

TOURISM ECONOMICS

The Impact of Online Content on European Tourism

November 2013



**TOURISM
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AN OXFORD ECONOMICS COMPANY

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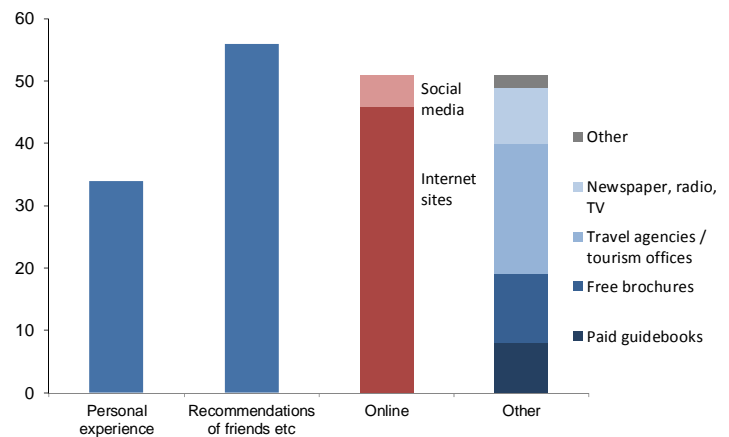
Executive Summary

The internet plays a vital and growing role in the European travel sector. In fact, online content is now a primary source of travel information, exceeding all other forms of traditional media and marketing in Europe. Travel businesses connect with consumers through online marketing, social media, travel apps, search functionality, and booking platforms. These diverse information sources and sales channels increasingly drive the European tourism sector.

However, even though tourism demand is increasingly shifting to an online environment, and culture is an important motivating factor, a relatively low proportion of enterprises in Spain, Italy, and Greece are using e-commerce to connect to potential customers. Such an imbalance presents a significant opportunity to increase sales with more widespread industry adoption of internet sales and marketing platforms.

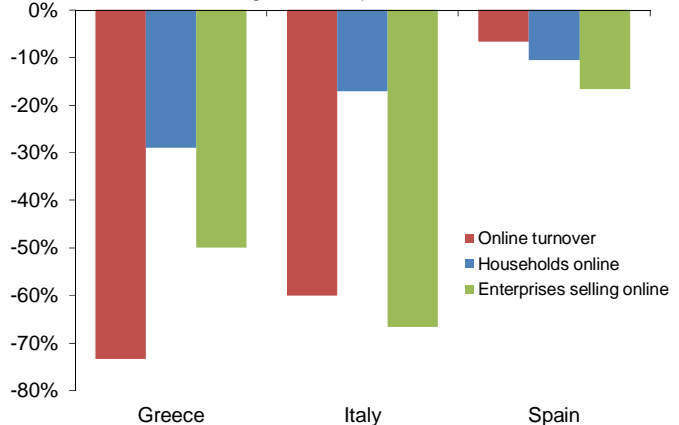
Within the European tourism sector, the exploration of culture is a key motivator for travellers, accounting for 22% of tourism trips made by EU27 citizens in 2011. Culture-related searches in top travel-generating markets account for 45% of all tourism-related searches on Greece, 31% for Italy, and 44% for Spain.

Most important sources of travel information % travellers



Source: Eurobarometer

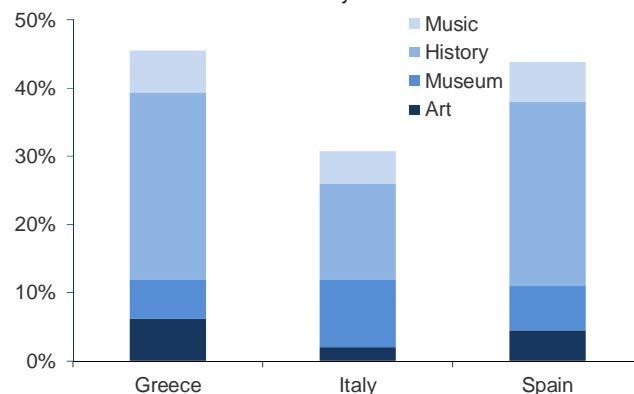
Sales, demand and supply relative to EU Difference from EU average in online penetration measures



Source: Eurostat, Oxford Economics

International cultural tourism searches

"Cultural" tourism related searches by destination

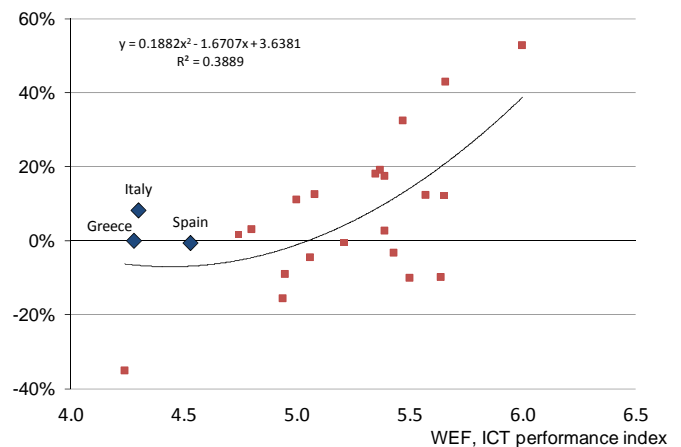


Source: Google AdWords, searches from UK, Germany, France, Netherlands & USA

The reality of this is made clear by the observation that destinations making greater use of the internet in reaching customers have performed better than their peers in recent years and have gained market share from competitors. This is part of the reason that Greece and Spain have not experienced gains in market share over the past decade while the gain in Italy's market share has been relatively subdued.

Tourism online presence & sales growth

% growth in market share by destination (2008-12 relative to 2003-07)

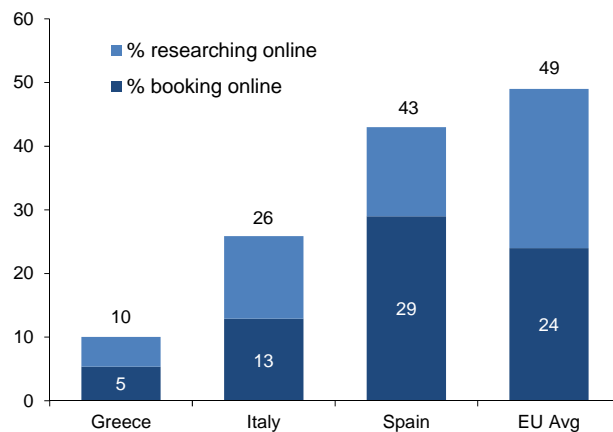


Online content drives significant business, with online content supporting 10%, 26%, and 43% of all tourist arrivals in Greece, Italy, and Spain, respectively. The EU average is 49%, including research and booking. This leaves significant upside potential for the tourism industry in these countries to more fully embrace an online presence.

Online content provides benefits to smaller and independent establishments as well as well-known brands. By extension, increased online content also benefits the cultural tourism segment which includes many small and medium-sized enterprises, allowing tourists to experience more niche cultural activities.

Tourism arrivals using online by destination

% inbound tourism



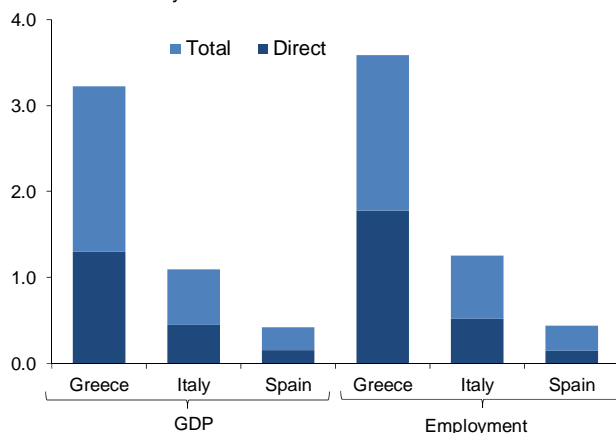
Source: Tourism Economics

Meaningful opportunities exist for these three countries to grow their tourism economies by investing in online content:

- The tourism industry in Greece would benefit from a long-run increase in demand of up to 20% if action were taken to increase online activity to match that of leading EU countries. Taking wider benefits into account, including the supply-chain, this would increase Greece GDP by 3%, and would generate over 100,000 new jobs.
- Italy would realise an incremental benefit to tourism demand of around 10% and a boost to whole economy GDP and employment of around 1%. Given the size of the economy this would translate into around 250,000 new jobs.
- Spain does not lag as far as the others in terms of online penetration but the opportunities are still significant. Tourism demand would increase 3% with a 0.5% boost to total GDP. This would still translate into a notable employment benefit with over 50,000 new jobs.
- Increased cultural online content alone could have a long-run benefit to whole economy GDP of around 1.5% in Greece, generating 50,000 new jobs. The benefits would be smaller in Italy and Spain, but still significant, pushing GDP up 0.3% in Italy and 0.2% in Spain: equivalent to around 75,000 and 20,000 new jobs, respectively.

Incremental online tourism opportunity

% whole economy



Source: Oxford Economics, WTTC

Recommendations

In order to achieve this opportunity, the tourism industry in Greece, Italy, and Spain would need to take at least some of the following steps:

- Businesses must further develop their online presence (in multiple languages) as a primary marketing and booking channel. This should span various platforms (website, travel apps, search, sales portals, travel reviews, travel guides) and include ever-deepening content. Development of content spanning both established and smaller, niche enterprises will generate further impacts.
- Develop online content for cultural tourism. Given the significant role that culture plays in tourism in Europe, the internet presents a large opportunity to motivate travel by exposing cultural assets to consumers.
- Government agencies can work with the private sector to provide complementary destination and cultural online content.
- Engage with social media and encourage feedback from customers. This will allow businesses to build relationships with their customers as well as improve service offerings over time.

Introduction

The internet continues to grow as both a source of information and a marketplace for transactions with significant implications for the wider economy. More than one-third (34.3%) of the global population has access to the internet, a growth rate of over 550% since the year 2000¹. Similarly, 17% of the world's population has access to the internet via a mobile device. These shares are even higher among travellers.

The internet has revolutionized the travel industry both as a source of information and as a sales channel. Online marketing, photographs, and consumer reviews are bringing destinations and attractions to the screens of potential travellers around the world. The ease with which a customer can review and compare travel options opens up new markets for both large and small businesses. And the ability to confirm prices and purchase services online benefits travellers and businesses alike.

This study explores the value of online content to the tourism economies of Greece, Italy, and Spain. The analysis then quantifies the opportunity for additional economic growth with increased internet adoption by the tourism industry in each country.

- Section 1 identifies the importance of online content to travellers in Europe—focusing on the demand side of the travel sector. This analysis shows how European tourists interact with online content.
- Section 2 looks at how the additional transparency and reach provided by online content helps successful firms to reach these customers. This analysis identifies the economic benefits to operators within key tourism sectors.
- Section 3 then identifies and quantifies the different ways in which online content can benefit both consumers and businesses through different platforms.
- Section 4 considers the importance of online content to cultural tourism in Europe. The analysis compares Google searches with actual behaviour to determine the impact of online content and how suppliers are responding.

¹ Internet World Stats 2013

- Some constraints have been identified that are preventing the European tourism industry from realising the full benefits of online content which are identified in section 5.
- Section 6 brings together all of the above analysis and quantifies the impact of online content on the European tourism industry, and the wider economy, with a specific focus on the countries of Greece, Italy and Spain.
- Opportunities for future development are considered in section 7 including the extent to which online content can be used to stimulate tourism supply and demand in these countries and the economic benefits that can be realised.

1 Online content: Customer Viewpoint

Key Findings:

- Online content is now a primary source of travel information, exceeding all other forms of traditional media and marketing in Europe.
- Internet usage continues to rise across Europe, reaching more than 70% in 2012.
- Although disparities exist across the region, the percentage of households with internet access in different countries has converged over the past eight years.
- Those countries with higher internet access also experience greater levels of online commerce.
- Wealthier origin markets make greater use of the internet in tourism research and for purchasing, which should be exploited by destinations.
- Within the tourism sector, the internet is used widely both as a means of research and booking, although research is more prevalent.
- User-generated content is especially influential with 34% of travellers reporting that their travel decision was influenced by the opinion of someone they only know online.

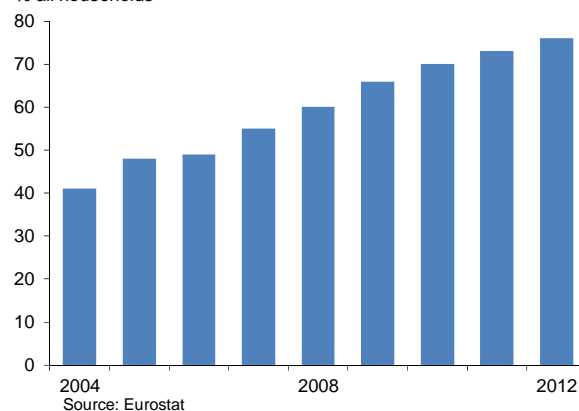
1.1 European internet access and e-commerce

Internet use is maturing within Europe at a rapid pace. In 2004, just 40% of EU households had internet access according to Eurostat. As of 2012, more than 70% of households had direct access to the internet at home.

Internet penetration in the EU is well above the global average of 34% and second only to North America in a ranking of world regions. Over 15% of global internet users are based in the EU. The audience for online content in the EU is vast and continues to expand. In absolute terms almost 400 million EU citizens are regular internet users compared with less than 300 million in North America and over one billion in Asia according to Internet World Statistics data. Importantly, cross-country disparities in terms of internet access have narrowed significantly within Europe in recent years. In 2007, a slight majority of EU citizens were online and now over 70% of citizens have access.

