Tourism

Opening up future markets to attain diversification, growth and position

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Catalonia's position as a leading destination has led to the appearance of an extensive fabric of tourism, leisure and activity services with well recognised standards of quality and competitiveness, both by final demand and intermediaries and companies in competing destinations. Furthermore, the dynamics of the activity have been favouring the creation of tourism groups and corporations with the size and capacity for a presence in other markets. The presence of Catalan groups or other groups part-owned by Catalan companies at other destinations is proportionally lower than Catalan presence abroad in other sectors like energy or banking, and than their importance as a sector at home. In the case of travel agencies, their structure as small and medium enterprises has meant that they have not yet made the definitive move abroad.

Tourism in Catalonia began with the arrival of European tourism operators (in our country at the time we had no idea what this term meant) who realised the region's great potential in sun and sand and value for money. They saw it so clearly that they did not hesitate to fund tourist hotel construction themselves. In other words, we could say that the Catalan tourism industry was built because people who came in from abroad could see the country's enormous potential before we did. Obviously, the way we started conditioned the development of the sector and generated certain advantages, but also many disadvantages. Among the input it has given, we could say that tourism was turned into oxygen enough to allow an impoverished, isolated country with almost no resources to raise its head, creating occupation and wealth.

The Catalan Union of Outbound Travel Agencies (UCAVE) thinks that Catalonia has been and still is a world benchmark in tourism. And this has undoubtedly been possible because of its immense potential. However, it must be said that we have not been able to construct our own tourism industry. And this has many consequences, the most important being that a tourism culture has never been firmly rooted in our society. There is a feeling that tourism is not considered an integral part of the country and that as an activity it only interests people who work in the sector. This is very different from any of the European tourism leaders, whose citizens understand that tourism is an industry and creates business that is very beneficial for the their regions.

In fact, the Catalan tourism industry has often been referred to as if it was strong and well organised. In fact, we have not been lucky or determined enough to have a sound industry, in spite of having a brand that has become a reference for others. Unlike other countries, Spain included, it is generally acknowledged that we have never had major tourism structures, and that this, along with other reasons of a political and historical nature, has stood in the way of the transfer and sale of our own identity. For decades, tourists have been buying the Spanish tourism brand, one hundred per cent linked to sun and sand, and have regrettably ignored our other assets, our artistic, cultural and gastronomic offer, among others.

A very peculiar model

Spanish hotel and tourism investment abroad represents a peculiar model, initiated twenty-five years ago by companies in the Balearic Islands. It has secured substantial profits, helped publicise the country's image abroad and accumulated enough experience to improve our globalisation and mobilise new groups towards internationalisation.

Hotel investment abroad is part of the external investment of Catalonia as a whole.

The international expansion of Spanish hotel groups started in the Caribbean and continued to increase in the early years, as well as penetrating Europe. Recently it has diversified towards North and South America, the rest of the Mediterranean area, the Maghreb and, to a lesser extent, Asia. In the mid term, areas for expansion are: Central and South America; the Caribbean but with greater intensity; Europe but more actively; North America; the Mediterranean and the Maghreb; and, finally, South-East Asia, the rest of Asia and West Africa.
As regards Catalonia, hotel investment abroad is only a small part of the external investment of Catalonia as a whole.

Grosso modo, we could say that we have not grown abroad for two reasons. First, due to a dependence on European and Spanish tourists. In this respect only one Spanish group has been able to break the vicious circle in the Caribbean, by forging alliances with other companies from the USA. Although it still has a long way to go, this has allowed it to obtain new clients from the north for its establishments. Second, due to the lack of interest of national tourism operators in international and other tourism subsectors like travel agencies, air lines, catering and meals services, which would round off an internationalised Spanish tourism sector. The Spanish hotel sector also needs to establish alliances with world companies.

The main reasons for presence abroad are the better returns obtained there by businesses and because there is no further growth to be made in Spain.

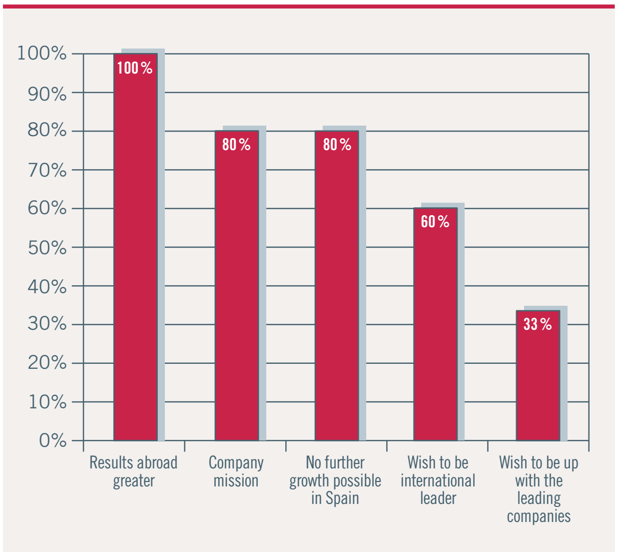
As shown in Chart 1, the main reason for a presence abroad is the better returns tourism companies obtain. There are two more reasons: the company's mission and because we cannot grow further in Spain. These reasons are equally applicable to Catalan industry, more specifically the services sector, where although the price of land is not such a significant factor, cheap labour and margins certainly are.

