



TOURISM
ECONOMICS

THE IMPACT OF ONLINE CONTENT ON EUROPEAN TOURISM

- AN UPDATE

JULY 2017

THE IMPACT OF ONLINE CONTENT ON EUROPEAN TOURISM:

An update and extension of prior analysis

Prepared for Google

by **Tourism Economics (an Oxford Economics Company)**

This study updates a previous report in 2013 undertaken for Google by Oxford Economics. This update of the report focuses on six countries, three of which – Spain, Italy and Greece – were the focus of the previous study. Cyprus, Malta and Croatia have been added in this update. In some cases, the latter of these has a more limited range of historical data on account of its later accession to the European Union. This report includes a focus on the size of the impact and recent trends, especially since the prior study.

Analysis of online activity and search behaviour is reliant on Google Trends data and categorisations. Interviews with stakeholders in the six destination countries have been carried out to better understand these trends and any opinions and insights from these conversations have been quoted anonymously.

TABLE OF CONTENTS

Executive Summary	3
2. European Online Behaviour	7
2.1 Growth in European Internet Access & Use	7
2.2 Internet Use By Country.....	8
2.3 Mobile Device Access in the EU	10
2.4 Social Media Activities	11
3. Tourism Online Sales	13
3.1 The Role of the Tourism Sector in E-Commerce.....	13
3.2 Tourism Online Sales: Matching Demand & Supply.....	15
3.3 Evolution of the Online Market.....	16
4. Tourism Online Research.....	18
4.1 Trust in Online Information.....	18
4.2 Online Tourism Research	20
5. Tourism Search & Trip Motivation	22
5.1 Tourism Searches	22
5.2 Tourism Searches By Source Market	24
5.3 Developments In Tourism Search.....	25
6. The Opportunity in Southern Europe	28
6.1 Travel Organised Online	28
6.2 The Opportunity in 2012	29
6.3 Developments Since 2012.....	30
6.1 The Opportunity in 2016	31
7. The Economic Impact of Online Content	34
7.1 Economic Impact of Online Content	34
7.2 Realised Benefits Since 2012.....	35
7.3 The Opportunity for Further Growth.....	39
Appendix 1: Search Detail.....	43
a. Searches by category.....	43
b. Growth in individual destination countries.....	47
Appendix 2: Opportunities By Country.....	54

EXECUTIVE SUMMARY

The internet continues to play a vital and growing role in the European travel sector. There have been large improvements in online access across the region allowing greater online sales and research in the tourism sector.

This study updates a previous report in 2013 undertaken for Google by Tourism Economics. This report focuses on six Southern European countries, three of which – Spain, Italy and Greece – were also a focus of the previous study. Cyprus, Malta and Croatia have been added in this update. The impact of online content on tourism activity in these countries is quantified for 2016 as well as the growth since the previous study. Remaining opportunities for further improvement are also estimated, including the potential for job creation.

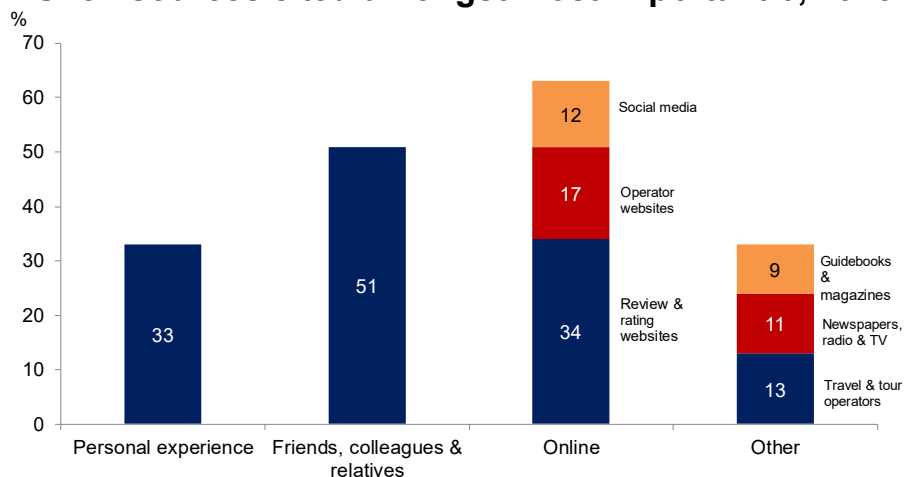
Online content is a widely trusted source of tourism information.

Online sales remain limited in Europe as a whole, relative to online access, and in the Southern European destinations in particular. Distrust in making online purchases are a barrier to sales in key markets.

The internet has become a highly trusted source of information and the overall impact of online content includes a large effect from research in addition to the online sales. The total impact of travel organised online includes the impact of online tourism sales, as well as trips which have been researched online.

Various forms of online content are now more trusted than both traditional media and recommendations from friends and relatives. Travel information is widely sought online and clear and accessible online information improves destination competitiveness and tourism performance.

EU28 - sources cited amongst most important 3, 2015



Source: Oxford Economics, Eurobarometer

Destinations which provide online tourism information relevant to source markets gain competitiveness and market share.

Online content must match the needs and behaviour of source markets. As travel research moves increasingly online, established reputation alone is no longer enough for destinations. True quality is revealed, often in real time, to a diverse audience through widely used and trusted online platforms.

Cultural travel is often researched online and relevant information must be shared for destinations to remain competitive and to fully capture source

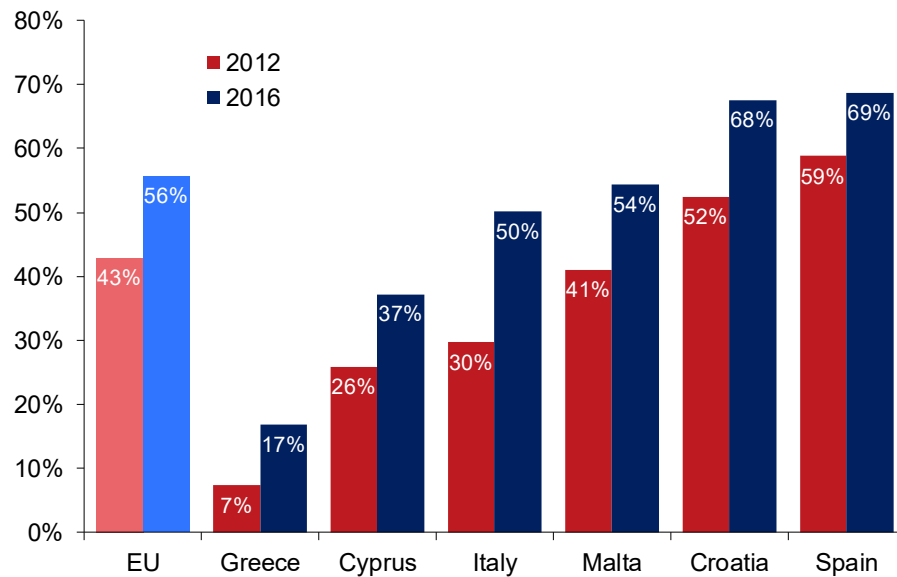
Tourism organised online has increased in all destinations.

market demand. After generic information about hotels and transportation options, cultural content is frequently searched for.