As of 2012, more than 50% of the national population was online in every reporting country. And 26 out of 29 countries with data reported through Eurostat have at

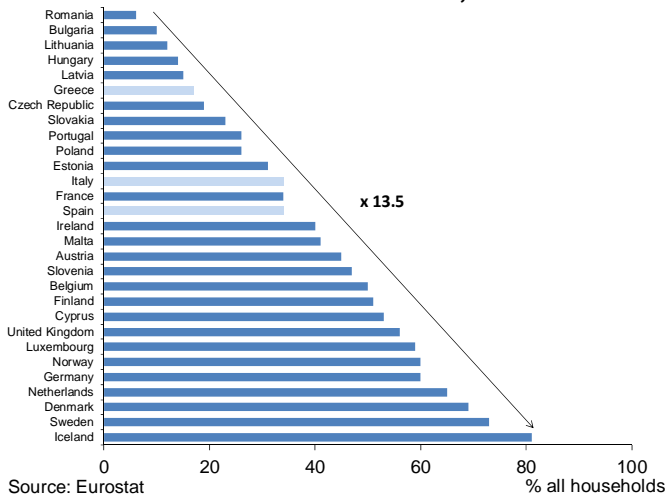
EU: households with internet access
% all households



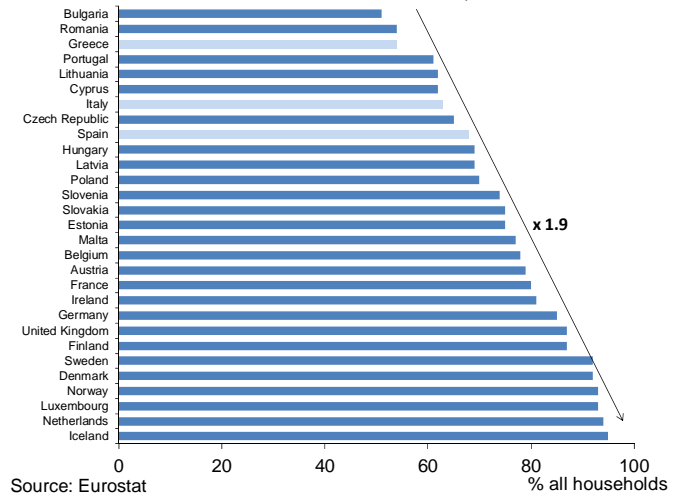
least 60% of their population online while more than 80% of the population is online in eleven countries.

It typically follows that countries with greater online penetration are wealthier. The eleven countries with over 80% of the population online have the some of the highest GDP per capita rates in the region. These countries account for around half of the population for all countries considered, but 65% of GDP and almost 70% of the outbound travel demand.

Households with internet access, 2004



Households with internet access, 2012



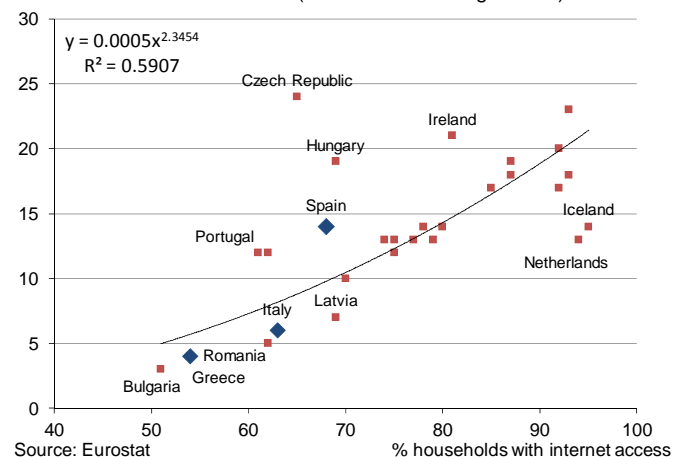
Not surprisingly, internet access translates into e-commerce success by country. The adjacent chart shows a strong correlation between these two indicators of internet usage. Greater concentration of households with internet access tends to result in a higher percentage of business through e-commerce.

Approximately half of regular internet users in the EU have made recent online purchases according to data from Eurostat. Internet users in the UK are reportedly more likely to make online purchases than users in any other EU country, with 82% of regular internet users buying online. At the other end of the spectrum, only 11% of users in Romania regularly buy online. However, The disparity between the most frequent online purchasers and least frequent has also narrowed significantly over the last five years, just as internet access has become more commonplace.

Internet usage has evolved as it has become more widespread, moving away from being primarily a tool for research to becoming a distinct marketplace. Trust in

E-commerce and demand penetration in Europe

e-commerce share of turnover (all sectors excluding finance)



online purchasing has risen as a larger proportion of the population has gained access to online content. However, the internet still provides important research benefits to consumers by providing clear and comparable information on products. These information benefits are clear for the tourism industry.

1.2 Online tourism search

Online content is now a primary source of travel information, exceeding all other forms of traditional media and marketing in Europe on average. Half of all travellers from the EU reference internet sites and social media for travel information. Less than 10% draw travel information from the newspaper, radio, and TV combined. Travel agencies and tourism offices provide travel information to about 20% of European travellers.

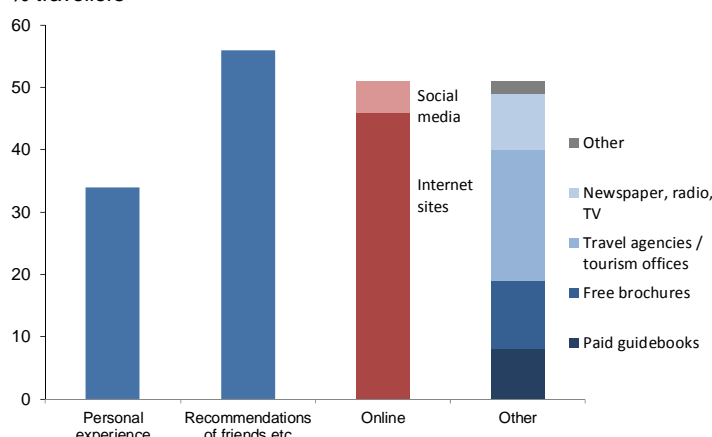
The only resource exceeding the importance of online content is the recommendations of friends and relatives. However, it should be noted that this distinction is becoming less clear with the rise in social media as more personal interaction occurs online.

At the current stage of the European tourism industry's online development, research remains the primary interaction between suppliers and tourists. Research is more widespread than booking for the EU as a whole. According to data from Eurostat, almost 40% of all households (and nearly half of all internet users) use the internet for the purpose of researching tourism. But less than 25% of households go on to book travel online.

Internet usage for tourism research relative to actual booking activity varies significantly by market and is largely according to the maturity of the market. For the more developed, larger EU economies the proportion of households researching tourism online is comparable to the proportion that proceeds to book online. These economies make up a majority of tourism demand in the region and also tend to have higher internet penetration in general.

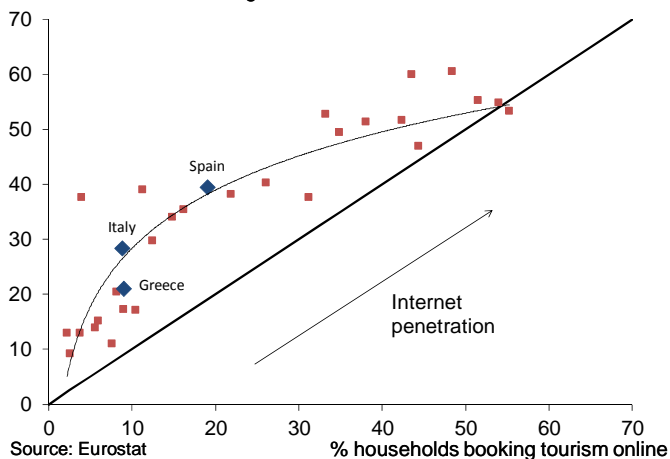
For less affluent markets the proportion of households researching tourism online currently exceeds the proportion booking online. This appears to follow a pattern of internet penetration and maturity, similar to so-called s-curves. The adjacent chart displays

Most important sources of travel information
% travellers



Source: Eurobarometer

Tourism internet usage, 2012
% households researching tourism online



proportions of households that use the internet for tourism-related research and booking, by country. If the proportions using the internet for research and booking were the same, a country would be on the 45-degree line. Instead the data suggest that households initially use the internet to research tourism and then as online penetration matures there is a movement towards booking online as well. The data for earlier years show a similar distribution with a clear movement along the line as internet penetration has grown in markets.

Those countries with the lowest internet penetration (average of around 60% of households online) tend to lie in the lower left-hand corner, with low incidence of both research and booking online. As internet penetration rises, online research rises faster than online booking. For the majority of countries, internet research of tourism is more common than online booking. In the upper-right area of the chart, those wealthier countries with higher than average internet penetration are more aligned in terms of research and booking activity.

It is likely that online tourism booking will become more prevalent in the future as online activity evolves, but for now research remains a primary interaction between the tourism industry and consumers. This interaction does provide some clear benefits to both the industry and consumers as quality information flow drives travel.

There are risks in this stage of online evolution that these demand-side preferences influence the supply-side. Lower internet usage and associated lower trust in online booking may translate into lower provision of online content. This can place these markets at a disadvantage in international markets. Potential tourists from the larger origin markets with a higher propensity to research and book online may not be able to fully understand what a market has to offer, and may even choose to travel to other destinations which provide clearer online information.

This is evident in Greece which has a low proportion of households booking and researching online. Italy has a similar low proportion of households booking online but a higher proportion that research online. Greek and Spanish travellers reportedly place greater than average emphasis on personal recommendations, while Italians have higher than average trust in travel agencies. Spain has a higher share of households both booking and researching tourism online than the other two countries of focus, consistent with the observed trend across all countries. Spanish travel data, from national data sources, also show that the proportion of inbound travellers booking online is much larger than the domestic share, reflecting the higher propensity to book online in the larger origin markets. Specific data of this sort are not reported by Greece and Italy but the limited data available would suggest that the same is true in these markets.

1.3 User generated content

Consumer reviews of destinations, museums, theme parks, exhibits, restaurants, and hotels have become vital to the success of tourism businesses as potential customers rely on these reviews to make purchase decisions. Consumers are often encouraged to post pictures and videos, recount experiences, and add to other online content, such as 'key sites to see' on maps. By giving users the opportunity to comment, link, share and embed information, connections are created between sites and users. Content is hosted by businesses and can be used to ultimately drive sales, even though it is originally generated by other users.

In the absence of personal recommendations, the next best thing is an online review from similar travellers with similar travel objectives. Social media allows greater sharing of personal travel experiences online, including images and descriptions of places and experiences. This actually facilitates greater sharing of information and recommendations amongst friends and relatives as well as amongst a wider group of 'virtual' acquaintances. Hence, social media and user-generated content provide powerful tools for tourism providers to understand in order to engage with potential visitors and to gain trust. Trust is vital in converting researchers into purchasers.

52% of Facebook users stated that seeing friends' vacation pictures inspired them to book a trip to that particular place according to a 2011 survey by Skyscanner². This survey demonstrates the role of social media in promoting recommendations from friends and relatives as well as 'virtual strangers'. 34% of European travellers reported that their travel decision was influenced by the opinion of someone they only know online. The importance of more engaged consumers using social media is also evident in the booking behaviour of visitors to Skyscanner's travel comparison sites. Booking conversion rate is reportedly 50% higher for visitors to their Facebook page than visitors to their main site.

Tourism businesses who actively engage with creators of user generated content stand to prosper by responding to both positive and negative feedback and improving their services. By being open to feedback and online criticism businesses and destinations are able to gain trust and increase sales.

² Skyscanner Travel Trends Report 2012

2 Online content: Industry Viewpoint

Key Findings:

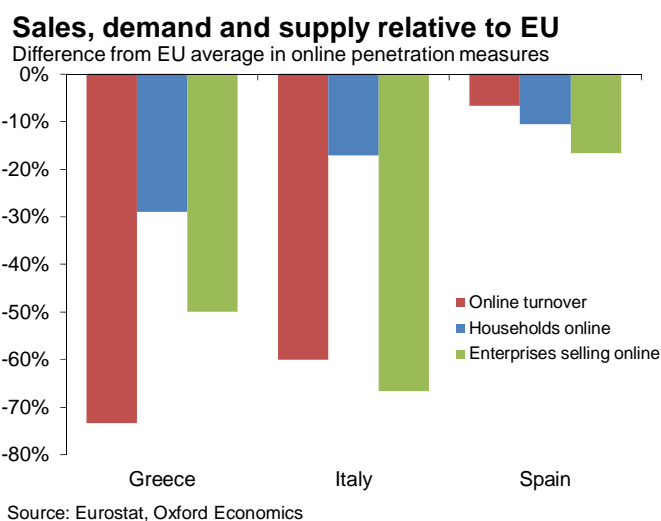
- A relatively low proportion of enterprises in Spain, Italy, and Greece are using e-commerce. This imbalance presents an opportunity to increase online sales by more widespread industry adoption of internet sales and marketing platforms.
- Destinations that make greater use of internet in reaching customers have performed better than their peers in recent years. These destinations have gained market share from competitors. This is part of the reason that Greece and Spain have not experienced any gains in market share over this period while Italian gains have been modest.

2.1 European businesses online

A significant online presence is crucial for businesses to continue to access evolving demand and for economies to realise their potential in an increasingly global marketplace. This is particularly crucial for tourism which is heavily reliant on international demand in many European countries. As a result, the correlation between households buying tourism online and tourism revenue is not as close as that for wider online sales and internet penetration by country. Supply-side constraints are a more important factor where industry adoption of the internet lags.

Export industries, such as tourism, need to be aware of online consumer preferences in markets that generate the majority of demand. Despite the enormous and growing value of online consumption, businesses have lagged consumer demand in some countries, placing a constraint on online sales. According to a report by the McKinsey Global Institute³, internet-facilitated spending contributed 3.4% to GDP in the 13 countries covered by the research. As further growth in online sales is expected within Europe, and notably within tourism, it is paramount that the industry increases its development of online content.

The constraints of suppliers not meeting online



³ McKinsey Global Institute, Pelissie du Rausas et al., 2011

demand can be seen in markets where online sales are low relative to the online population. In these markets, a relatively low proportion of enterprises are using e-commerce. This imbalance presents the greatest opportunity to increase online sales by more widespread industry adoption of internet sales and marketing platforms.

In Italy, businesses are 67% less likely to sell online than the average for the EU. In Greece, businesses are 50% below the EU average while online turnover (sales) is 70% below the EU average. The proportion of Spanish businesses online lags the EU average by 17% with just 10% of enterprises selling online.