The reason why many Catalan tourism groups have not ventured abroad is their small size, which acts as a brake on their internationalisation. In spite of this, most tourism companies are sure that there is still time for the hotel and tourism sectors to internationalise, and that for the moment the globalisation phase is in the hands of very few agents. As can be seen in Chart 2, Spanish hotel groups, including Catalan groups, are looking for destinations where interesting purchase operations can be made.

The hotel trade is the first Spanish tourism subsector to expand at international level, while with others, like tourism operators, travel agencies, airlines and catering and meals services, are still some years away from doing so, and when they do, it will be with much less intensity.

The fact that Catalonia is currently a leading tourism destination has led to the appearance of a fabric of tourism, leisure and activity services with standards of quality and competitiveness

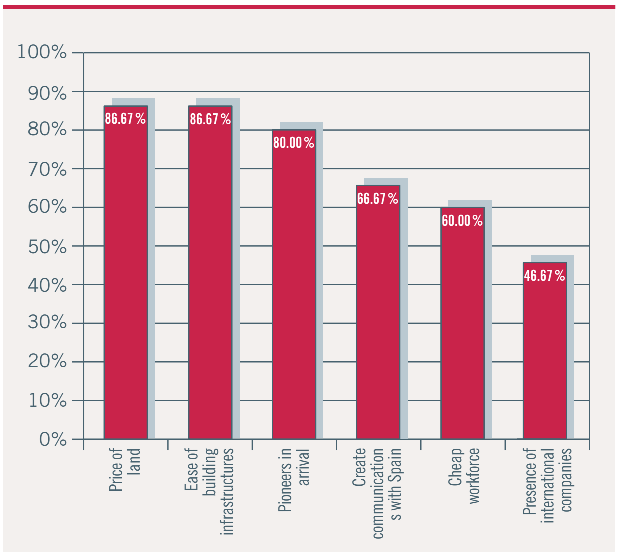
***Chart 1.* Reasons for internationalising the company**



Source: ESADE (Cluster Hotelero Español Internacional. Josep-Francesc Valls, Professor, Department of Marketing Management, ESADE)

One of the reasons for internationalisation is the exhaustion or saturation of the local market

***Chart 2.* Importance of factors for setting up abroad**



Source: ESADE (Cluster Hotelero Español Internacional. Josep-Francesc Valls, Professor, Department of Marketing Management, ESADE)

The price of land is the first factor that influences setting up abroad.