The proportion of travel organised online has increased since 2012 across European countries. Increased online information has raised destination competitiveness leading to an increase in tourism demand and revenue, and has also emboldened travellers to make additional trips. A clear return in terms of additional job creation has been calculated for the Southern European countries.

Online share of tourism revenue

% tourism revenue researched or booked online



Source: Tourism Economics

The share of travel organised online for the Southern European countries lags preferences for booking or researching travel online in major source markets. This difference between source market preferences and destination trends provides an opportunity for growth. By increasing online content to allow travel organised online to meet source market needs, there will be an increase in competitiveness, tourism demand and employment.

A proportion of the growth in tourism demand since 2012, and the associated change in contributions to GDP and employment, is attributable to improved online content. This contribution has been estimated for each country and compared with the overall opportunity identified for 2012 in the prior study.

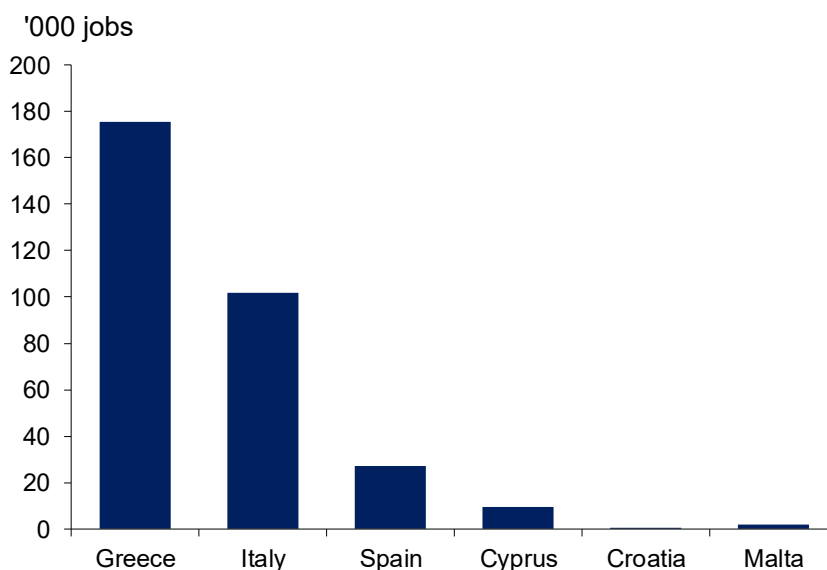
The remaining opportunity for improvement from 2016 levels has been calculated, involving catch-up with current source market preferences. In Greece and Cyprus in particular, large opportunities remain to catch-up with best practice elsewhere in Europe.

Source market preferences for organising travel online have also increased since 2012 and there remain large opportunities for improvement.

Relative impacts differ by country:

- The largest opportunity for improvement is in **Greece** where fewer than 20,000 new jobs have been created in the past four years from increased online content. This is below the 100,000 potential new jobs identified in the prior report, while source market preferences for organising travel online also rose significantly. Catch-up with current best practice in source markets would generate a further 170,000 jobs across the economy.
- Relative to the size of the economy, the next largest opportunity remains in **Cyprus**. Improvement in online content has narrowed the gap with source market preferences in 2012. But substantial scope for catch-up remains evident for 2016. Sufficient improvement in online tourism content would raise GDP by over 2% and generate an additional 10,000 jobs.
- The greatest convergence with source market trends in the past few years was in **Italy** where over 180,000 new jobs were created due to improvements in online content. However, this still falls short of the potential 250,000 new jobs identified in the prior report. Taking the more recent trends in source market demand into account, a further 100,000 new jobs can be created from better use of online tourism content.
- Improvements in the **Spanish** online travel market generated an additional 90,000 new jobs in recent years, in line with the identified improvements in the prior report. However, the evolution of source market demand implies that a further 25,000 new jobs can be created from an even greater embrace of online content.
- Travel to **Malta** organised online still lags source market demand and recent developments largely maintained the pace of demand changes. Further improvement to catch-up with demand would increase GDP by 1% and generate 2,000 new jobs.
- **Croatia** had the smallest opportunity for growth relative to source market demand in 2012. Improvement in online content largely caught up with source market demand by 2016 generating around 5,000 new jobs. A negligible opportunity for growth remains.

Incremental employment opportunity, 2016



Source: Oxford Economics, WTTC

To fully achieve these opportunities, the tourism industry must:

- Be aware of the demand for online information in source markets;
- Expand the number of businesses selling online;
- Ensure the most popular sales platforms are being used for source markets;
- Provide opportunities for smaller business to reach a wide audience;
- Provide relevant information online, including translation into key languages;
- Ensure clear information relating to cultural attractions is available;
- Make use of the most popular platforms being used for research;
- Engage with potential tourists using social media to encourage information sharing;
- Encourage feedback through reviews and social media.

2. EUROPEAN ONLINE BEHAVIOUR

KEY POINTS

- The majority of the European population has reliable access to the internet and online platforms are being used with much greater frequency in all aspects of daily life.
- Mobile internet use is also growing. Across the EU, 6 out of 10 mobile phone users now have access to the internet from their smart phone. Mobile use is changing the way people use the internet for booking and researching travel, including while they are already on trips.
- Social media prevalence among the younger generation in all EU countries suggests that the influence of online content will continue to grow.
- Tourism business in Europe need to be aware of source market demand and use online platforms to effectively reach their audience.

2.1 GROWTH IN EUROPEAN INTERNET ACCESS & USE

Internet access has helped to fuel global tourism growth by contributing to global connectivity. Increased provision of online information, and easier access means that the connection between businesses and potential travellers is stronger than ever before. This element of connectivity is an important factor driving the continued strong growth in global tourism demand¹.