Online sales, demand & supply indicators						
	Online turnover		Households online		Enterprises selling online	
	%	diff EU*	%	diff EU*	%	diff EU*
EU 27	15		76		12	
Czech Republic	24	60%	65	-14%	15	25%
Luxembourg	23	53%	93	22%	9	-25%
Ireland	21	40%	81	7%	21	75%
Sweden	20	33%	92	21%	21	75%
Hungary	19	27%	69	-9%	6	-50%
United Kingdom	19	27%	87	14%	16	33%
Finland	18	20%	87	14%	15	25%
Norway	18	20%	93	22%	29	142%
Denmark	17	13%	92	21%	19	58%
Germany	17	13%	85	12%	18	50%
Belgium	14	-7%	78	3%	20	67%
Spain	14	-7%	68	-11%	10	-17%
France	14	-7%	80	5%	12	0%
Iceland	14	-7%	95	25%	0	-100%
Estonia	13	-13%	75	-1%	11	-8%
Malta	13	-13%	77	1%	12	0%
Netherlands	13	-13%	94	24%	22	83%
Austria	13	-13%	79	4%	10	-17%
Slovenia	13	-13%	74	-3%	11	-8%
Lithuania	12	-20%	62	-18%	18	50%
Portugal	12	-20%	61	-20%	16	33%
Slovakia	12	-20%	75	-1%	6	-50%
Poland	10	-33%	70	-8%	5	-58%
Latvia	7	-53%	69	-9%	4	-67%
Italy	6	-60%	63	-17%	4	-67%
Cyprus	5	-67%	62	-18%	7	-42%
Greece	4	-73%	54	-29%	6	-50%
Romania	4	-73%	54	-29%	3	-75%
Bulgaria	3	-80%	51	-33%	3	-75%

* % difference from EU average.

2.2 European tourism industry online

Online presence largely defines the proportion of tourism revenue derived from online sales. Tourism demand consists of spending by residents of a wide variety of countries and their appetite for online content (and booking availability) need to be taken into consideration by suppliers. An impressive 40% of tourism demand in Europe is derived from cross-border spending by foreign visitors⁴ and tourism receipts comprise over 5% of all exports. Greece, Italy and Spain are among the top 10 most visited countries in the region and international tourism demand comprises a significant proportion of total tourism demand (55%, 27% and 44%, respectively).

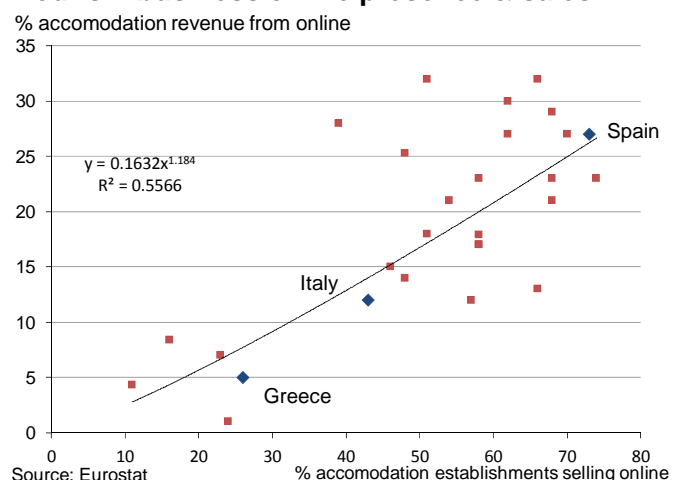
Since the tourism industry is selling to an international market, the proportion of households buying or researching travel online is more important in origin markets than within the destination. For example, the Eurostat data on household online usage shows that less than 10% of Greek households typically book travel online and around 20% research travel online. However, travellers from other key source markets make greater use of the internet for research and booking. In fact, almost double that proportion of households in origin markets research and book travel online.

A similar pattern is evident for Italy and less so for Spain. All three markets are selling to a mix of origin markets in which around 20% of households typically book travel online while 40% research travel online. And all three markets have a domestic market that is less inclined to book or research travel online. If suppliers simply follow domestic online content usage then they are unable to fully realize potential demand.

Considering just online sales as a narrow definition of online benefit, the proportion of businesses selling online is directly correlated with the proportion of sales from that channel. The differences are especially clear for Greece, Italy and Spain with online sales almost exactly following the average relationship with online selling. By making online sales more available, a greater proportion of sales would flow through this channel.

Tourism volumes would also be expected to benefit beyond a simple redistribution from traditional channels to online sales. In order to maintain and even improve

Tourism business online presence & sales



⁴ WTTC annual research, carried out with Oxford Economics

competitiveness, it is essential that Greece, Italy, and Spain embrace online content to allow clear information flow to key source markets. In the absence of this progress, tourism demand may flow to competitor countries which provide more comprehensive information. Indeed, growth in these three markets has lagged that in other more connected destinations in recent years.

The upside potential from greater adoption of online content is not just restricted to receiving additional visitors, or regaining market share, as visitors could also be encouraged to stay longer or visit additional attractions, with higher spending per trip. This is consistent with empirical evidence which indicates that significant economic benefits are created by the internet outside of the technology sector. McKinsey research suggests 75% of the benefits are captured by companies in industries such as travel, retail and wholesale⁵, including notable job creation in small and medium-sized companies.

2.3 Internet penetration and performance

Destinations that make greater use of the internet in reaching customers have performed better than their peers in recent years. These destinations have gained market share from competitors, even after accounting for some other factors. Developed markets which have seen the largest gains in market share all have relatively high internet penetration, making good use of online channels to reach customers. Theory (detailed in the following section) suggests that this is largely due to improved information flow supporting the market.

Greece, Italy and Spain all have low internet penetration and only Italy has experienced any notable gains in market share over recent years. Potential incremental benefits from greater use of the internet by these markets are quantified later in this report.

To capture this relationship between the use of internet to reach customers and actual performance, the World Economic Forum's Information, Communication, and Technology (ICT) infrastructure index has been analysed. The ICT infrastructure index is one of the 14 pillars of WEF Global Travel & Tourism Competitiveness Index, in recognition of the important role of the internet and online content with respect to competitiveness and performance. Incorporated in the ICT Infrastructure index is the prevalence of online sales by destinations as an indicator of business to consumer interactions in the tourism industry.

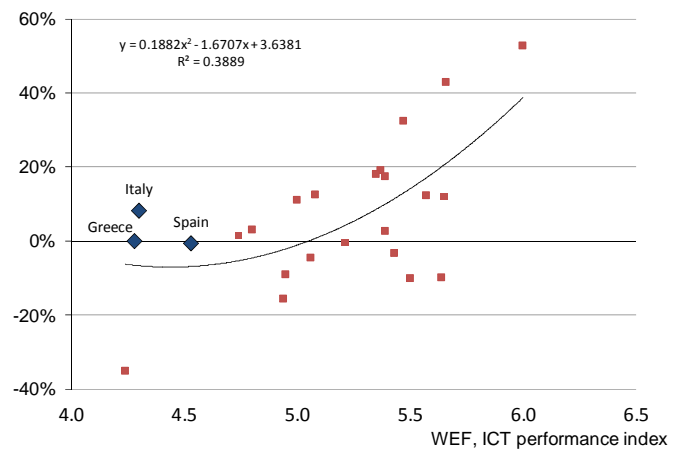
⁵ McKinsey Global Institute: Internet matters: the net's sweeping impact on growth, jobs and prosperity. May 2011

In the adjacent chart, recent changes in market share are compared to the WEF ICT Infrastructure index, by country for 2012. The change in market share was taken by comparing the average share in the last five years compared to that for the previous five year period to smooth any annual volatility and identify the trend. Market share has been assessed by comparing arrivals by destination to a counterfactual of outbound travel from key origin markets. The calculation accounts for developments in economic drivers according to relationships identified in Tourism Economics' existing global tourism modelling.

This modelling exercise shows that there is a clear relationship between destination tourism performance and online presence. The relationship is not perfect and other factors also affect performance but this suggests that the greater effort made by destinations to reach customers online the greater the return.

Tourism online presence & sales growth

% growth in market share by destination (2008-12 relative to 2003-07)



2.4 Online use by tourism sector

Across the EU the tourism industry is leading the wider economy in terms of online sales. 15% of total economy turnover (excluding financial services) was derived from e-commerce in 2012 according to Eurostat data, compared to over 20% of tourism turnover. Total tourism output consists of aspects of several different sub-sectors, including accommodation services, transportation, travel agencies and food services, each of which receive a different proportion of revenue from online sales.

Travel agencies have a high conversion rate from online activities with 45% selling online generating 32% of the sector's turnover in the EU. The rise of online travel agencies has been a notable success story in the evolution of the tourism industry's move to embrace online content. The ability to easily compare selected products and prices online has helped the sector to develop new business models including a proliferation of mobile apps and online booking tools to help access air travel while hotel comparison and booking sites are also increasingly moving online.

However, while apps and mobile internet content are currently helping sales they are not necessarily being fully measured as e-commerce yet. For example, a search for nearby restaurant options on mobile internet will likely result in business for one of the options that has posted the information online, but revenue can often be recorded as through traditional channels as booking and payment is not carried out online. It is hard to derive an accurate measure from performance data reported by online companies but it is clear that online bookings are significantly lower than overall usage. This is expected to change, similar to the evolution of online research developing ahead of online booking in general, as trust in technology grows. Recent

industry developments also point towards this evolution, including the acquisition of the SeatMe restaurant reservation service by Yelp to complement its review service and existing booking channels.

Online sales for transportation are relatively lower at 22% of turnover due to the nature of the sector which covers all different modes of transport. This includes those that are unrelated to tourism such as freight transport, which also are not as suited to e-commerce.

Air transportation is heavily used by tourists and the industry has widely implemented an online sales model. Indeed Spanish national statistics show that the proportion of international tourists booking at least one element of their trip online is 51% compared with just 29% booking accommodation and the difference is due to greater use of online booking for air transportation. This is also suggested by the Eurostat data for all transportation companies for the EU as a whole. Data show that just 13% of enterprises are selling online but 22% of turnover is from this channel as companies with higher average revenues, including airlines, are successful in selling online.

By contrast, 54% of EU accommodation establishments are selling online according to Eurostat data, yet e-commerce only accounts for 21% of turnover.

3 The impact of diverse online platforms

Key Findings:

- Online content connects consumers with businesses in diverse ways, offering a wide range of benefits to both.
- Traditional content, such as that provided by a website, and usually a one-directional flow of information, can provide an efficient marketing channel.
- Travel reviews, which are now more widely available than ever before, encourage travel and additional spending.
- Sales portals provide an easy means of booking travel-related services.
- A broad range of apps and specialised content provide travellers with dynamic tools to make travel easier.

3.1 A multitude of online platforms for tourism

Travel consumers and business meet online using various diverse platforms offering diverse content. Benefits differ according to the type of platform but all have a significant impact on connecting the tourism industry with its customers.

Online tourism content may be grouped by the following platforms where tourism businesses and travellers connect:

- Company website marketing
- Travel reviews and guides (professional and consumer-generated)
- Search
- Sales portals
- Travel apps and specialised content

In this chapter, we explore each of these online platforms that benefit the tourism industry and discuss the benefits of each with examples.

3.2 Company website marketing

The internet is an exhaustive resource for tourism-related information about destinations (towns, cities, and countries), attractions (museums, theme parks, and architecture), activities (special events, recreation, and sports), services (spas, tours, and cruises), and hospitality (lodging and restaurants).

Company websites provide customers with access to important information about a property, attraction, service, or destination. These sites allow businesses to provide

the descriptions, images, and special offers that will be most likely to induce visitation. In addition, these sites typically provide customers the contact information and ability to connect online directly with the business.

Specialized content for niches within the tourism sector has also proven to generate consumer interest. For example, the Google Art Project, which provides high resolution images of artwork, is believed to have created an uptick in attendance at participating museums and galleries.

Government and tourism organisation websites are also an important part of tourism communications strategy which are used to generate interest in a destination and drive visitors and revenue.

3.3 Travel reviews and guides

3.3.1 Professional reviews

Central review sites and travel guides are increasingly moving online. There remains an important place for objective rating of properties such as Forbes Travel Guides and top-rated attractions still prominently display positive rankings. Although formal ratings are increasingly being viewed alongside user-generated reviews the consistent criteria employed by these systems allows clear comparison across destinations as well as within them. For example, a Forbes 5-star property is of a consistent standard in all destinations whereas a TripAdvisor 5-star property may vary depending on the number of reviews.

These professional reviews and travel guides provide a wealth of comparable information and opinions across many business types within a particular destination. This information benefits businesses that perform well and also benefits travellers who are visiting new destinations or seeking out new attractions, and represents a move from print to online for conventional reviews

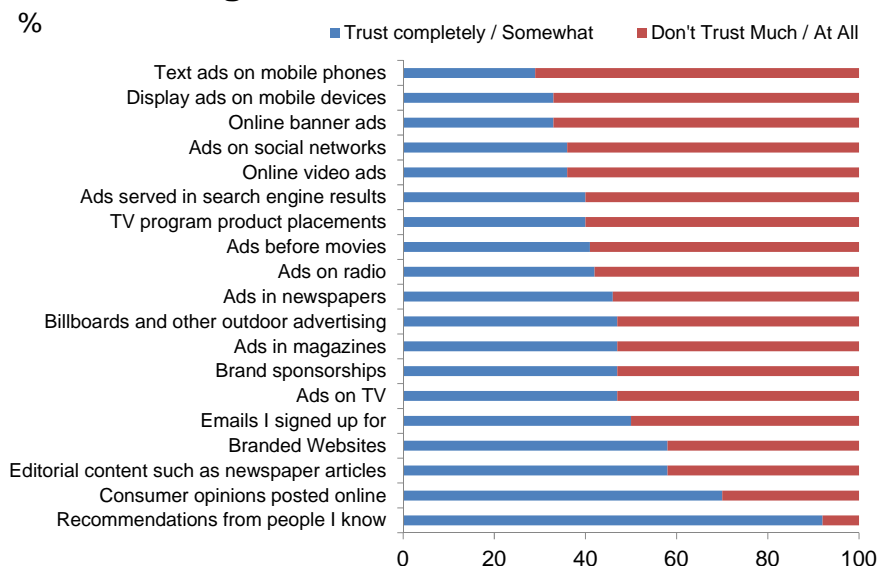
3.3.2 Consumer reviews

As internet usage has grown, there has been a transformation from a one way information flow to free flowing information with dynamic sites including social networks (Cormode and Krishnamurthy, 2008). This change has brought about increasing use of customer reviews (Urban, 2005).

Research on the nature of reviews shows that the more information revealed, the greater the influence on sales. Research using Amazon.com data shows that increases in sales are correlated with greater identification of reviewers and ratings of reviews. The effect of reviews has also been measured with restaurants and hotels.