Rànquing Hosteltur de presència a l'estranger

			Establishments		Rooms		Countries	
No.	Hotel trade 2008 – 2007	C	2008	2007	2008	2007	2008	2007
1	Sol Melià		143	218	39,654	43,625	24	34
2	Nh Hoteles		215	212	36,328	35,151	20	20
3	Barceló		130	85	32,086	23,193	14	13
4	Iberostar Hotels & Resorts	↑ 1	64	63	25,435	21,258	14	14
5	Riu Hotels	↓ 1	54	61	23,023	22,848	14	17
6	Oasis Hoteles (Globalia)	↑ 1	25	19	10,954	7,461	5	4
7	Occidental Hotels	↓ 1	22	57	8,279	13,292	5	11
8	Bahía Príncipe		13	11	7,297	6,453	3	3
9	Fiesta Hotel		16	11	5,549	4,358	4	3
10	Hotetur	↑ 5	10	10	3,210	2,465	4	3
11	Grupo Hotusa	↑ 5	37	28	3,166	2,316	12	12
12	Princess Hotels	↑ 6	6	4	3,091	1,743	2	1
13	H10 Hotels	↓ 1	9	8	3,031	2,705	5	4
14	Lopesan Hotel Group	↓ 4	15	17	2,863	3,489	4	5
15	Sirenis Hotels & Resorts	↓ 4	5	5	2,811	2,811	3	3
16	Vincci	↓ 3	10	9	2,643	2,539	3	2
17	Hoteles Catalonia	↓ 3	8	8**	2,630	2,536**	3	3
18	Vime		16	–	2,109	–	3	–
19	Blau Hotels	↓ 2	5	5**	1,841	1,841**	2	2
20	Ac Hoteles	↓ 1	12	12	1,400	1,356	2	2
21	Hoteles C	↑ 2	6	3	1,163	727	1	1
22	Hoteles Hesperia	↓ 1	4	6	904	1,013	3	4
23	Best Hotels	↓ 1	3	3	883	883	2	2
24	Husa Hoteles	↓ 4	8	12	841	1,174	5	6
25	Hoteles Globales**	↓ 1	4	4	501	501	4	4
26	Vik Hotels**		2	–	494	–	2	–
27	Ibb Hotels**		4	–	462	–	2	–
28	Oca Hotels	↓ 3	2**	3	349**	288	2	2
29	Silken	↓ 3	2	2	284	284	2	2
30	Abba Hoteles	↓ 3	3	3	232	232	3	3
31	Room Mate**		2	0	185	0	1	0
32	Grupo Jale	↓ 3	1**	1	159**	158	1	1
33	Derby Hotels	↓ 3	1	1	140	148	1	1
34	Balboa Hotels**		1	1	85	80	1	1
35	Hospes Hotels & Moments		1	1	57	60	1	1
36	Ibersol**		1	–	50	–	1	–
37	F&G Hotels**		1	–	41	–	1	–
38	Hm Hotels**		1	–	36	–	1	–

C change of position with respect to 2007 in terms of rooms.

*Source: Hosteltur. Data offered by the hotel chains except ** Hosteltur estimates, – no data.*

well recognised both by final demand and the intermediaries and companies in competing destinations. The activity's dynamics have also been encouraging the creation of tourism groups and companies with the size and capacity to be present in other markets. However, the presence of Catalan groups or other groups part-owned by Catalan companies in other destinations is proportionally lower than Catalan presence abroad in other sectors like energy or banking, and than their importance as a sector at home Catalonia. At a time of change and transformation of the markets and the research of new channels for business and development, we must opt for internationalisation of the activity of Catalan tourism companies.

While the interior market is already highly saturated and we have widely recognised experience and degree of success, we must prioritise entry into practically virgin markets. We must get beyond the present establishments in the Caribbean. We must opt for emerging destinations that can be as complex for us now as Franco's Spain was in its day, but which soon ceased to be so.

This does not mean that there is no scope in business tourism or cities and other very consolidated destinations, as some Spanish chains and Catalan groups have proved. But these are very competitive markets, as shown by the experience of foreign chains that have set up in Barcelona in recent years.

Beyond the large international and standardised chains, there is one line of hotels that has been very poorly exploited: smaller hotels with charm and more personal service.

At the 3rd Catalan Tourism Congress, the need was recognised to encourage the internationalisation of Catalan tourism companies through identifying mechanisms for collaboration between the public and private sectors. But our presence is still very small. For example, according to Hosteltur Rankings data on presence abroad (2008), we can refer to the Hotusa Group with 37 hotels and 3,166 rooms, Husa with 8 hotels and 841 rooms, and Derbi with 2 hotels. The first Spanish chain to build a hotel abroad was Barceló in 1985, even before Sol Melià, and today it holds the third place in this list, after Sol Melià, which has 143 hotels and almost 40,000 rooms, and NH, with 36,000 rooms.

The Axel Hotel is an example of segmented internationalisation in a market niche.

However, in Catalonia we do have one very interesting example of internationalisation, in the case of the Axel Hotel. In a saturated market like Barcelona, this hotel has managed to seek out a clear market niche: quality gay tourism. While other hotels in the city are suffering, the Axel enjoys great occupation rates. Furthermore, when the owner saw that the theme was a success, he did not set up a second hotel in Barcelona, but opened up a hotel in Berlin and another in Buenos Aires with local partners. This is a clear example of segmented internationalisation in a market niche and a hotel with a personal rather than a mass approach. For me, this is the future: you must sell something more than just beds or airplane seats - you must sell experiences.

You must get out and look for customers

But what about travel agencies? Why do they not make a move abroad and grow in other countries? This could become a key sector in two senses: the basic business of exchange and tourism flow. If we go there, they will come here. It was in general not until the late 1960s and early 1970s that the Catalans began to go abroad and get to know the world. And the first thing they did was learn about the countries of the people who were visiting them en masse, like Italy, France and Great Britain.

The mechanism was very simple. They came, they invested, they offered their markets a holiday destination, at the same time influencing

Catalonia to turn it into an emerging destination and starting to receive us themselves. The circle had been completed. The major tourism operators had already completed their internationalisation.