Almost half of the global population (over 3 billion people) is now online. Half of that number has come online since 2008 and the rate of growth is still increasing. Within this, the EU is a relatively mature regional market. Around 600 million Europeans are online, including over 400 million EU residents.

In the majority of EU countries, the proportion of the population online (penetration rate) is now above 75% and Europe has some of the highest rates of online penetration in the World. The rate of growth in internet adoption is slowing considerably in these mature online markets as only a minority people are not online in each country.

Over time, the average proportion of Europeans using the internet has risen and the disparity across countries has diminished. In 2004, there was a bimodal distribution with high access in a group of mainly northwestern European countries and much lower access in other regions - including a cluster of countries where only a minority of the population had access. The ratio between the top country and the bottom country in terms of internet penetration was 13.5 with some Balkan and Baltic countries having especially low rates of access.

In recent years, the cross-country disparity in internet access has diminished considerably and a high proportion of the European population now enjoy the

Europe has some of the highest rates of online penetration in the World.

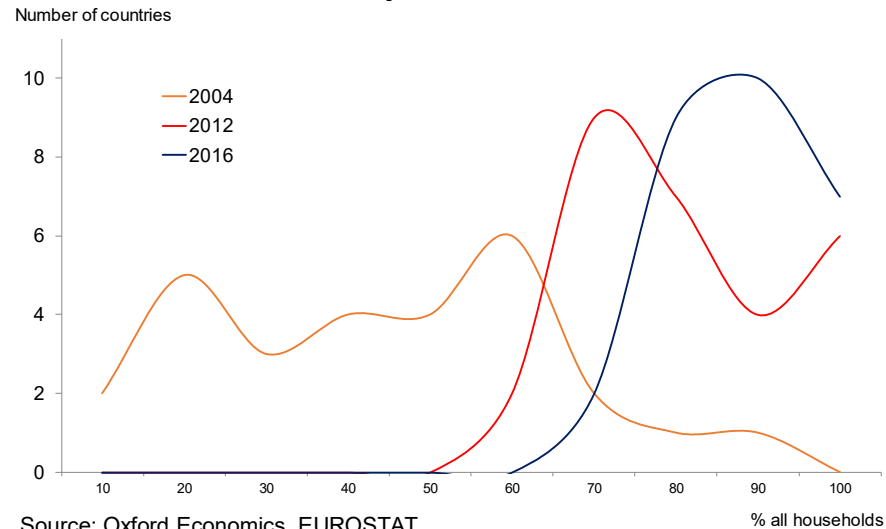
In the majority of EU countries, over 75% of people have access to the internet.

¹ Mapping the future of global travel & tourism, 2016

<https://www.oxfordeconomics.com/recent-releases/Mapping-the-future-of-global-travel-and-tourism>

benefits of internet access. At the time of the previous report² looking primarily at 2012 data the ratio between the countries with the highest level of penetration and the lowest had fallen below 2.

EU countries: Internet penetration



In 2016 the proportion of the population with internet access had risen higher with even less of a cross-country difference. Luxembourg had the highest proportion of households with internet access (97%) and the lowest proportion was in Bulgaria with less than 65% of the population online.

Any businesses looking to sell into the largest and wealthiest European markets must ensure they have a good online presence to meet consumer needs.

2.2 INTERNET USE BY COUNTRY

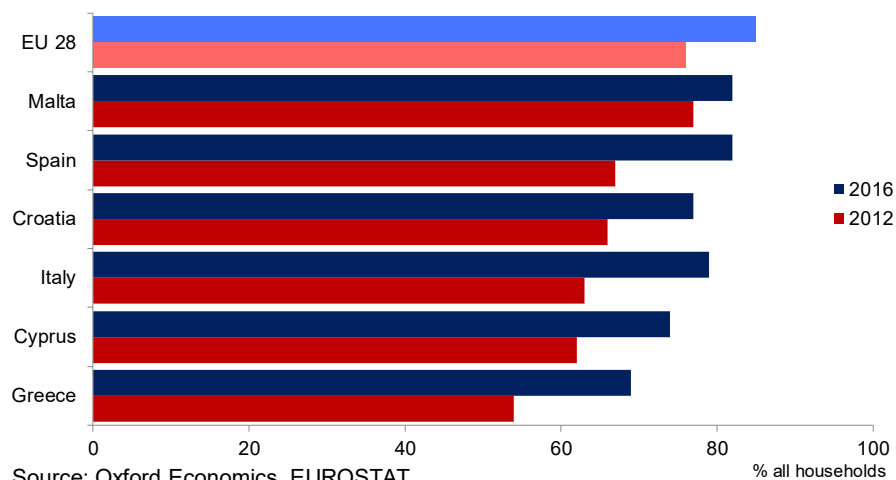
Countries with low household internet access have lagged the EU average in terms of online business activity as well. Businesses have tended to focus on domestic market preferences when setting online strategies. This is a mistake for any business selling to an international market, as is overwhelmingly the case in the tourism sector.

Progress on internet penetration has been made in most countries, including some catch-up to the EU average. But several countries still lag this average by a considerable margin. In 2016 Bulgaria clearly had the lowest internet penetration at the bottom of the rankings. Above this, around 70% of the population in Greece, Lithuania and Romania have access to the internet.

Cyprus and Greece are notably behind other markets of interest in this report. In 2004, the rate of internet penetration in Cyprus was above the EU average but has not advanced at the same rate as in most other countries.

² The Impact of online content on European Tourism, 2013
<http://www.oxfordeconomics.com/google/English>

Percentage of households with internet access - key destinations compared to EU average



In 2012, a slightly higher proportion of the population had access to the internet in Malta than across the EU as whole. However, recent growth in access has lagged the EU average and by 2016, around 80% of the population were connected to the internet. There is a small potential for further improvement. Internet access in Spain has also caught up with that in Malta, with some very strong growth over the four years since 2012.

Internet penetration in Croatia was growing rapidly but has stalled in the most recent years and further improvements in connectivity can be made. The European Commission’s monitoring, under the Digital Economy and Society Index (DESI) 2017, cites low performance on connectivity as a major concern in Croatia. Broadband speeds are slower than the EU average and prices are higher than in many other countries.

Access has improved significantly in Italy but there remains large potential for a far higher proportion of Italy’s population to get online.