- Luca (2011) found that revenue increases associated with a one star upgrade on *Yelp* were realised by independently operated restaurants rather than restaurants that belong to a larger chain. Smaller, independent establishments have a particular opportunity in relation to online content.
- Ye et al (2008) found that a 10% increase in hotel ratings on TripAdvisor corresponds to a 4.4% increase in sales.
- Studies examining reviews on Amazon.com have shown that consumer sales decisions are influenced by the helpfulness of the review, status of reviewer, spotlighting a review, and that helpful reviews have a larger impact on less popular books (Chen, Dhanasobhon, & Smith, 2008).
- Deloitte's Consumer Products group found almost two-thirds (62%) of consumers read consumer-written product reviews online, of which, 82% say that their purchase decision has been *directly* influenced by reading reviews. The below chart, based on Nielsen's Global Trust in Advertising Survey, shows that 70% of respondents trust consumer opinions posted online.

To what extent do you trust the following forms of advertising?



Source: Nielsen Global Trust in Advertising Survey, Q3 2011

- Eight out of ten travellers stated that reviews on travel forums are an important part of the decision making process according to Skyscanner's 2012 Travel Trends survey.

To meet consumer demands and to ensure future success Urban (2005) argues that firms must now embrace customer advocacy in marketing. He writes that with transparency, successful businesses must produce products of a high quality and there must be a strengthened relationship with the consumer. Ultimately firms should support customer feedback, and the free and honest availability of that feedback to build trust and drive sales (Urban 2005).

Sites like TripAdvisor and Yelp remove barriers to enable a 'two way street of communication'; creating a direct link between buyer and seller. This open approach provides information that users feel that they can trust, mainly due to the fact that reviews are written for travellers by travellers.

Social media

As the web is evolving, companies are realising that the customer can dramatically affect the market for their business. As the web has become more sophisticated, the power of the customer has increased and online businesses must advocate for the consumer and not just sell to them.

- Online community members rate reviews containing reviewer identity information more positively, and the disclosure of identity information is associated with increases in subsequent online sales.
- The advent of easy access to reviews is lowering the cost for sellers to develop trust with buyers. This allows lesser known establishments to build trust, improving the competitiveness of independent establishments against brands.
- Trustworthy information is provided at minimal cost to the consumer.

As an example of the power of social media, 52% of Facebook users stated that seeing friends' vacation pictures inspired them to book a trip to that particular place.

3.3.3 The benefits of third-party reviews

Trust between buyers and sellers as well as trust in information provision are vital to successful transactions on the internet as in any marketplace. Price sensitivity decreases as the consumer learns more about the true quality of a product, and price is no longer used as a proxy for quality (Lynch and Ariely, 2000). Lower average prices often arise as consumers are less inclined to pay a premium on the assumption that the more expensive product is automatically of higher quality. This provides a clear benefit to consumers. Successful firms must embrace the transparency of the internet (Urban, Sultan & Qualls, 2000) or an issue of mistrust may arise with companies losing out on potential sales

Trust increases participation in activities on the internet (Wang, Chen & Jiang, 2008). Successful websites build trust at each of three phases of a consumer's transaction; from first interactions with the internet and the site, through information and decision making to fulfilment (Urban, Sultan & Qualls, 2000). In an experiment using an online trusted virtual advisor for advice on purchasing a truck, the authors found that 82% of respondents considered the internet experience more trustworthy than in-person dealership experiences.

Both site- and user-generated content can enhance the perceived trustworthiness of an enterprise. Urban, Sultan and Qualls suggest that to build trust, web sites should present third party seals of approval, privacy policies, virtual advisors, complete information, and competitive prices. Trusted customer reviews are also reassuring and influence buying decisions. The travel industry has been ahead of the curve in engaging and adopting social media marketing, partly due to consumers' propensity to look to the experiences of other customers. This is especially important for smaller, lesser known products (Chen, Dhansobhon and Smith, 2008 and Luca, 2011). In a tourism context, reviews are particularly important for smaller, niche competitors and more remote destinations (Lew, 2008).

3.4 Search

Content on brand websites is controlled by the business and in some cases is little more than traditional sales material. Search engines are a crucial step in linking consumers and business with online content. Some further filters are available such as reviews and ratings to save time looking at all available websites. The benefits are broad, generating both online and offline sales (Skyscanner 2012 survey).

Brynjolfsson and Smith (2000) state that when a consumer is not aware of the different options on the internet, such limited information affects both the consumer and the retailer. Case studies show information is skewed towards larger sellers. Searching for a cheaper price may be in the consumer's interest, but without easy comparison or search tools the time required to do so may be deemed too great. In the absence of easy search, well-branded companies have historically thrived based upon brand recognition and perceived quality rather than price efficiency.

More freely available information creates a more even playing field within the tourism industry. Customers are able to rely on the experience of other travellers, potentially supporting smaller businesses able to reach a wider audience.

The importance of information and search is highlighted in a 2010 report by the Internet Advertising Bureau (IAB) Europe entitled *Consumers Driving the Digital Uptake*. This states that "search alone contributes up to €20 billion of consumer value in the US and IAB Europe countries. Comparing this to the total online search market to date shows how significant some services are in generating value in the internet ecosystem."

McKinsey categorised nine sources of value that arise from search. These benefits are estimated to directly benefit both businesses and consumers. McKinsey identify clear positive impacts to both GDP and productivity.

The nine sources of value are listed below along with the expected relevance to tourism search:

1. **Better matching.** Travellers, as well as tourism businesses are able to find information and identify options that are more relevant to their needs.
2. **Time saved.** Decision making and purchasing of travel can be streamlined, saving time and potential expense when booking travel.
3. **Raised awareness.** Destinations and attractions are better able to raise awareness about themselves and their offerings. A value equivalent to significant advertising can be achieved at relatively low expense.
4. **Price transparency.** Travellers are able to find relevant information regarding preferred travel options, and can also clearly compare similar options according to price. This transparency can move pricing power away from the supplier.
5. **Long-tail offerings.** The long-tail is defined as niche offerings that have traditionally only been available in specialist outlets. Information about specialist hotels, museums or other tourism attractions can now be found more easily online through search. There is greater sales potential for suppliers, and also clear returns for travellers as niche preferences can be satisfied. With reference to cultural search, search and online content is a clear win for smaller venues.
6. **People matching.** Search content helps to connect travellers with similar interests.
7. **Problem solving.** Solutions to unforeseen problems can be found through online search including information on travel disruptions.
8. **New business models.** New companies and business models are taking advantage of search including comparison sites and sales portals. This has driven the development of online travel agencies and the online tourism marketplace.
9. **Entertainment.** Entertainment and cultural content and consumption have increasingly moved online and search enables users to navigate content. This

Primary sources of value from search

Sources of value	Better matching	Time saved	Raised awareness	Price transparency	Long-tail offerings	People matching	Problem solving	New business models	Entertainment
Constituencies									
Advertisers									
Retailers									
Entrepreneurs									
Content creators									
Enterprise									
Consumers									
Individual content creators									
Individual information seekers									
Health care									
Education									
Government									

Source: McKinsey analysis

support for cultural consumption is also encouraging travel to cultural destinations.

The efficiency of personal search, in the absence of search engines can be extremely low for buyers and sellers. Search costs for a seller to find an individual buyer for a unique product can be prohibitive without an effective marketplace; this is true in both online and offline markets. Search engines allow sellers to be found by potential buyers.

With so much available information, search functions provide the needed structure to access and sort available information. McKinsey also showed that in France, small and medium sized enterprises (SMEs) that invested in paid search advertising reported double the proportion of cross-border sales than those that did not.

3.5 Sales portals

Online tourism marketplaces have evolved in the most obvious examples into online travel agencies (OTAs) which take advantage of the easier information flow to present comparable travel options, often drawing on both user and professional reviews. For example, a Marriot hotel room can be purchased on marriot.com, Hotels.com, and Expedia.com. In some cases, packages of lodging, transportation, and other services are offered at a discount.

OTAs offer some opportunities to smaller businesses to participate with the same exposure as large businesses. This applies to traditional tourism services, such as hotels and has opened up new services as well. Airbnb, based in San Francisco, California, provides an example, which allows “people to list, discover, and book unique accommodations around the world — online or from a mobile phone”. These accommodations include apartments, castles, villas, and private homes in more than 33,000 cities and 192 countries. The platform allows property owners to monetize extra space and showcase it to a global audience, competing with large, established hotel brands.

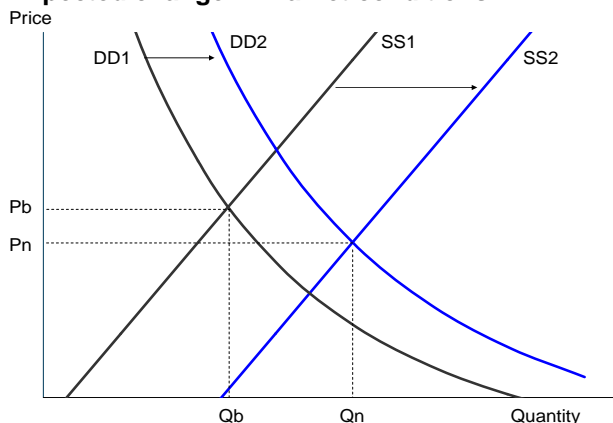
The function of sales portals to allow comparison of different products on the basis of both quality and price, gives rise to the so-called “billboard effect”. This describes how the presence of a business within a third-party sales channel gives the hotel, service, or attraction exposure to potential customers who may not book on the site but still make a purchase, either on the company website or through traditional sales channels. This is especially notable for portals or apps which are widely used by tourists while they are travelling and within a destination.

There are important implications for both product demand and supply as economic theory suggests that average prices fall with greater transparency, while changing consumer behaviour results in increased sales. Effects have indeed been observed in the tourism industry with the rise of greater online information and transactions.

- On the supply-side, literature suggests that greater transparency results in a change in emphasis from price to quality, effectively increasing the average quality of the product available at all prices, and an outward shift in the supply curve (from SS1 to SS2 in the illustration below). At its simplest this is evident as inadequate products are exposed; a form of accelerated “natural selection” in the market place.
- The nature of the demand curve itself is also expected to change as consumers are emboldened to act and purchase more at all prices due to greater transparency. By being fully aware of travel options, consumers may spend more per trip by undertaking more activities, visiting more attractions, or staying longer in each destination.

Online transactions are not only taking a greater share of the travel market but, as a consequence of online information and transactions, travel demand itself is increasing, as illustrated in the previous section with stronger arrivals growth for those destinations more invested in ICT technology. With reference to the illustration, greater sales volumes are to be expected at all prices: an outward shift in the demand curve (DD1 to DD2 in the figure) The aggregate effect is a drop in the average price of travel from P_b to P_n with an increase in sales volume from Q_b to Q_n . Producers gain in terms of total revenue as long as the increase in quantity is sufficient to offset the fall in price.

Expected change in market conditions



These economic dynamics also generate something called consumer surplus. Consumer surplus is a measure of the extra benefit that people gain from the consumption of goods and services if a higher value is placed on that product than the price paid. For an individual consumer it is the difference between the total amount they are willing and able to pay for a good or service and the amount that they actually pay. Aggregated over all consumers, it can be defined as the area beneath the demand curve but above the market price (with reference to the previous illustration, the final consumer surplus is the area below the line DD2 but above the horizontal line at P_n).

IAB Europe (2010) supports the view that considerable value to users is derived from advertising-funded web services. They find that user benefits are significantly larger than the advertising revenues earned from providing those services. In the context of Europe, IAB find that the estimated consumer service surplus was about €100 billion for 2010. This stands at three times more than the 2010 revenue from ad-based services. *“The scale of online advertising revenue significantly underscores the massive value consumers derive from the online services they use.”*

Even during early internet adoption, from 1995 to 1997, Brown and Goolsbee (2002) found that there was an 8 to 15% drop in term life insurance prices implying a consumer benefit of \$115 to \$215 million annually. Additionally, Holladay et al. (2011) estimated that “individual consumers collect between \$4,155 and \$5,686 worth of value from the Internet per year.”

3.6 Apps and specialized content

The advent of “apps” (applications) for smartphones and other devices, and specialized content, have opened up a realm of tools that both benefit travellers and tourism-related businesses. These apps and specialized content allow customers to research tourism attractions and destinations interactively and virtually. The Skyscanner 2012 Travel Trends Report states that 41% of travellers use apps to help choose restaurants, bars and beaches during a trip. Examples include:

- Geo mapping services, such as Google Maps and MapQuest, save travel time and money through more efficient navigation, improve emergency response times for public safety, and bring educational benefits through enhanced access to information on other places worldwide. Geo mapping services are also an intermediate good used by businesses globally, as an input into providing services such navigation or logistics.
- Zagat, UrbanSpoon, Food411, and Yelp are a just a few examples of the many websites offering geographically-based descriptions and reviews of restaurants.
- The Weather Channel provides real time weather information and forecasts by destination.
- Google Street View allows tourists to view areas and properties before visiting.
- Fodor’s City Guides provides insider tips and recommendations for the sights, dining, lodging, and shopping.

4 The importance of online content to cultural tourism

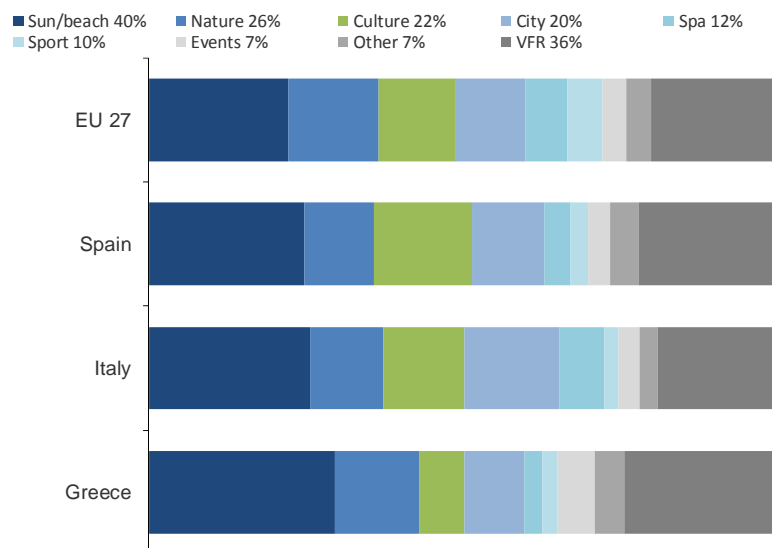
Key Findings:

- Culture is a motivating factor for 22% of tourism trips made by EU27 citizens.
- Greece, Italy, and Spain are all among the top 10 European cultural destinations, comprising 30% of all European cultural tourism demand. Italy and Spain are estimated to be the second and third most visited countries for cultural reasons, behind only France as the most popular cultural destination.
- A majority of European citizens have expressed interest in the arts and culture in other EU countries (57%).
- Culture-related searches by top travel-generating markets account for 45% of all tourism-related searches for Greece, 31% for Italy, and 44% for Spain.

