolidated oversizing phenomenon among coastal hotels[9] and by a rapid and profound transition of Italians and foreigners consumer patterns towards self-production and disintermediation, with negative impacts on organized production and distribution business models.

Oversizing tendency coexists with a relevant supply fragmentation into small size family-run establishments, in particular in the hotel sector[10] where benefits of a greater flexibility to market changes contrast with strategic and operational isolation of smallest firms, therefore a low propensity for integrated solutions (both along sector and inter-sector economies) and technical and commercial qualification processes. An example is the low penetration of web booking engines among low-medium categories (Renoldi, 2012a).

Worsening cost factors relating to transportation issues, the steady increase in accomodation services and restaurants prices underlines a further appreciation of the destination. Annual growth rates are above national values and up to 2010 they are accompanied by increases equally important in terms of added value, local units and employees (Fig. 5).

Fig. 5 Annual growth rate of prices (period 2007-2012) and average annual growth rate of added value (period 2007-2011) in accomodation and restaurant sectors in Sardinia. Comparison with national and Southern Italy average values



Source: elaboration on ISTAT

Considering the simultaneous erosion in terms of number of beds effectively offered on daily basis, in particular during shoulder and low seasons (although total establishments capacity has been increased)[11], figures realistically reproduce relevant prices increases during the summer peak season.

2. Elements of European and regional tourism policies

Orientations in European tourism policy, focused on the maintenance of adequate competitiveness levels along a sustainable growth path, answer to current market challenges in the light of new tensions and trends crossing the international socioeconomic system, among others constraints imposed by climate change and natural resources scarcity. In particular, European strategy underlines the role of assuring high quality standards for destination supply rather than competing on a price dimension (European Commission, 2010).

Sector competitiveness is seen as closely linked to its sustainability, as the quality of tourist destinations is strongly influenced by their natural and cultural environment and their integration into a local community. This is in line with several well established lines of research in tourism area life cycle (Butler, 1980; Weaver, 2000) and strategic destination management (Rispoli, Tamma, 1995; Manente, Cerato, 2000; Martini, 2005; Franch, 2010), both underlining the decisive role played by environmental factor in retaining adequate competitiveness levels (Mihalic, 2000) and in assuring an endogenous and sustainable growth path (Lanza, Pigliaru, 1994; Pigliaru, 2002; Brau, Lanza, Pigliaru, 2007; Cerina, 2012).

In this context Sardinia is called to answer, among others, to internal market falls and loss of appeal experimented by generalist sea-sand-sun segments of low-medium category; the unstable political climate and the difficult path of consumption recovery at national level; risks coming from a persistent disaffection towards the destination (survival is getting hard for some supply segments[12] and there is an overall contraction of available daily beds); a growing tourist flows "polarization" towards high standard supply segments; massive ICTs access and "disintermediation" in holidays planning, selection and purchasing processes.

While establishments and beds were increasing, consolidation of public initiatives aimed to qualify and diversify supply system with products and related info-promotional channels represented the added value of the most recent institutional action, although according to strategic guidelines and procedures whose effects will be evaluable only in the next future. At the same time, attempts to contain decreases on conjunctural basis both on transportation ("Flotta Sarda" and "Bonus Sardo Vacanza") and distribution side (permanent table with the most influent tour operators, the so called "Pool Mare Italia") did not produce the expected effects on generalist flows of the summer peak months.

In the wake of a national tourism sector governance reform, a renewed tariff regime for regional territorial continuity and a broader approach to short and medium haul markets, analysis suggests a review of destination competitive positioning that, moving from an increased modularity of supply resources as well as a structured marketing intelligence action, get to a more incisive institutional support for market orientation of regional actors.

In this field, Sardinia should hopefully align its tourism policies in order to reach European agenda, in particular with regard to potentials embodied in sector megatrends, both relaunching financial instruments in favour of product networks and updating underway projects for online presence on Sardinia destination.[13]

In both cases, selection of appropriate targets would simultaneously operate for tourist season extension, flows relocation on geographical basis and progressive qualification of regional tourist demand, sustaining a competitiveness and economic efficiency upgrading in the face of a greater degree of sustainability in local resources fruition.

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[1] For the period 2007-2012 the average annual growth rate is respectively -9% and +4%.
[2] The average annual change for the period is +4% in both cases.
[3] For the period 2007-2012 coastal districts concentrate about 75% of the over 15 thousands additional beds offered by the Region.
[4] Among others, Regione Autonoma della Sardegna (2007) and Regione Autonoma della Sardegna (2008).
[5] It moves from 33,6% in 2007 to 40,6% in 2012.
[6] In 2007 and 2012 the period june-september concentrates respectively 82,9% and 83,1% of total nights.
[7] In 2007 Lombardy, Lazio, Piedmont, Emilia Romagna e Tuscany produced together 59% and 40% respectively of National and total nights registered in Sardinia.
[8] With over 12% on Italian flows observed in 2007, also the domestic market has maintained its numbers in a National outgoing context, although moving relevant flows from the Island to central and Southern Italian regions.
[9] Average dimension of regional establishments has moved from 114,8 in 2007 to 117,5 beds in 2012, placing Sardinia in 2nd place in National ranking with values notably higher than national values (66,7 and 90,4 respectively for national level and Southern Italy).
[10] In 2012 small hotels (with a number of rooms up to 24 units) account 50% of total regional hotel units, a steady share during the observed period.
[11] This phenomenon results extremely relevant during the period 2008-2011, with and average annual reduction of -6% during January-May, -2% for October-December period and -2% on annual basis.
[12] Already during 2007-2012 3 stars hotels, residences and open air establishments (campings and villages) lost about 10% of beds

[13] Already during 2007-2012 3 stars hotels, residences and open air establishments (campings and villages) lost about 10% of beds