Cyprus’ rate of internet penetration was above average in 2004 but has not advanced at the same rate as most of the other EU countries.

CASE STUDY: Internet connectivity issues in rural and mountainous areas of Italy

Interviews with stakeholders in Italy suggested that some parts of the country, and notably in rural and mountainous areas in the South of the country and in insular Italy, continue to have internet connectivity problems. With weak or no internet access, people and businesses in these areas are disadvantaged in terms of wider economic opportunities and are unable rather than unwilling to take advantage of some opportunities provided by online content and sales.

In some regions, such as Sardinia (at 10.4% of households) and Molise (at 15.3%), broadband coverage is especially low according to detailed data provided by Bandaultralarga.italia.it. There are targets for improvement in access in both regions for 2018 and 2020.

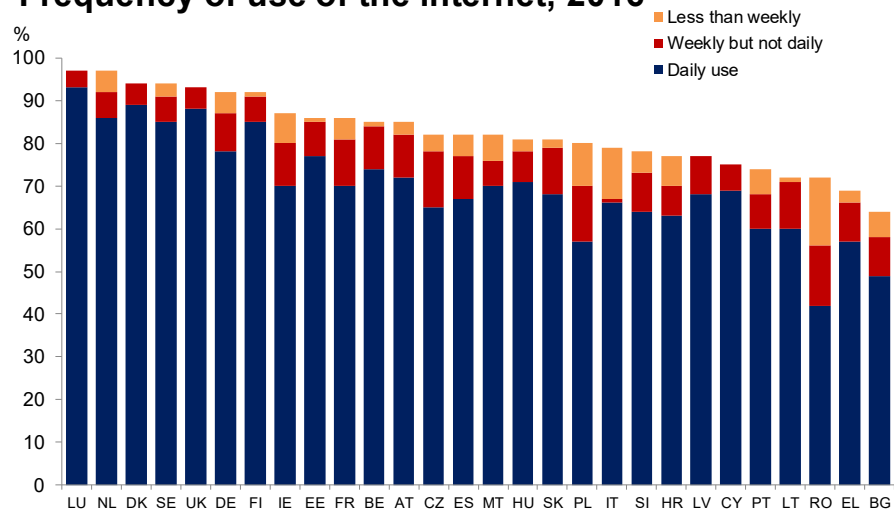
The Italian Government is seeking to address this through its national ultra-broadband plan, the **Strategia Nazionale per la Banda Ultra-Larga (SNBUL)**. This was approved in March 2015. The country has adopted an aid scheme which was approved by the European Commission in June 2016 with the specific aim of supporting broadband expansion into geographical areas not being provided due to market failure.

Access to the internet does not necessarily translate to frequent usage by consumers or business. In some Eastern and Southern European countries, infrequent use of online platforms is more typical than in Western and Northern European countries. For example, in Romania, only 40% of the population use the internet daily while 30% have internet access but use it infrequently. Infrequent internet use is often due to security concerns.

Data for 2015 suggests that 35% of Romanians with internet access have been prevented from purchasing goods online because of security concerns. This proportion is also high in the Southern European countries of Spain (28%), Malta (25%) and Italy (25%). Security concerns limit online behaviour, e-commerce and online booking. This translates into fewer businesses selling online in these countries, and even reduces information shared online as it is not viewed as a priority sales channel.

In several highly connected Northern European countries the population make regular daily use of online platforms. Businesses in these countries are more likely to view this as normal and provide even greater information online with higher trust in online content.

Frequency of use of the internet, 2016



Source: Oxford Economics, EUROSTAT, Eurobarometer

2.3 MOBILE DEVICE ACCESS IN THE EU

Global patterns of internet access are changing with more than 50% of global mobile phone users now able to use these devices to get online. In the EU, nearly 6 in every 10 individuals use a mobile device of some kind to access the internet – this is up from less than 4 in 10 in 2012.

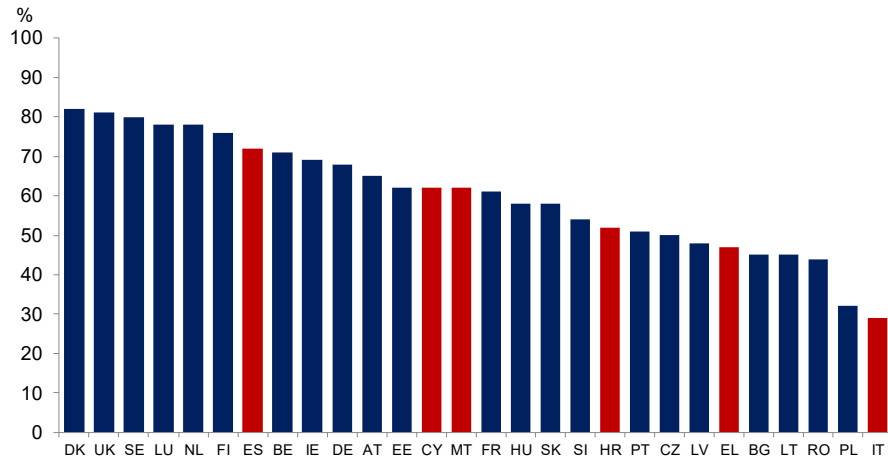
Recognising the rising preference for access on different devices is crucial for businesses selling online. Online information and tools should be optimised for mobile search and browsing if selling to the large European source markets which have the highest proportions of mobile internet use.

Regular use of the internet is not guaranteed even if access is available, as there remain concerns related to the security of online interactions.

Online access is increasingly through mobile devices allowing even greater use of online content by tourists while on trips.

More than three quarters of the population access the internet on the move in the Scandinavian countries, the UK, Luxemburg and the Netherlands. The lowest proportion of mobile access was in Italy at 29% of the population.

16 to 74 year olds using a mobile device to access the internet away from home / work, 2016



Source: Oxford Economics, EUROSTAT

Among the six Southern European countries of interest, Spain has the highest proportion of individuals accessing the internet via a mobile device (72%), considerably higher than the EU28 average of 59%. Cyprus and Malta are both above the EU average at 62% in 2016.

Tourists are increasingly using mobile devices to research destinations, including while they are travelling. Tours and accommodation are purchased online during trips; and interactions with social media and review sites are conducted during their travel to share experiences in real time. There are opportunities for businesses to better reach and interact with their customers while they are already travelling.