Now it is our turn to research the people who, in a few years time, will become tourists/clients of our country, our tourism brand. Therefore, in places where we already have a good outflow of clients, we should be setting up to strengthen our current business project and to create a new one, if necessary. Internationalisation certainly means business growth and new business opportunities. Internationalisation entails the research and acquisition of new markets.

When I refer to the renewal of Catalan tourism, I mean that we absolutely must act on the issuing markets, and among these above all the emerging markets. The travel agencies sector has not yet begun to formulate its internationalisation process. Few have dared to establish a base outside our country, and when they have it has been almost like a domestic exercise. The structure of the market in the form of small and medium enterprises has held back the process of extending abroad. This means that one option would be to combine with other groups or the Administration itself, which firmly believes in this growth due to the enormous profits it can generate in the future. These centres must be established in new markets if they are to acquire new visitors, since a new critical mass must be established to enable us to renew our stock of visitors, made up mostly of tourists from markets like Great Britain and Germany. With the enormous market awareness that travel agents have today, our agencies could realistically turn into the driving force for the future growth of the tourism industry abroad.

In this respect, UCAVE is firmly of the view that agencies, either individually or collectively, must continue opening up to foreign markets. They are already doing so, even physically, so they can analyse in situ the service they are offering. But if we are to face up to globalisation we must acquire the appropriate size, increase our negotiating power in the face of European groups which already work globally, improve our commercial strategies, establish alliances and last but not least, acquire enough funding to act quickly when considering and making investments. In fact with even small investments you can obtain very quick returns without running too many risks. We can also take advantage of new technologies developed at home, applying them to areas that do not yet use them. Here I would mention areas that are not as developed as Catalonia and that certainly represent a real opportunity for us. Perhaps we still undervalue our knowledge of the sector and the enormous experience accumulated by many agencies in recent years.

To renew Catalan tourism we must act on the issuing markets, and among these above all on the emerging markets.

It is clear that one of the sectors which the crisis has not caught out has been agencies that offer a tailor-made, specialist and virtually unique product. These are agencies which provide services for people who want to travel to Vietnam, India or Africa and which in spite of the global economic downturn, are still receiving demand from travellers, not tourists. It is in these countries where it seems to make more sense to go for growth, because we have to have a structure to control the market and the service we are providing. This type of product is holding up better in the crisis than others. It is also becoming an opportunity for the destination country. This approach must be borne in mind when defining a possible plan for growth abroad.

A question of size

In spite of the dependence that has been created as regards tourism operators, the few Spanish companies which have opted for internationalisation have been able to innovate in processes, products, organisation and technologies. And the main effects of innovation have been the loyalty of clients, the increase in quality of service and improvement in the performance of their staff.

Spanish companies must devote more time to managing hotels and less to real estate.

What we do know is that the sector has made very few investments abroad. If in the period 2003-2008 the internationalisation of Spanish companies shot up, with values of almost 70% (according to data of the Register of Foreign Investments), hotel companies played very little part in this percentage, not even reaching 7%. According to the experts, this investment is very volatile due to continuous concentrations in the sector and because its annual volume depends on operations throughout the year. According to this body, investment in 2006 was 633 million euros.

The penetration strategy of Spanish hotel groups has been based on their own implantation, whereas large international groups prefer to grow on the basis of assuming the management but not the ownership of joint ventures and franchises. Spanish groups like to buy up establishments abroad, as they do in Spain, even if this entails lower volume of investment for projects. But if Spanish companies want to take advantage of opportunities and above all make progress in decisions on competition, they must devote more time to managing hotels and less to real estate.

This means they must apply their resources to identifying the best emerging destinations and the best alliances with global groups; reinforcing relationships with operators which reduce their dependence on Spanish and European clients, devoting time and resources to developing their brand, and doing more with the management of teams and mobility of talent. The real estate crisis in this country may speed up de-investment in real estate for Spanish hoteliers. Mergers and acquisition have a special role to play in helping groups to acquire the appropriate size to be able to internationalise. Open skies developments and the dollar-euro ratio favour mergers led by the Spanish party. It is therefore essential to acquire the appropriate size for globalisation and to grow financial muscle.

A presence in foreign markets is very important for generating interest in learning about our country, our customs, our products and our territory. If we are to survive, we must make this kind of tourists, the new tourists, go back to their countries delighted with their bottles of ratafia or «Aromes de Montserrat», but hopefully never with a Mexican hat or a frilly costume. There is therefore no doubt that we must open up our country to other markets, and we have the knowledge and tools to do so. We only need to make up our minds.

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