4.1 Cultural interest and tourism demand

Culture is a key motivator for travel in Europe and is the third most important motivator for leisure travel by EU citizens, following sun & beach and nature (excluding visits to friends and relatives: VFR). Culture is reportedly a motivating factor for 22% of tourism trips made by EU citizens,⁶ but this varies between 9% and

European trip motivators



Source: Flash Eurobarometer 370

⁶ Shares on the Flash Eurobarometer chart add up to more than 100% as a trip can have more than one motivator.

35% according to the origin market. Amongst Greek tourists, culture is only an important motivating factor for 12% of travellers, while 50% reportedly travel for sun and beach. Tourists from Italy and Spain are more motivated by culture than the EU average with 23% and 27% motivated by culture.

Of course, overall tourism demand for these countries is heavily influenced by external demand, with approximately half of tourist visitors from coming from elsewhere in the EU. Italy and Spain have relatively large domestic markets, while Greek domestic demand comprises just 30% of tourism in the country. The motivation for travel by visitors from source markets is general more important than national preferences.

Origin tourism markets that are most motivated by culture include the large Western European markets of Belgium, Denmark, Spain, Austria, Netherlands, and Germany. On average culture is an important motivating factor in travel for 30% of tourists from these countries. By contrast Central and Eastern European countries tend to have lower interest in cultural tourism with less than 15% of tourists from this region likely to travel for cultural reasons.

By considering historic country-to-country tourism flows and cultural demand by origin country, the importance of culture to inbound demand can be estimated for all European countries including Greece, Italy and Spain.

The three markets of interest are all estimated to be among the top 10 European cultural destinations, comprising 30% of all European cultural tourism demand. Italy and Spain are estimated to be the second and third most visited countries for cultural reasons, behind only France as the most popular cultural destination. Total travel to Greece is more motivated by culture than just domestic tourism at around 17% of trips, albeit lower than the EU average.

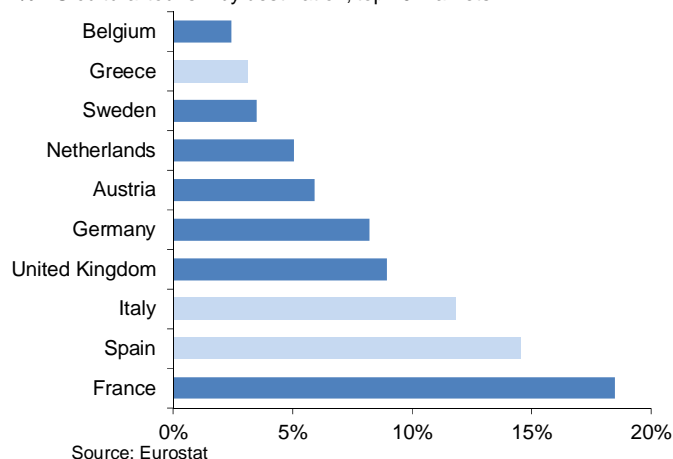
This primarily reflects the make-up of demand by market rather than the actual amount of cultural tourism products on offer. This is confirmed by further analysis of online tourism searches (see section 4.4 of this report).

While this is reflective of tourism demand it may not fully reflect the availability of cultural travel products by country, and there may be opportunities for growth. For example, Greece has more UNESCO world heritage sites than some of the other countries that are ranked above it in terms of cultural demand.

Incremental cultural tourism demand for destinations can be generated in two ways, which are highlighted in some of the case studies in following sections. First, by increasing knowledge of the available cultural sites and resources in source

Top European cultural tourism destinations

% EU cultural tourism by destination; top 10 markets



markets, additional tourists can be attracted. Second, visitors can be drawn to a destinations following new investment in museums, galleries, events, and other cultural attractions. Innovation in cultural tourism products is easier to implement than some other aspects of tourism which are reliant on natural features and climate. This could explain some of the large flows to Northern European destinations which have prioritised cultural tourism.

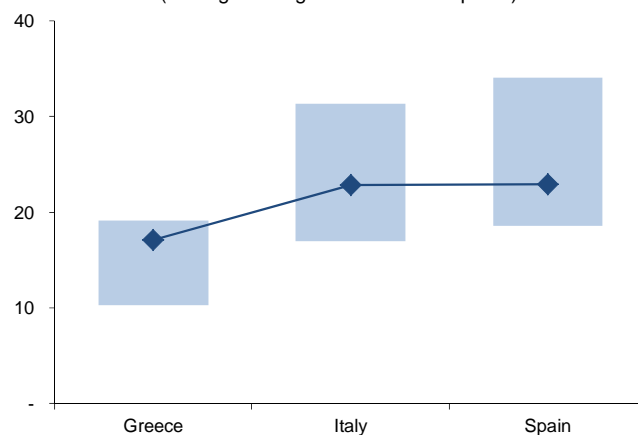
Estimation of cultural demand by destination

Using origin–destination travel weights, we are able to derive the importance of cultural tourism to Greece, Italy, and Spain as well as other European countries. An average of cultural demand by origin market was calculated, using the importance of origin markets to each destination as weights.

Given the uncertainty inherent in this approach as well as in the source data, we have calculated this as a range of potential impacts using the volatility in the origin market survey results to place a band around the initial simple estimate. For example it is estimated that between 10% and 19% of international travel to Greece is motivated by culture. For Italy and Spain the range of potential values is 17-31% and 19-34%, respectively.

Next a supply-side index of cultural endowment was constructed from data on available cultural institutions such as the number and size of museums and UNESCO World Heritage Sites. As a sense check, this is correlated with total tourism demand and is a plausible explanatory factor for cross-country tourism performance. Relative values of the supply-side index can also be used to allocate cultural tourism across countries; a higher index value indicates that a country has greater cultural tourism products and should receive a higher proportion of tourism demand from origin markets. For example, this shows that Greece is likely to receive a higher than average share of cultural tourism from origin markets; a central estimate of over 17% of arrivals rather than 15% that would be suggested by looking at just demand-side trends.

Estimated culture share of tourism trips
% total tourism (average & range of estimated impacts)



Source: Tourism Economics

4.2 Online interest in culture

Residents of key origin travel markets widely use the internet to research museum or library websites to improve knowledge (24% of EU citizens) as well as search for information on cultural products or events (42%) and research holidays (42%). Available data on search activities is somewhat dated from 2007 and values are likely higher now but these figures are likely still indicative of relative search trends.

It is noteworthy that those markets where “researching holiday” has a high incidence, “researching cultural products or events” also scores highly. This is true in the Scandinavian markets as well as in the three largest European origin travel markets; Germany, UK, and France. All of these markets have high internet penetration including a high proportion of households both researching and booking tourism online.

A majority of European citizens have expressed interest arts and culture in other EU countries (57%) as well as in their own country (69%) indicating a clear demand for cultural tourism.

Museums provide a clear example of international cultural interest and the challenges and opportunities that digital innovations can bring.

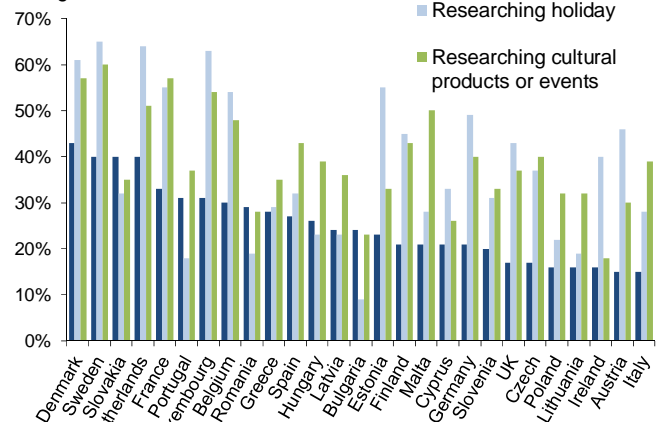
Demand for online content is leading to high resolution images of artwork being placed online. This allows more widespread cultural consumption which is one purpose of these museums, acknowledged by Deborah Ziska of the National Gallery of Art in Washington DC, stating that “this is the wave of the future for museums in the age of digital communication. Sharing is what museums need to learn to do.”

Concerns that online sharing may reduce footfall at the physical premises are not founded in any visitation data while there is actually some evidence to the opposite. Limited available data on museum visits and the impact of the internet show that increased online content that engages the audience can actually generate incremental physical demand for these attractions.

In 2010, Tate’s Head of Membership and Ticketing Martin Barden discussed how Tate’s presence in the virtual world had directly impacted the museum. He chiefly attributed the increase of 750,000 visitors to ticketed exhibits, and a 37% increase in

Internet use by activity

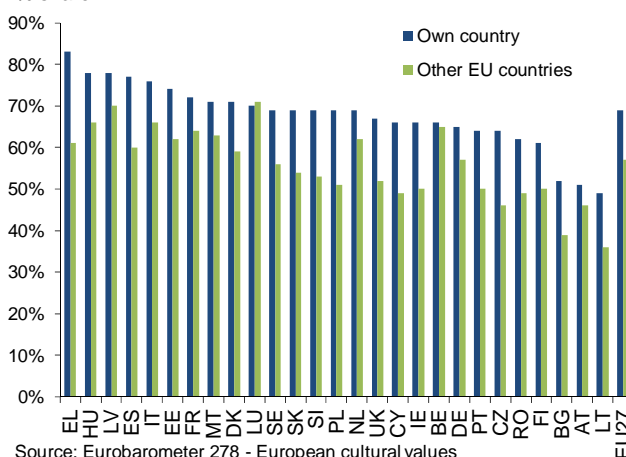
% regular internet users



Source: Eurobarometer 278 - European cultural values

Level of interest in culture within...

% share



Source: Eurobarometer 278 - European cultural values

membership between 2005 and 2010 to the Tate's embrace of IT, on-line openness and active curating its social media space.

Specifically, the top ten most visited museums in terms of footfall are not the most visited online measured in terms of Facebook and Twitter. This may be due to a measure of complacency as these establishments already have high recognition amongst travellers. What is clearer is that smaller destinations and attractions have more to gain from increased online exposure by being able to reach a wider audience. For example, the relatively smaller Saatchi gallery in London and New York's MOMA have both generated greater interest online than some of the larger museums in those cities. Visitation data are sparse for these establishments but some increases in visitor share are evident in the data.

Top museums worldwide by footfall and online use					
Footfall		Facebook 'likes'		Twitter 'followers'	
Institution	City	Institution	City	Institution	City
Musée du Louvre	Paris	Museum of Modern Art	New York	Museum of Modern Art	New York
British Museum	London	Saatchi Gallery	London	Smithsonian Institution	Washington
Metropolitan Museum of Art	New York	Musée du Louvre	Paris	Saatchi Gallery	London
Tate	London	Metropolitan Museum of Art	New York	Tate	London
National Gallery	London	Royal Collection Trust	-	Solomon R. Guggenheim Museum	New York
National Gallery of Art	Washington	Tate	London	Design Museum	London
Museum of Modern Art	New York	Solomon R. Guggenheim Museum	New York	Metropolitan Museum of Art	New York
Centre Pompidou	Paris	Museum of Islamic Art	Ad Doha	The Andy Warhol Museum	Pittsburgh
National Museum of Korea	Seoul	Acropolis Museum	Athens	Royal Collection Trust	-
Musée d'Orsay	Paris	British Museum	London	Getty Museum	Los Angeles

Source: Museum Analytics

Attractions that have successfully developed online content have been able to generate increases in interest and demand to take full advantage of improvements in physical capacity. Due to the low importance placed by some museums on footfall and the proliferation of free entry, it is hard to obtain accurate data on visits to establishments to measure the return on online content. However, case studies indicate that online content has led to rising visitation.

- London's Street Museum effectively used online content to reach out to a new audience. More than 200 images from the Museum of London's archives were made available online, including on smartphones, to be viewed in the actual location of the historic images. This innovation retained and helped to generate interest during the development of the museum and footfall tripled from previous levels on re-opening.
- The Rijksmuseum in the Netherlands made high resolution images freely available online and users were encouraged to edit, crop, and print images. This was part of the museum's strategy to retain an audience during renovation of the physical premises. Upon re-opening in 2013, visitation increased significantly. A study of the economic impact of the museum⁷

⁷ Rijksmuseum. Grand National Product. The economic value and impact of the new Rijksmuseum Booz and Company, August 2013

credits online content in helping to reach to an international audience and showcases the role of the museum in attracting visitors to Amsterdam and the associated spending and economic benefits.

At a national level, the relationship between onsite visitors and online activity can be used to derive an indicator of online development to determine which countries are more likely to benefit from greater exposure via the internet.

In the US, online activity (measured as Facebook “likes” + Twitter “followers”) is equivalent to 92% of annual onsite visitors. This is followed by the UK with a 42% online to onsite activity ratio. Within these countries, some of the top museums have a proportionately large online presence including the Tate in London as well as New York’s Metropolitan Museum of Art. However, Tate stands out has having a larger proportion of online visitors by providing an easily searchable online collection and greater engagement with social media. Frequent posts and an emphasis on interaction with the public is generating interest in the main website as well as the physical museum.

France has a particularly low ratio of online to onsite visitors typified by the Louvre. The museum has clearly invested in its website which contains introductions to its paintings and runs thematic tours, but the full content is only available in French. Translations of limited content is available in selected languages with the main focus on giving information to those who are already likely to visit rather than encouraging new interest.

Spain and Italy fall toward the lower end of the spectrum with ratios of 18% and 6%, respectively, and may miss out on any benefits of sharing online and lose share of cultural demand. Greece shows a relatively strong ratio of 32%, implying strong online adoption by the institutions involved. However, only five Greek institutions participated in this survey of online content and activity and the ratio may not be fully representative. Indeed, there are 17 UNESCO designated World Heritage Sites within Greece and many more museums. Given the low internet penetration seen within Greece it is likely that the minimal participation in this survey is indicative of the priority given to the internet as a channel for generating interest. There is a large potential upside from greater adoption of the internet as a tool to further increase the market share of cultural travel to Greece.