2.4 SOCIAL MEDIA ACTIVITIES

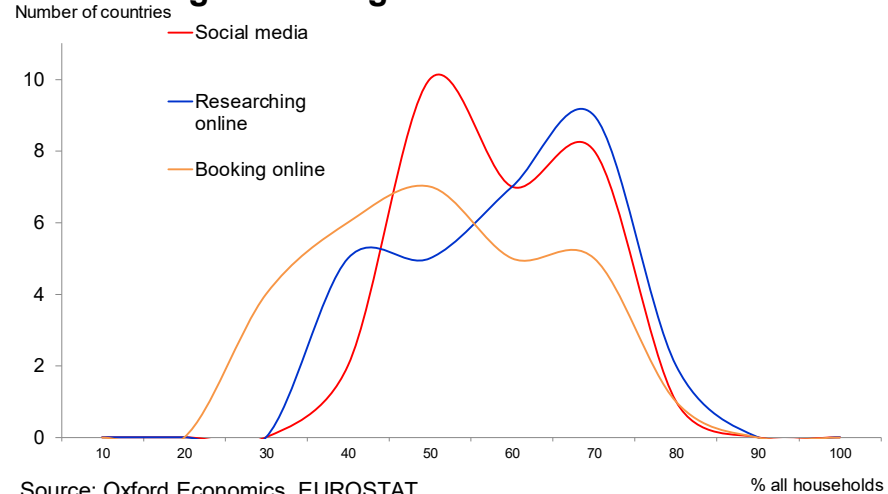
Social media allows greater engagement between businesses and consumers. Tourism accommodation providers, attractions and restaurants can engage with travellers before, during and after travel. This provides a better service for consumers while prior modelling has shown that accommodation and restaurant properties with greater engagement are consistently rated higher by consumers³.

These online platforms not only create a two-way engagement but also give businesses an opportunity to focus service improvement in areas identified by consumers. Three separate but inter-related effects drive an improvement in quality within destinations. Highly-rated existing properties gain prominence in the market and can increase prices as the better quality and service is more

³ The Global Economic Contribution of TripAdvisor, Oxford Economics 2016
<https://www.tripadvisor.co.uk/TripAdvisorInsights/n2687/key-findings-global-economic-contribution-tripadvisor-study>

widely recognised. By contrast, properties which fail to attract high ratings will lose market share and, eventually, be forced out of business. New market entrants, replacing these failing businesses, must be of high quality in order to compete.

EU countries: Social media use compared to researching & booking travel & tourism online

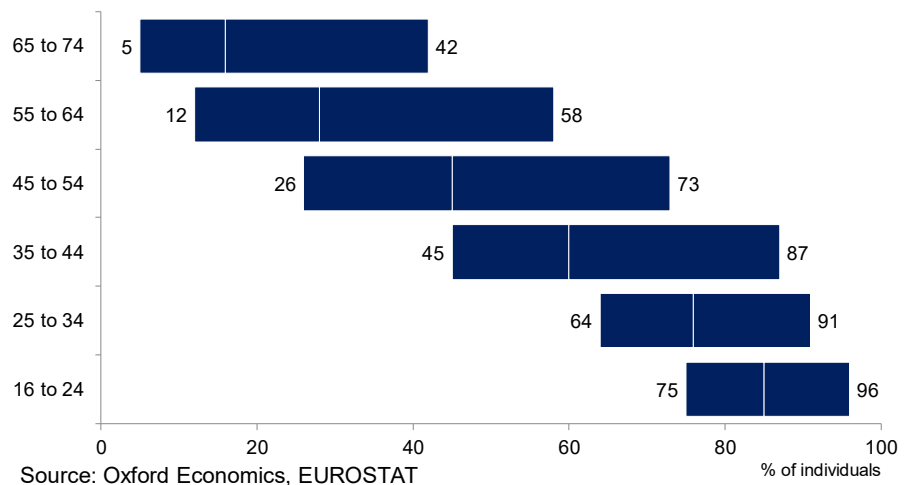


Source: Oxford Economics, EUROSTAT

In 2016, social media use varied more by age than it did by country within the EU. Among those aged between 16 and 24 the lowest proportion (75%) was in Romania while the highest (96%) was in Denmark. This is a much narrower range than across older age cohorts, falling into single figure percentages in some countries.

Social media has become an important tool for the younger generation and, over time, the current societal and generational differences in attitudes to social media will fade. As well as optimising online content for mobile browsing, businesses need to embrace social media to take full advantage of the benefits of the internet.

Social media use by age cohort across EU countries: Range between EU countries & EU28 average, 2016



Source: Oxford Economics, EUROSTAT

Social media is widely used, especially among the younger generation and leads greater convergence in internet use across countries.

3. TOURISM ONLINE SALES

KEY POINTS

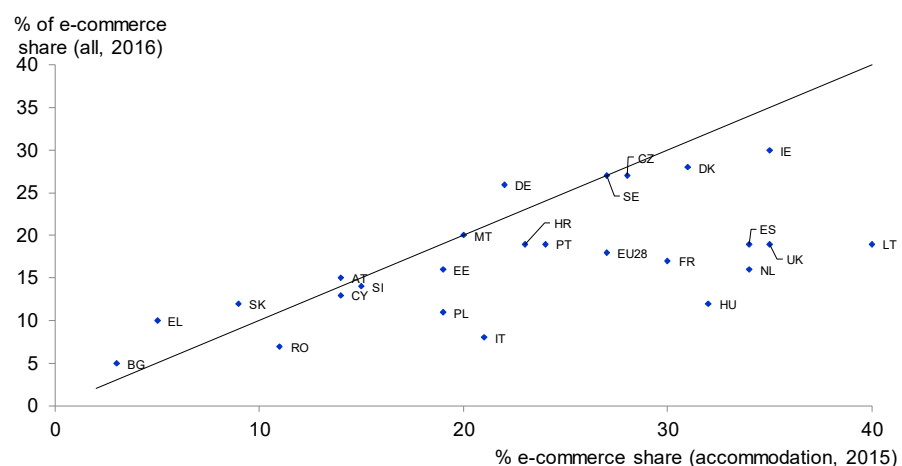
- The tourism sector leads the wider European economy in terms of the use of online platforms.
- Constraints on online sales remain evident, including lingering mistrust of online platforms in certain markets, as well as further limits from some aversion to credit card use.
- Online sales and use of established and trusted sales platforms can help smaller tourism businesses access larger source markets.
- Businesses which just match the ability to sell online to local preferences will miss out on sales to potential travelers from foreign markets who may be more comfortable buying online.
- Growth in the number of tourism businesses selling online in Southern European destinations has enabled some increased sales, but still lags source market trends.

E-commerce is more prevalent in the tourism sector than in the wider economy across the EU.

3.1 THE ROLE OF THE TOURISM SECTOR IN E-COMMERCE

In most European countries, the tourism sector leads in electronic transactions, driving higher overall involvement with e-commerce. There is a large variation across the EU in the propensity to participate in e-commerce. Online transactions in the tourism sector are loosely correlated with overall attitudes in a country towards e-commerce.

E-commerce share of turnover - all sectors and accommodation



Source: Tourism Economics, EUROSTAT

The e-commerce share of turnover in the accommodation sector is higher than for the wider economy in the majority of European countries. Greece is among the worst performers on both measures with less than 10% of revenue from this

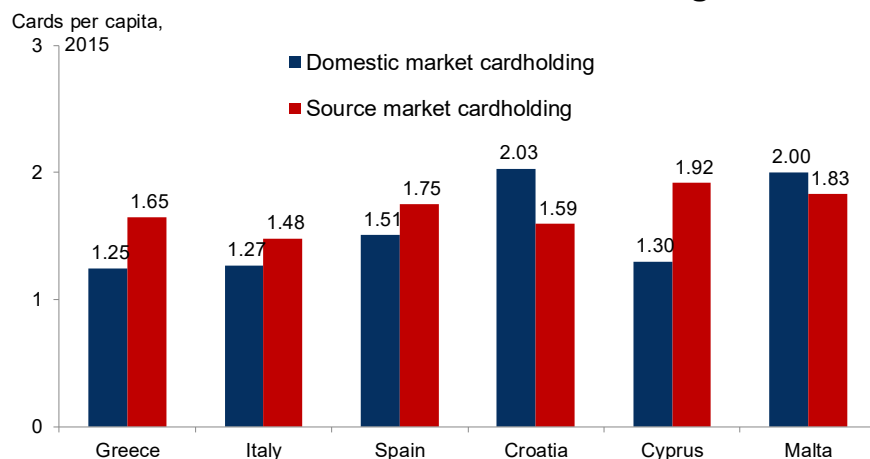
Some mis-trust of credit cards constrains online sales in some markets, while online platforms themselves are not universally trusted.

channel. Cyprus is also among the bottom quarter of performers in terms of both accommodation sector and whole economy e-commerce share.

A lower e-commerce share of turnover is the result of low trust in online platforms due to security concerns and in particular related to credit cards which are required for most online transactions. E-commerce is strongly correlated with credit card usage by country. Underutilisation of e-commerce in Southern European countries limits businesses' ability to take full advantage of the opportunities when selling to global markets.

The population in Southern European destinations typically hold fewer credit cards than the population in source markets. Lower card holdings are an indicator of a lack of trust and are related to lower card use. This acts as a constraint on online transactions. Interviews with industry stakeholders in Southern European countries confirm that credit card usage is relatively low in most of these destinations; and also that German tourists are less likely to use credit cards than those of the UK or other Northern European markets. This places some limit on the amount of online sales which can be achieved from this large source market.

Domestic and source market card holding



Source: Tourism Economics, EUROSTAT, European Central Bank

The internet and use of established and trusted online platforms can help smaller tourism businesses reach international markets.

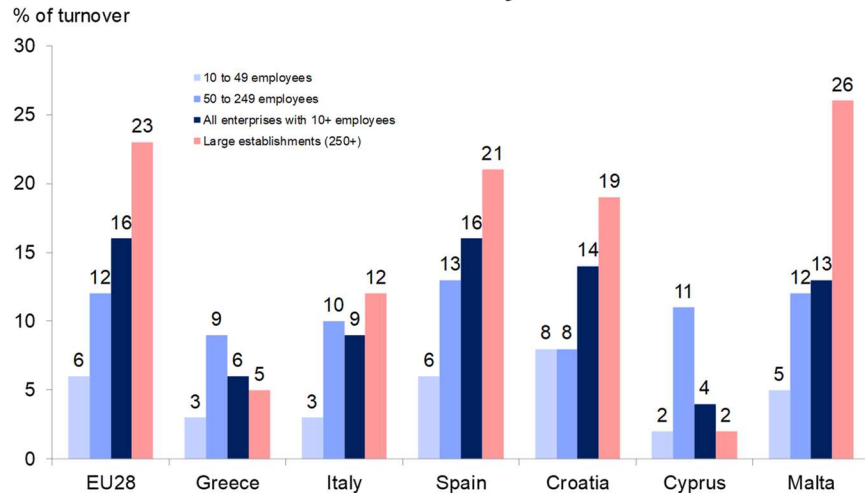
Use of online platforms for sales is also related to the size of businesses across the EU. Larger establishments tend to have a greater share of turnover from e-commerce. Countries with a greater proportion of output generated by smaller firms therefore receive a lower proportion of revenue from online sales in general.

Experience in the tourism sector runs counter to this, as it relies on a high proportion of small- and medium-sized businesses yet has a relatively high share of revenue from e-commerce. Due to the array of established and trusted online platforms, such as Online Travel Agencies (OTAs), it is easier for tourism businesses to sell online than for smaller businesses in many other sectors. Existing digital infrastructure allows these smaller businesses to reach a wide audience that may not otherwise be otherwise possible.

It is notable that Cyprus and Greece do not follow the usual pattern in that their largest establishments actually have a lower proportion of turnover via e-

commerce than many small- or medium-sized establishments. The importance of the tourism sector in these countries has a large impact on the higher proportion of e-commerce for the smaller businesses.