Footfall & online presence by country					
Country	Number of institutions	Onsite Visitors	Facebook 'likes'	Twitter 'followers'	Online / onsite
United States	1407	29,047,487	14,586,815	12,009,325	0.92
United Kingdom	222	27,133,661	5,147,512	6,315,102	0.42
Netherlands	194	14,853,049	1,020,069	594,390	0.11
Canada	105	2,499,451	405,453	270,682	0.27
Germany	70	3,514,807	481,534	140,669	0.18
Spain	68	9,681,919	1,099,754	654,711	0.18
Australia	50	7,439,801	415,672	162,658	0.08
Italy	47	8,849,819	458,159	107,964	0.06
France	38	17,391,946	2,312,940	379,202	0.15
Sweden	38	7,318,000	366,726	37,995	0.08
Greece	5	1,355,720	432,229	6,098	0.32

Source: Museum Analytics

4.3 Culture as a demand generator

European destinations with a larger number of cultural attractions (such as world heritage sites and museums, as designated by UNESCO) are also those that enjoy a larger share of European arrivals, and are also estimated to receive a higher proportion of European cultural tourism demand.

The European Capital of Culture programme provides case studies of how both cultural development and an increased knowledge of cultural attractions can generate a return for destinations. The programme has been effective in helping cities to rebrand themselves as dynamic, cultural and artistic centres and has generally been effective in boosting visitation. The majority of the overall benefit is generated by visitors from the local area but there are also clear gains in tourist arrivals.

Interestingly, cross-border demand is also generated by the programme as residents of previous cities of culture are more inclined to visit other cultural capitals. This is consistent with one of the stated aims of the programme to “promote the greater mutual acquaintance between European citizens.”⁸

The programme has been shown to produce two levels of impact:

- Additional visits to cultural events and attractions during the year of recognition.
- Increased awareness of the cultural attractions available in the cities. There are clear benefits to tourism arrivals for the period following any specific events pointing to the importance of increased information flow and improved perceptions.

Overall the combination of cultural events and increased knowledge of these events has produced a clear return for the majority of cities, demonstrated in the case studies below. The precise impact of the cultural events by themselves cannot be separated from the impact of associated branding and increased marketing effort that typically accompanies Capital of Culture status. But case studies demonstrate that cultural tourism can provide clear incremental benefits to destinations if supported by sufficient marketing funding as part of a planned programme.

The role of cultural development in generating incremental tourism demand can also be seen in evidence from the designation of World Heritage Status (WHS). The impact varies depending on the motivation for seeking WHS⁹. The majority of

⁸ McCoshan et al. (2010)

⁹ The Economic Gain: Research and analysis of the socio-economic impact potential of UNESCO World Heritage Site Status, Rebanks Consultancy Ltd & Trends Business Research Ltd.

destinations initially sought the status to preserve or celebrate a particular aspect of their heritage. These destinations often already receive a large number of visitors and have seen limited incremental benefits.

Destinations that seek WHS as a tool for development can realise significant tourism benefits if this is alongside an effective marketing effort.

European Capital of Culture Case Studies

Liverpool, UK: Capital of Culture 2008

Overall, the designation resulted in an estimated £753 million in spending that would not have occurred otherwise. Further, the boost in tourism to Liverpool extended beyond 2008. Hotel room demand and attendance at the City's major attractions in 2009 remained markedly higher than in previous years.

- 7,000 events were hosted
- Nearly 28 million visits in 2008: 34% increase from 2007
- Nearly 10 million visitors attended officially sanctioned events, accounting for 35% of total visits to the City
- 2.6 million international visits were motivated by the events, of which 97% were first-time visitors to Liverpool

Linz, Austria: Capital of Culture 2009

The key objective—to rebrand the City and expand tourism offerings—was achieved with a focus on adding appeal for families and children. Funding was integral to the success of the series of events, with contributions from various levels of government.

- Hosted more than 7,700 culture events and 5,000 artists
- 2.8 million visitors in 2009, compared with roughly 600,000 per year in the prior three years
- Overnights stays were 10% higher than in 2008, and more than 20% higher in the summer months versus a year earlier
- Success was against a background of lower overall travel demand from key origin countries and arrivals in other Austrian cities fell during the year
- Year-round events added to the impact
- Successful events highlighted key attributes of the destination and notably the music programme was based on acoustics of the city and sought to highlight urban acoustic spaces

Essen, Germany: Capital of Culture 2010

Essen's example demonstrates the ability of culture as a development tool, in helping to transform the previously heavily industrial Ruhr region into an increasingly diverse economy. The creative economy and tourism are taking greater importance as drivers of regional activity. Effective leadership was a key factor in the city's success including well-run and promoted events. Artistic decisions were insulated from political pressure allowing the full return on culture to be realised.

- More than 5,500 events, activities, and performances were held
- 13% increase in visitation from 2009
- Record total number of visitors of 6.5 million.
- The events generated an additional €90 million in turnover

4.4 Tourist engagement with online content

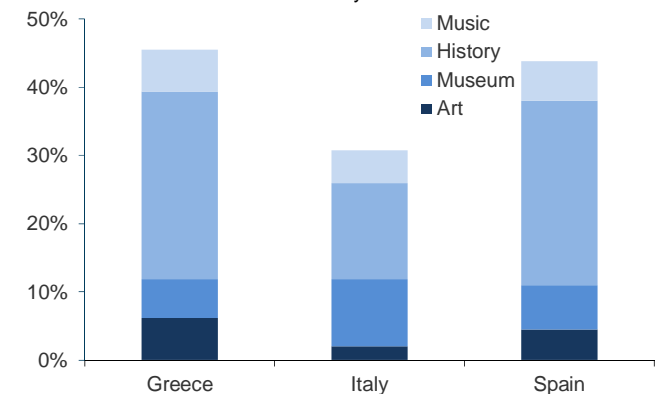
In order to fully realise the benefits of cultural attractions, countries need to ensure that they have sufficient online presence to benefit from tourism-related searches. Potential visitors often search online for cultural options when conducting tourism-related searches and destinations risk leaving demand unfulfilled if content is not immediately available.

To explore this dynamic, we examined how internet searches are conducted in several key origin markets to gauge the importance of culture-related searches. The key origin markets examined include four from within the European Union (Germany, France, the United Kingdom, and Netherlands) plus the United States. Together these five origin markets accounted for nearly 57% of total international arrivals to Greece, Italy and Spain combined, in 2011. These origin markets represent a significant portion of tourism demand and are indicative of the overall market.

The results demonstrate the importance of interest in cultural tourism as a driver of tourism demand. When searches in the five origin markets are combined, culture-related searches account for 45% of all tourism-related searches on Greece, 31% for Italy, and 44% for Spain. This implies that potential visitors in these key origin markets are seeking cultural options when researching destinations and planning trips. If this is an indication of online demand for cultural tourism, a key question then would be, are these potential visitors able to find sufficient content online in each of the respective destinations? And if not, what potential value is being missed?

International cultural tourism searches

"Cultural" tourism related searches by destination



Source: Google AdWords,
searches from UK, Germany, France, Netherlands & USA

Culture search methodology

Specific internet searches by origin market were analysed using the Google AdWords tool was used to measure internet searches in the respective origin markets. The Google AdWords key word tool is intended to generate search term ideas for businesses trying to boost online visibility, but allows comparison of related searches for a given term. The tool allows the user to enter a search term and provides up to 100 related search terms and a count of each search term during the past 12 months. The tool also allows for filtering by geography, language, and broad search category. For example, one could capture searches conducted just in the UK, in English, and categorized as tourism-related.

Within the tourism category a variety of search terms were used including general searches on the destination countries of interest, events, sports, and cities in the destination countries. Also key tourist attractions within each destination country were included. Culture-related search terms included museums, music, art, and history. Food and cuisine were also explored, but for purposes of this analysis were not considered as cultural-related searches.

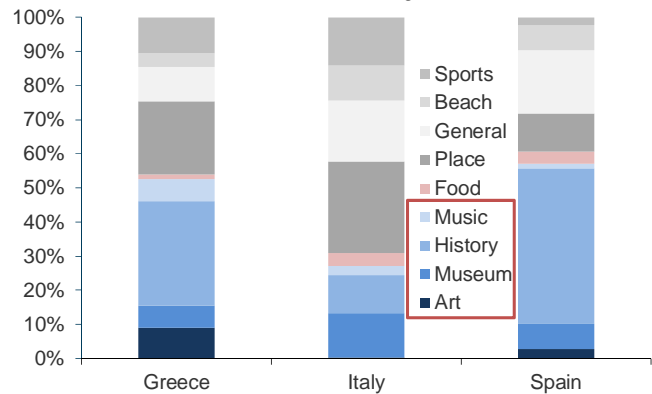
Search terms were entered in English for the UK and US. For the other three origin markets, search terms were entered in the respective official language as well as English. Internet users in these countries often use English to search online and not capturing English language searches would exclude a significant portion of total searches. Particularly when searches are conducted in an international context, such as tourism in another country, English is clearly the preferred secondary language, confirmed by recent Eurobarometer findings which surveyed the languages used by Europeans when conducting internet searches. This likely reflects the searchers' expectations of successfully finding what they are looking for. Taking into account geography and language filters, this approach allows the importance of searches for culture relative to all tourism-related searches to be gauged, in each of the key origin markets and for Greece, Italy and Spain separately.

Some limitations to this approach exist, such as potential for double counting related search terms since terms may share related search terms – a particular museum could be considered a related term for searches on art, museum and history. Double counting of related terms was not considered problematic since it is likely to consist across geographies and because the ultimate goal of the analysis was to capture the culture *share* of total. Also some related terms may not actually be connected to the original term – the search term 'La Concha' in Spain resulted in the related search term 'hotels in la'. Since this was clearly capturing searches related to Los Angeles, results such as these were controlled for and excluded from the analysis.

Germany: Cultural searches were most important for Spain among potential visitors from Germany, at 57% of the total. More than half of tourism searches are culture related in Greece. Germans are most interested in history-related options in Spain and Greece. Germans tend to search for options in Italy more by specific place.

Germany tourism searches by segment

Searches as a share of total travel, including culture



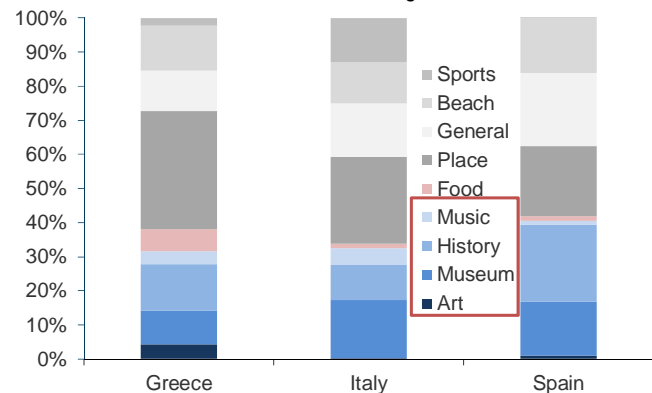
Source: Google AdWords, Germany Searches

Netherlands: Among potential visitors from the Netherlands, cultural searches were significant for Spain as well, with history and museums as the leading interests. Searches on Greece were more distributed across cultural options.

Culture represents 30%-40% of all tourism searches for the three countries.

Netherlands tourism searches by segment

Searches as a share of total travel, including culture



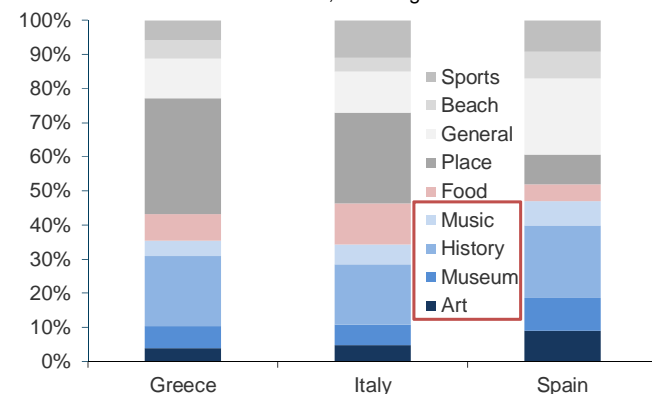
Source: Google AdWords, Netherlands Searches

France: Interests among potential visitors from France were also diverse, and culture was most important for Spain, and more than 50%. History was a key interest in all three destinations of interest.

Culture represents about one-third of all tourism searches in Greece and Italy and 40% in Spain.

France tourism searches by segment

Searches as a share of total travel, including culture



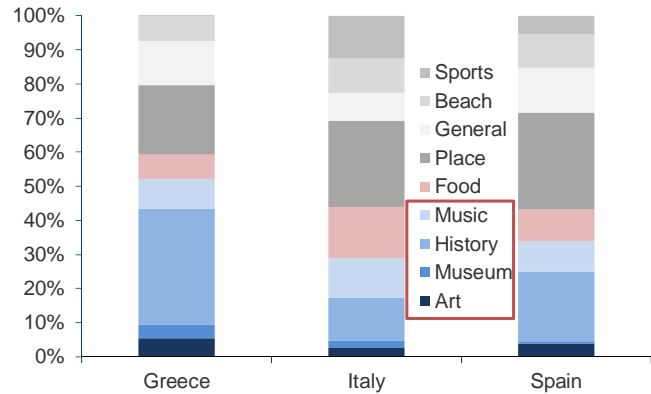
Source: Google AdWords, France Searches

United Kingdom: UK searches focused more on culture in Greece, primarily history. In Italy and Spain, searches are conducted more on specific destinations and to some extent beach options.

Culture represents about one-third of all tourism searches within Italy and Spain and 50% of all searches within Greece.

UK tourism searches by segment

Searches as a share of total travel, including culture



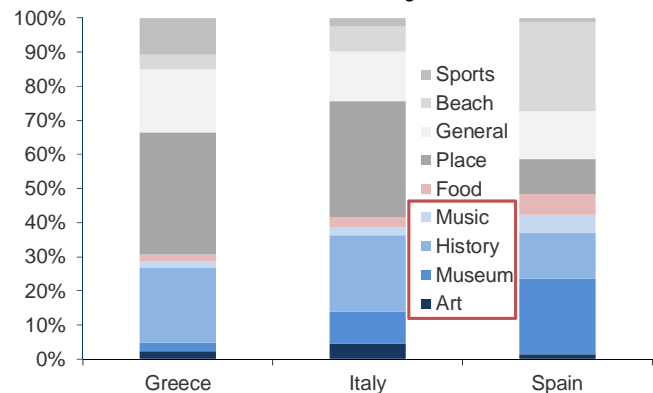
Source: Google AdWords, UK searches

United States: Potential American visitors search for culture options most in Spain, and primarily focus on museums. Culture searches in Greece and Italy focus more on history.

Culture represents 30%-40% of all tourism searches for the three countries.