E-commerce turnover share by establishment size

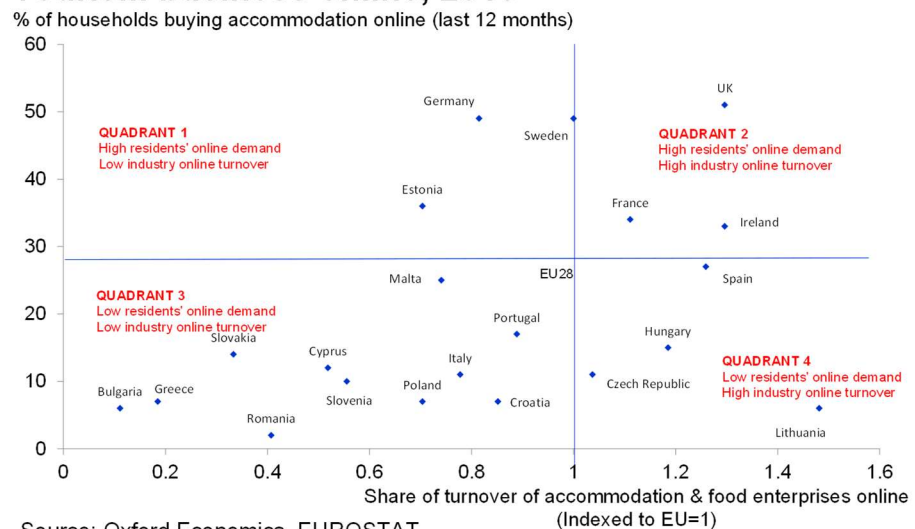


Source: Tourism Economics, EUROSTAT

3.2 TOURISM ONLINE SALES: MATCHING DEMAND & SUPPLY

There have been clear improvements in recent years in tourism use of online sales channels. Tourism businesses have recognised that it is important to provide suitable online content to match source market needs. However, there remains scope for further improvements in certain markets.

Tourism business online, 2015



Tourism businesses do not fully match online sales presence to source market demands.

The above chart shows the relationship between household online purchases of accommodation and the share of tourism revenue from online sales. There is less of a correlation between the two concepts than in prior research. Some markets have embraced online sales more extensively than local demand alone would require.

The upper-right area (quadrant 2) of the above chart includes countries which are more active online than the EU average: accommodation businesses sell extensively online, while a high proportion of the local population also buys accommodation online.

The lower-left quadrant (3) includes countries which may be missing out on sales from the more developed online markets which look to buy accommodation online. A low proportion of consumers buy accommodation online in these countries, and the share of accommodation revenue from online sales is also lower than the EU average. For example, in Greece there is a low proportion of households purchasing online and a very low proportion of accommodation businesses utilising online sales.

The lower-right quadrant includes countries where the need to meet source market requirements has been recognised. This includes Spain where accommodation business is well-prepared for foreign internet users despite low online booking by the local population. In Spain, there has been a large improvement in recent years and a move to the right from quadrant 3 as better use has been made of online platforms.

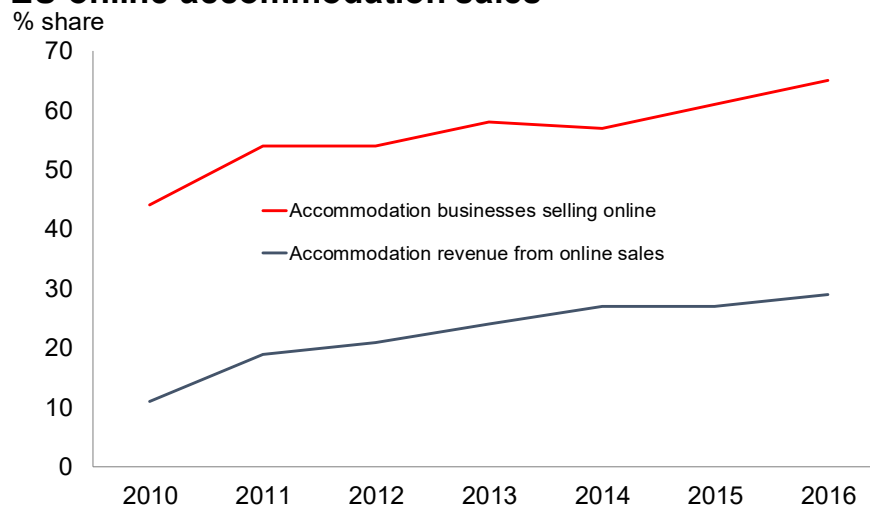
Malta and Spain (on the top edges of quadrants 3 and 4 respectively) provide two contrasting approaches. A similar proportion of households' book accommodation online in both countries, but Spanish businesses generate a much higher proportion of turnover through online sales. Spain has better embraced online sales to meet source market demand, quantified in sections 6 & 7 of this report.

3.3 EVOLUTION OF THE ONLINE MARKET

There has been a significant increase in the proportion of businesses selling online in recent years, but there remain barriers to sales. Just because businesses are equipped to sell online does not necessarily mean that sales will be made.

Barriers to online sales remain evident and an online presence does not guarantee sales if best practice is not adopted.

EU online accommodation sales

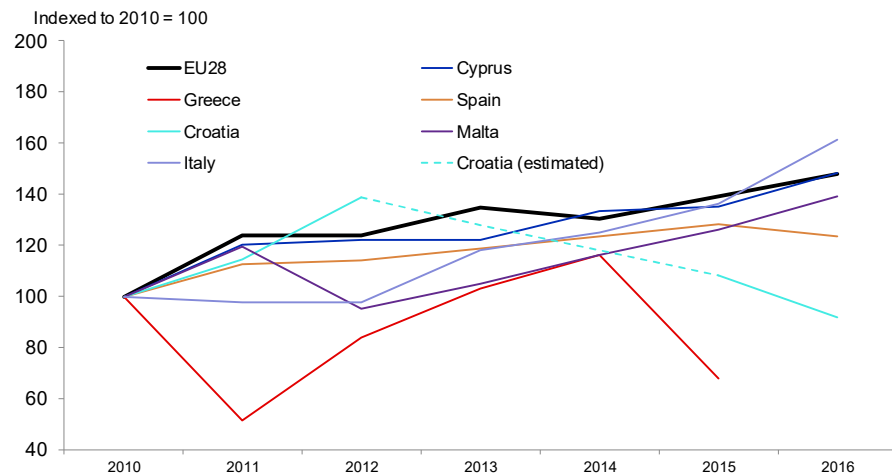


Source: Eurostat, Tourism Economics

The proportion of revenue from online sales still lags the share of businesses selling online, although the gap has narrowed slightly by 2016. Relevant information for source markets must be shared online and best practice must be followed in order to maximise sales.

The number of accommodation businesses with the ability to sell online in the Southern European market has increased since 2010, but growth has lagged the EU average in all countries except Cyprus. Scope for further immediate growth in e-commerce remains constrained by this relative lack of progress in online sales infrastructure. The most popular platforms and other best practice in source markets must be embraced to maximise online sales.