US tourism searches by segment

Searches as a share of total travel, including culture



Source: Google AdWords, U.S. Searches

5 Constraints to realising benefits of online content

Key Findings:

- Although the opportunities associated with wider adoption and expansion of online content are massive, real constraints exist to realising these opportunities.
- Greece, Italy and Spain all have very low trust in internet companies, but also have especially low proportions of online sales volumes and businesses selling online.
- This presents a real limitation to tourism growth in these three countries. While online supply and demand may be aligned within each of these domestic economies, their source markets are booking travel online. The underutilization of e-commerce in Greece, Italy, and Spain limits businesses' ability to take full advantage of this opportunity.

5.1 Obstacles to overcome

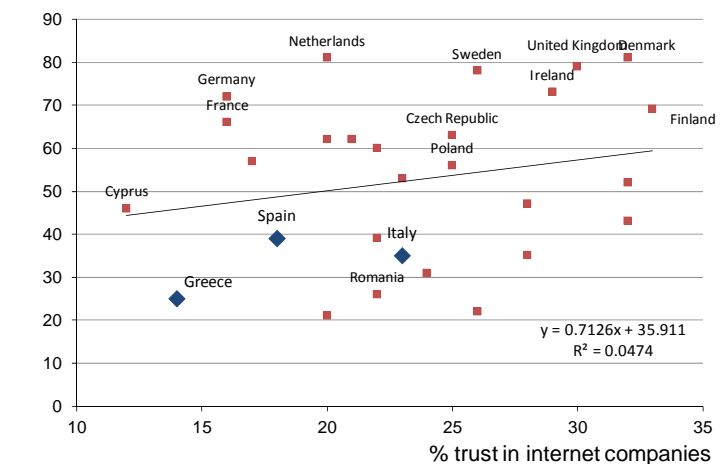
Basic trust in internet content and concerns about the security of personal information weighs on internet usage to varying degrees across Europe.

Interestingly, an analysis of the relationship of “internet trust” and the share of people who purchase online, finds that there is a positive relationship, but that it is not significant. (See adjacent chart.)

Surveys show that only 22% of EU citizens trust internet companies to protect personal information which reflects in the level of online activity at the country level.

Trust in internet & online purchases

% purchase online



Source: Eurobarometer

Greece, Italy and Spain all have very low trust in internet companies, but also have especially low proportions of online sales volumes.

It is noteworthy that Germany and France—two of the largest source markets of travel in Europe—occupy the top two spots in terms of concern over being recorded on the internet.

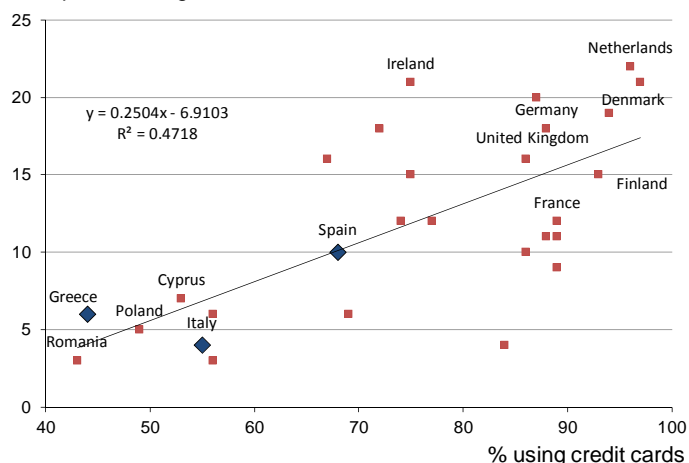
In addition, concerns about financial system security present a constraint on e-commerce. A strong connection exists between the share of persons using credit cards and the share of enterprises selling online. The adjacent chart shows how, in countries like Greece and Italy, credit card use is relatively low as is the share of businesses selling online. Spain is also on the lower end of the spectrum on both measures.

This presents a real limitation to tourism growth in these three countries. While online supply and demand may be aligned within each of these domestic economies, their source markets are booking travel online. The underutilization of e-commerce in Greece, Italy, and Spain limits businesses' ability to take full advantage of this opportunity.

The issue is observable in data on trust in banks and credit card use. All three countries of focus score well below the European average. Even though customers in these countries are not engaging in e-commerce to the extent that the rest of Europe is, it is paramount that businesses increase their online presence to align with the travel market abroad.

As an example, the Greek business Oliveshop.com has become a successful exporter. The company's founder managed to overcome the challenges of a complicated permitting process and was able to receive electronic payments from abroad. In late 2011, Oliveshop.com went active, selling a variety of olive-based products around the world. Currently, the primary language of the site is English and provides information on olive oil museums and a link to the Olive Oil and Olives Exhibition in Sparta, Greece.¹⁰

Credit card use and use of e-commerce
% enterprises selling online



Source: Eurobarometer, Eurostat, Tourism Economics

¹⁰ New York Times, March 18, 2012, and Oliveshop.com

6 Assessing the value of online content to the tourism economies of Greece, Italy, and Spain

Key Findings:

- In order to determine the opportunity available to the tourism economies of Greece, Italy, and Spain, we must first quantify the current value of online content in these countries. This process begins with assessing the importance of online content within major origin markets. We then proceed to map this market demand to the three destinations of focus to quantify the importance of online content to their economies.
- The largest European origin markets tend to be the markets with the greatest internet usage.
- The analysis shows that in all three destinations the number of trips researched online is significantly above the number of trips purchased online, reflecting an opportunity for further growth by increasing online content.
- For a 10% point increase in trips researched online there will be a growth premium of 1-2% per annum in terms of average spending per trip.

6.1 Origin market demand

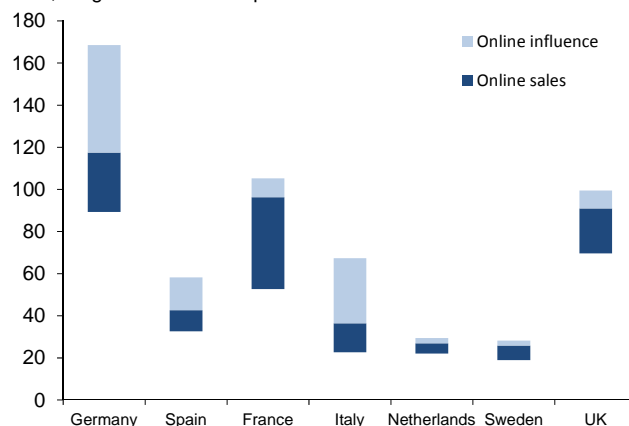
The largest European origin markets tend to be the markets with the greatest online penetration. The online traveller market is largest in Germany with between 90mn and 120mn trips booked online each year with further trips researched online (note this includes domestic and outbound trips). When including trips influenced by online content (though not necessarily booked online), the market reached up to 170 million German trips in 2012.

France and the UK follow with up to 105 million and 100 million trips, respectively, influenced by online content in 2012.

Understanding the size of the online market in these large origin markets is a crucial first step in estimating the size of the online traveller market to specific destinations. Counting just online tourism sales undercounts the importance of online content to the industry.

Online travel demand from top EU markets

mns, range of estimated trips



Source: Oxford Economics, Eurostat, Eurobarometer

6.2 Online impact by destination

Having determined the relative reach of the internet in terms of tourism booking and research by destination this information can be mapped to destinations according to typical country-to-country flows. For example, countries that receive a lot of visitors from Germany and Italy will tend to have relatively low online sales, but will be heavily researched online. By contrast, destinations selling to France will find that a greater proportion of visitors researching online will also look to buy online.

The analysis shows that in Greece, Italy and Spain the number of trips researched online is likely to be significantly above the number of trips purchased online. This may narrow as markets evolve but, for the time being the importance of the internet and online content to the tourism industry in these countries would be undercounted by simply measuring the amount of online sales.

The value of online information over sales is higher in Italy and Greece, which is unsurprising given the caution in those countries with regard to selling online. Further, given the low proportion of establishments online in Greece and, to a lesser extent in Italy, there remains a large opportunity to expand this market by increasing online content.

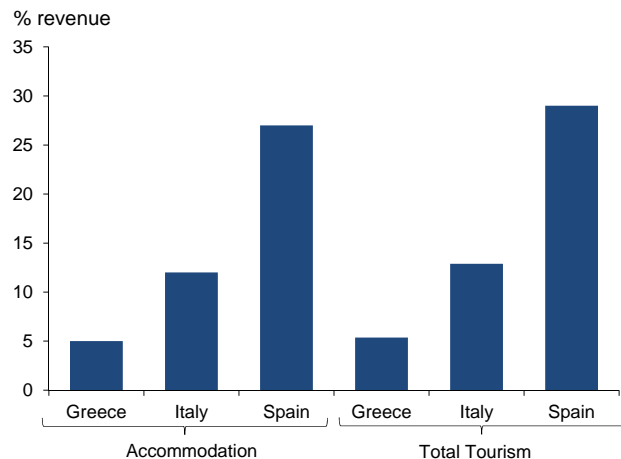
Country specific data for Spain confirm the Eurostat data on the proportion of accommodation sales through online channels. A higher proportion of sales are online for the broader travel & tourism industry (51%) including international air transportation. In-destination spending has a smaller online proportion at 29%, similar to the accommodation share of 27%.

Our analysis finds that online sales for the total tourism industry follows a comparable difference from the accommodation share for Greece and Italy as well, with an estimated 5% and 13% of revenue from online sources.

Online research is considerably larger than bookings for Spain with 43% of visits researched online compared to 29% of trips which included online booking.

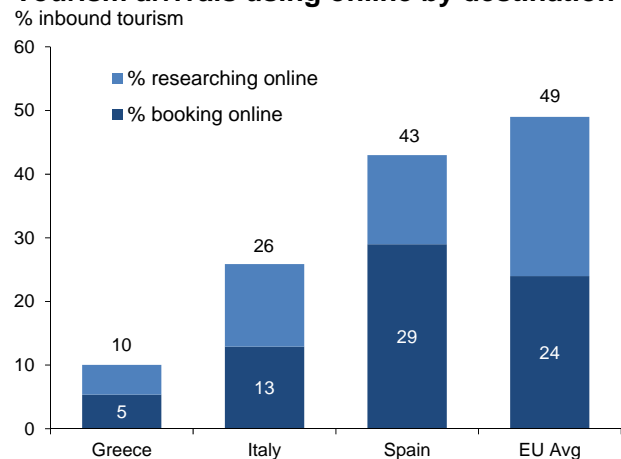
In Italy, just 13% of arrivals included online booking while 26% of visitors also researched their trip online.

Online share tourism sales



Source: Tourism Economics

Tourism arrivals using online by destination



Source: Tourism Economics

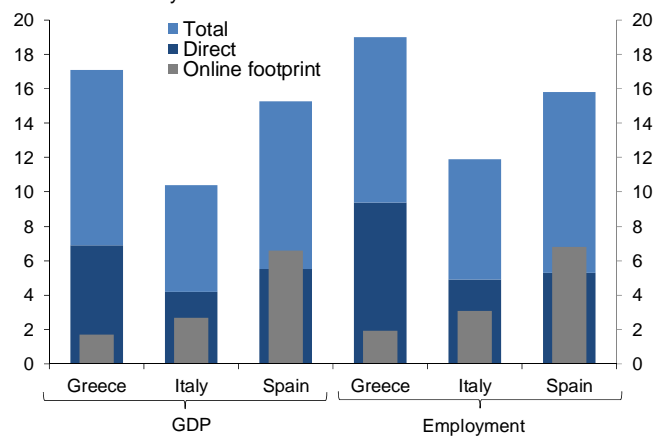
Travel to Greece is estimated to involve the lowest interaction with online content of the three destinations. Just 5% of trips to Greece were booked online while only 10% of visitors researched their trip online. These lower shares relate to the relatively low proportion of businesses selling online.

The EU average online footprint is 49%, including research and booking. This leaves significant upside potential for the tourism industry in these countries to more fully embrace an online presence.

Based on these measures of the share of sales booked online, we quantified the footprint of online tourism content on GDP and employment for each of the three countries of focus. This calculation also takes into account the wider benefits of tourism on the national economies of Greece, Italy and Spain. The total contribution of Travel & Tourism to GDP and employment is considered rather than just the direct contribution of sales by industries directly dealing with tourists. Suppliers to tourism businesses are accounted for, as well as sectors benefitting from spending by tourism employees. This is consistent with recommended methodology for estimating the economic impact of the industry and is consistent with values in annual research reported by WTTC¹¹.

- In Greece, where tourism contributed 17% of GDP in 2012, online tourism activity accounted for just 2% of whole economy GDP.
- Just 2% of Greek employment is derived from online tourism interactions, despite a full 19% contribution from the sector.
- In Italy, 10% of GDP was derived from tourism in 2012. Online tourism activity accounted for just 3% of GDP and employment.
- In Spain, 15% of GDP in 2012 and 16% of jobs were derived from tourism. Online tourism activity represented less than 7% of GDP and employment.

Tourism economic impact & online contribution
% whole economy



Source: Oxford Economics, WTTC

The secondary economic benefits are separated into two parts: (1) the indirect or supply chain impacts, as additional demand for supplier industries, and (2) income

¹¹ World Travel & Tourism Council (WTTC) annual research, carried out with Oxford Economics

impacts, as money earned is again spent in the economy. An example of an indirect impact would be incremental demand for restaurant suppliers and wholesalers that provide the food and beverages consumed at eating establishments and hotels. An example of the income effect would be the hotel employees that earn wages and spend the additional earned income at other businesses in the local economy.

The direct, indirect, and income impacts summed together account for the total economic impact. The online footprint is calculated as a share of this total economic impact. Indirect and income multipliers applied here are fully consistent with WTTC annual research into the global economic impact of tourism carried out in conjunction with Oxford Economics. This research draws on published Tourism Satellite Account data (where available), including for Italy and Spain.

Methodology: estimating the importance of online content

An 'information' premium has been estimated for each origin market as the ratio of trips researched online relative to the proportion booked online. This premium is then mapped to destinations on the basis of origin-destination flows. Essentially, a weighted average of the importance of information to each origin market is calculated using weights of inbound flows.

There are several cases where the estimated number of trips researched online equals the number of trips taken by origin. This is plausible for those countries which we know have a large proportion of online usage. However, by transposing to destinations which do not make as much use of online potential this may undercount the full benefit and some adjustment to the importance of information by origin is required for calculation for these destinations.

Spanish national statistics also include a measure of the proportion of inbound trips both researched and booked online which can be used to provide the adjustment. Applying the above methodology to Spain suggests that the importance of research relative to booking for Spain is lower than is reportedly the case. An adjustment factor has been determined to quantify a further premium for constrained origin markets (where research is aligned with booking).

A lack of online booking options in Spain dictates that the internet is employed for research more intensely than would otherwise be the case for more mature online markets. The same adjustment factor is applied for Italy and Greece.

6.3 Potential impacts of increasing online content

Online content has an additional benefit to tourism activity and is not simply transferring 'conventional' demand to online sales. Additional knowledge of destinations arising from online content generates incremental demand.

Knowledge can increase tourism performance in three ways. First, incremental visitor volumes can be generated, although as more destinations develop online, the competition for a finite number of tourists becomes more intense.

Second, additional knowledge of attractions can increase the number of activities undertaken on a trip with increased average spending per day. Visitors may also upgrade their experience by having the confidence to visit more expensive destinations. Third, additional nights may be spent in destinations in order to undertake further activities or visit attractions that are researched online. Indeed, the observed impact of online usage on performance is evident in revenue data more than in visitor volumes.

Earlier analysis of internet penetration showed that those markets that invested in greater online outreach to tourists experienced an increase in market share over time. This analysis shows that for the average European market a 10% increase in online usage would result in around a 15% increase in market share.

By comparing internet penetration with different elements of tourism performance the increase in revenue is primarily derived from higher average spending per trip (in comparison with additional visits). This comprises both longer stays and increased spend per day as theorized.

An estimation using the number of trips researched online clearly shows that the information benefits provided by online content have an incremental impact on growth in average spending per trip. **Relative to the regional average, spending per trip varies according to the proportion of trips researched online.**

This can also be seen on an outbound basis as average outbound spend is related to online research. However the relationship over history is weak as online content within Europe has been largely determined by supply-side constraints.

Our modelling of these factors determined that for a 10% point increase in trips researched online there will be a growth premium of 1-2% per annum in terms of average spending per trip.

As an example, if online content in a destination were improved such that the proportion of trips researched online rose from 50% to 60% (a 10% point increase), then average spending per trip would be expected to be up to 2% higher in each subsequent year.

6.4 Benefits to smaller enterprises

The proportion of rooms available in independent hotel establishments has risen over the period 2002-2012 in many European destinations coinciding with growth of online content and usage.

In general the destinations that have seen the largest increases in independent room supply are those with the largest proportion of properties selling online. Independent establishments are typically smaller or more oriented for niche markets than the larger chain properties. This is a clear example of the long-tail benefit of online content.

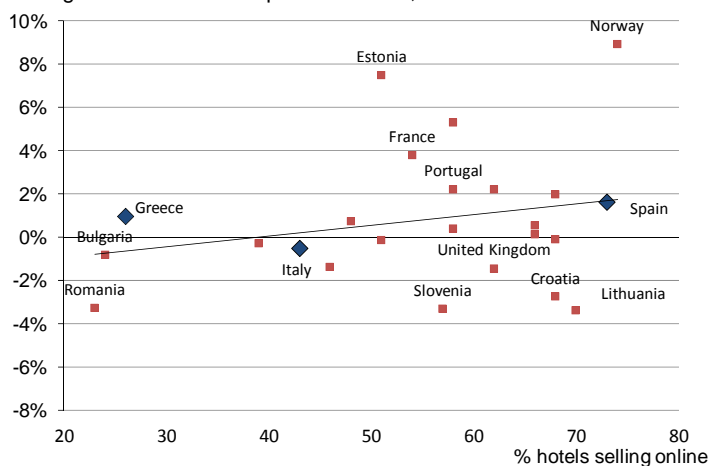
A disproportionately large share of incremental GDP and employment benefits will accrue to smaller independent establishments within the tourism industry.

By extension, increased online content also benefits the cultural tourism segment which is predominantly made up of small and medium-sized enterprises, allowing tourists to fully understand and undertake more niche cultural activities.

Examples of benefits accruing to smaller tourism businesses are evident in Spain.¹² “ResturanteJota” in Madrid opened in 2007, serving fresh seafood at a flat price, and intending to be accessible to all types of clients. As a small business, the owners had little money for marketing but recognized the importance of online content. The owners say customers have found them online from as far away as Russia, the US, Canada, Mexico, and Brazil, with a surprising number of tourists finding them in research before coming to the city. While most of their sales remain to local customers, the internet has clearly boosted exposure to international clients.

“La Abuela de Vincente” is a guest house in the rural province of Teruel. Spain. The business started in 1996 initially marketing through tourism agencies, but owners decided to pursue a different marketing strategy in 2000. Given a small marketing budget, resources were grouped with other similar businesses in the area to provide information on various lodging options for visitors to the region through a collective website which includes pictures and videos. Online sales now reportedly account for roughly 50% of sales.

Non-chain hotels and online penetration
Change in % share of independent hotels, 2002-2012



Source: STR Global, Tourism Economics, Eurostat

¹² Espana Conecta, Boston Consulting Group, 2011

7 Assessing the opportunity

Key Findings:

- Greece, Italy, and Spain are underutilizing the internet as a means to connect with potential customers in origin markets. If the tourism industry in these three countries of focus were to more fully embrace the internet, benefits to the broader economy would be significant. Such a scenario would include more merchants with an online presence and actually selling online, enhanced content in terms of quantity and quality, content geared toward niche tourism markets, and content available in various languages. More of an online presence from the supply-side would help to reduce the imbalance between online supply and demand.
- The Greek tourism industry could benefit from long-run increase in demand of up to 20% if action is taken to increase online content and interactions to match that in leading EU countries. Taking wider benefits into account including the supply-chain could this could increase whole economy GDP by around 3%, and could generate over 100,000 new jobs.
- The incremental benefits for Italy are somewhat smaller with an incremental benefit to tourism demand of around 10% and providing a boost to whole economy GDP and employment of around 1%. However, given the size of the economy this would translate into around 250,000 new jobs.
- Benefits for Spain are not as large since it does not lag as far as the others in terms of online penetration. Tourism demand could increase 3% with a 0.5% boost to total GDP. This would still translate into a notable employment benefit with over 50,000 new jobs created.

7.1 What would it take?

There remains clear potential for incremental economic benefits to be derived from online content for Greece, Italy and Spain. These countries have been slower to embrace online content than some other destinations and a significant amount of current sales and research related to these countries remains offline. By increasing online content and the proportion of tourism activity that occurs online it is estimated that there are real benefits to the industry rather than just a shift in the way current volumes are handled.

Increased online activity has been seen to involve trips of longer duration and higher average spending per trip, and destinations that are able to interact more readily with potential tourists online have seen a stronger industry performance.

A scenario has been considered whereby the online content is improved in each of Greece, Italy and Spain. The size of the relative opportunity is estimated to vary according to the current online penetration and there is clearly scope for greatest

improvement in Greece and lowest in Spain. The alternative scenario considers the impact of provision of online information rising to meet current traveller demand. As such, there remains significant further potential benefit related to online tourism content for these countries as demand trends and consumer behaviour may well evolve further. This scenario remains within the bounds of previously observed effects.

It is assumed that supply-side improvements are made in each of these countries such that half of all travellers use online content in some way to meet current research and booking behaviour in key origin markets. For example, in Greece just 26% of accommodation establishments are reportedly selling online while around 50% of households in the key origin markets of the UK and Germany are researching travel online.

In order to achieve such penetration rates, in terms of online booking and research, Greece, Italy, and Spain would need to take at least some of the following steps to enhance the supply-side of internet search:

- **Businesses must further develop their online presence (in multiple languages) as a primary marketing and booking channel.** This should span various platforms (website, travel apps, search, sales portals, travel reviews, travel guides) and include ever-deepening content. Development of content spanning both established and smaller, niche enterprises will generate further impacts.
- **Develop online content for cultural tourism.** Given the significant role that culture plays in tourism in Europe, the internet presents a large opportunity to motivate travel by exposing cultural assets to consumers.
- **Government agencies can work with the private sector to provide complementary destination and cultural online content.** The European Capital of Culture programme demonstrates the value of government support, especially related to cultural tourism. Government websites can help to provide a central portal for disparate physical locations. Engagement with social media is also vital. Turespaña (the Spanish national tourism organisation) scores highly in a recently published leaderboard of NTO social media usage¹³, being the second highest user of Twitter and Facebook in Europe. Its website, (www.spain.info), and www.spainisculture.com, hosted by the Ministry of Education, Culture and Sport, provide high quality content to travellers. The Greek NTO does not feature highly on those measures but does make good use of Pinterest and

¹³ 2013 Digital Tourism Brand Index, Digital Tourism Think Tank.

YouTube. However, Italy does not feature in the leaderboard suggesting further work may be required to achieve potential benefits.

- **Engage with social media and encourage feedback from customers.**
This will allow businesses to build relationships with their customers as well as improve service offerings over time. Diverse online content should include site-generated information and descriptions as well as user-generated content and reviews, multi-media content such as photos, videos, and music. An abundance of information can make a potential traveller feel well-informed and confident to make the decision to “pull the trigger” on a travel decision. Encouraging social media users to share their experiences using photos and videos can encourage further visits from their known friends and family as well as from virtual strangers.

7.2 Economic impact of enhanced online content

The potential for online content to drive additional economic activity is unsurprisingly the largest in Greece, out of the three destination markets of focus. This is due to the fact that online penetration is lowest in Greece and significant easy gains can be made by improving available online information regarding the key tourism destinations. Full gains can be realised by improving the online sales environment to develop a complete online marketplace and expanding overall demand.

If online content were improved then tourism demand could increase significantly and generate incremental benefits in terms of GDP and employment within these countries, and most notably within Greece. Spain is closer to the European average in terms of online penetration but the opportunities are still significant.

The tourism industry in Greece would benefit from a long-run increase in demand of up to 20% over a baseline outlook if action is taken to expand and improve online content to match that in leading EU countries. This is in addition to some shift in current sales volumes to online channels and involves a clear incremental benefit to the wider economy.

For Italy, the potential improvement over baseline demand is lower at around 10% while for Spain incremental demand less than a 3% premium over a baseline outlook in the long-run.

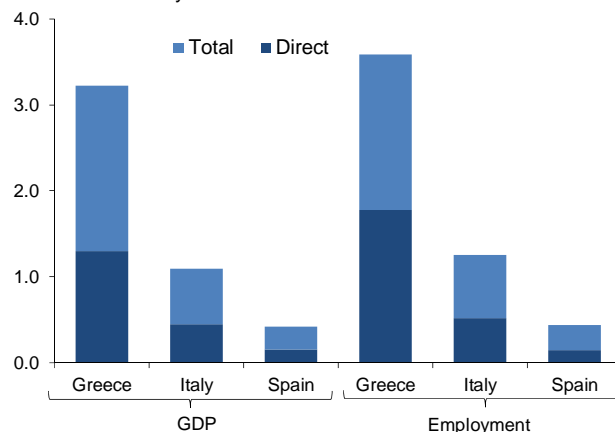
Economic benefits arise in the first instance from this additional spending, including higher visitor volumes as well as higher average spending per visit and longer stays, creating new jobs within the tourism industry itself.

However the economic benefits would not be limited to these direct tourism-related and export sectors. Additional benefits would be felt as secondary effects of ripple throughout the economy, including supply chain and income impacts.

Taking these wider benefits into account it is estimated that:

- 3% can be added to Greek whole economy GDP and employment of over 100,000 new jobs.
- Italian GDP would increase by 1%.
- Given the larger size of the Italian economy this would translate into around 250,000 new jobs.
- Spanish tourism demand could increase 3% due to improved online content with a 0.4% boost to total GDP. This would still translate into a notable employment benefit with over 50,000 new jobs created.

Incremental online tourism opportunity
% whole economy



Source: Oxford Economics, WTTC

A large proportion of incremental demand would be cultural tourism given the importance of this segment in generating demand, and especially through online channels. At a minimum, the proportion of the incremental benefit related to culture can be estimated as the proportion of tourism related searches pertaining to culture.

On this basis, we estimate that increased cultural online content alone could have a long-run benefit to whole economy GDP of around 1.5% in Greece, generating 50,000 new jobs. The benefits of increased online content related to cultural tourism would be smaller in Italy and Greece, but still significant, pushing GDP up 0.3% in Italy and 0.2% in Spain: equivalent to around 75,000 and 20,000 new jobs, respectively.

Methodology: quantifying the economic opportunity

To quantify the incremental economic benefit of online tourism content the difference between current online activity and an achievable target is first defined.

As described in section 6, the economic value of online content was calculated for Greece, Italy and Spain. An alternative scenario is considered in which greater online content increases the proportion of travel booked and researched online to be consistent with leading EU countries.

As an example, 43% of all travel to Spain involves online booking or research. This is a higher proportion than for travel to Italy and Greece but is less than the proportion for leading EU destinations. Around two-thirds of travelers use online resources for trips to EU destinations with the highest online penetration.

The current online footprint of Travel & Tourism in Spain, estimated in section 6, is equivalent to 6.6% whole economy GDP. If the proportion of visitors booking or researching online were able to increase to the same level as in the leading EU countries then the online footprint would rise to 10.3%. Under this initial

broad calculation, increase in online travel content could represent 3.7% Spanish GDP.

This broad measure of economic benefit from increased online content (estimated at 3.7% Spanish GDP as above) is a simple static analysis that involves re-allocation of existing activity from offline to online channels.

However, theory detailed in previous sections suggests that greater information flow would actually increase tourism spending, relative to a baseline outlook.

To calculate the incremental impact, the historic relationship between online interactions and performance has been explored. European destinations with a higher proportion of visitors making use of online content have experienced stronger performance in terms of arrivals and tourism revenues. Improvement has been observed over a five-year period.

Consistent with theory, the strongest relationship is evident between online research and spending rather than visits with implied improvements in average spending per visit. Improved information flow leads to higher spending with greater activities being undertaken, more attractions visited and longer stays. The proportion of trips researched online has greater explanatory power than considering the proportion of trips booked online. This supports the view that improved information flow is the important factor in driving incremental activity. An elasticity of incremental tourism activity has been estimated with respect to online research, taking other factors into account.

Continuing with the example of Spain, the estimated elasticity implies that increased online content would increase the industry's online footprint by an amount equivalent to 4.1% Spanish GDP. This includes re-allocation of existing activity to online channels (3.7% GDP as before) and incremental economic activity equivalent to 0.4% Spanish GDP (as the difference between the total and the re-allocation).

The employment impacts are calculated based on Travel & Tourism GDP per employee for each country based on research for the World Travel & Tourism Council.

These benefits would likely accrue over the long-run with a five year horizon consistent with observed lags in increased online content and performance.

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