Accommodation enterprises selling via E-commerce



Source: Oxford Economics, EUROSTAT

Interviews carried out by Tourism Economics with industry and government stakeholders confirmed that some businesses are equipped to sell online but may not be making use of the best-known sales or research platforms for source markets. As an example, some businesses in Greece have reported a large online presence but also reported limited trust in using the most well-known European OTAs. In Greece and Cyprus there is further evidence of businesses stating they are equipped to sell online because their website contains a link to an email address rather than making use of sales portals that tourists in source markets would use with confidence.

However, the wider benefits from online information sharing and research functions of online platforms must not be underestimated and provides a greater impact than the narrow e-commerce benefits.

Southern European markets have improved online sales presence, but have not fully caught up with evolution in source markets.

4. TOURISM ONLINE RESEARCH

KEY POINTS

- Online content is now more trusted than traditional media among most Europeans.
- The distinction between personal recommendations and online information is becoming increasingly blurred as social media means that interaction with friends is increasingly online.
- Online travel research is generally much more widespread than travel booking and the benefits of online content go beyond the benefits of online booking platforms.
- Across Europe there remain marked divergences between countries in the tendency to research travel online.

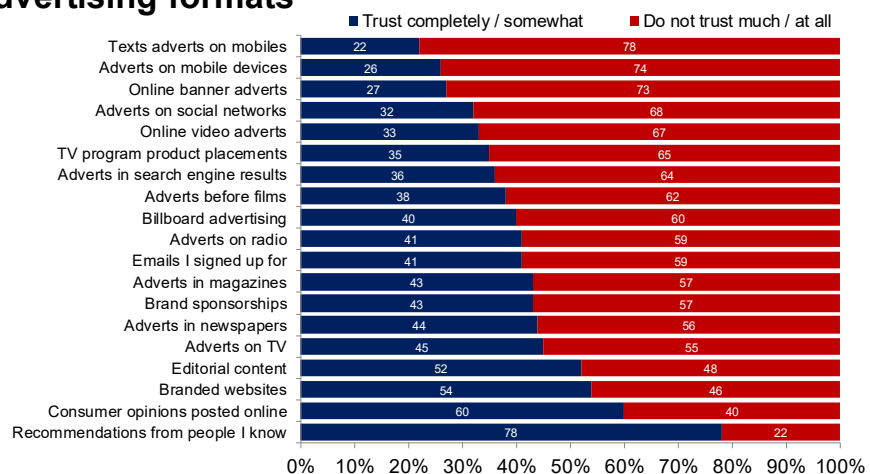
4.1 TRUST IN ONLINE INFORMATION

Online content is a highly-trusted information source for most Europeans, especially consumer reviews, which are particularly important sources of travel information. Personal recommendations are still the single most trusted source according to the Nielsen Global Trust Survey. However, online consumer opinions are not far behind with 60% of European respondents suggesting that they either trust them 'completely' or 'somewhat'.

Both of these are far more trusted now than traditional advertising media. Since the last report in 2013 there has been a significant narrowing of the gap between 'recommendations from people I know' and 'consumer opinions posted online' demonstrating the increasing importance of digital word of mouth through social media.

Personal recommendations and online consumer opinions are now far more trusted than traditional formats.

Percentage of respondents in Europe trusting advertising formats



Source: Oxford Economics, Nielsen Global Trust Survey Q1 2015

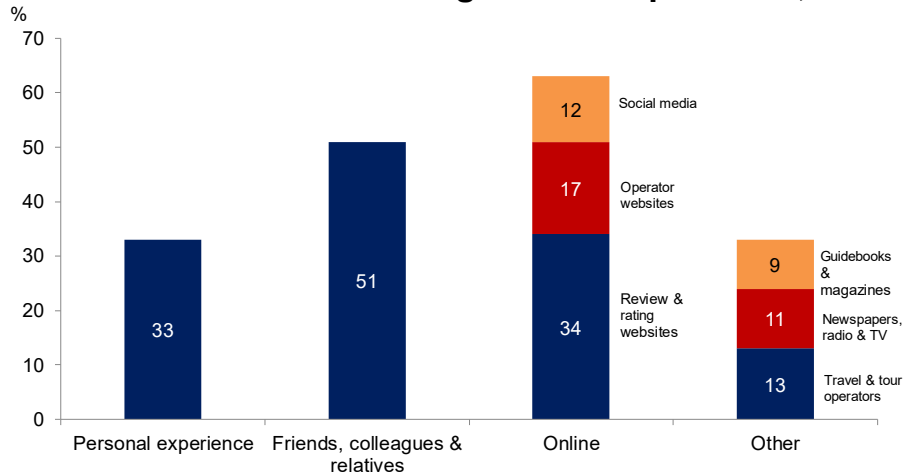
The same is true for travel information as online content is now a primary source of travel information in Europe. The different forms of online information sources have overtaken the 'recommendations of friends, colleagues &

relatives'. The importance of social media as an information source is clear. Given trends among the younger generations, social media and online research are likely to become even more important over time.

The most significant online medium cited is 'review and rating websites' as travellers' trust information provided by peers online more than information provided by travel companies and destinations on branded sites.

Online content is a vital information source for tourists.

EU28 - sources cited amongst most important 3, 2015



Source: Oxford Economics, Eurobarometer

Diverse online platforms

Consumers and businesses in the travel and tourism sector meet online using a variety of diverse platforms with varying benefits. Among these are:

- company websites – an extension of traditional marketing;
- professional travel reviews and guides;
- user-generated review sites;
- social media;
- online search;
- specialised content and travel apps.

On account of the experiential nature of tourism products, for which quality cannot easily be ascertained, electronic word of mouth is heavily relied upon by potential tourists in forming images of destinations. Tourism destinations require the consumer to make a considerable financial investment without any ability to 'pre-test' the product. The continued importance of traditional company websites should not be underestimated and these are supplemented by government and tourism marketing organisation websites. These still generate interest in a destination and continue to drive visitors and revenue.

Professional review sites represent a move from print media to electronic media in many respects. However, they do permit objective rating of properties and destinations and the flow of information is less one way than it used to be as platforms allow for responses by operators.

User-generated review sites have shifted patterns of trust the most. Virtual travel communities (people who may never actually meet one another but who exchange views or information on

these review sites) have become more trusted sources for content than most types of traditional marketing messages, competing only with personal recommendations from friends or colleagues. A major shift here from the early years of online development is the levelling of the playing field between large establishments, who could afford to develop impressive websites, and small business, which might otherwise have remained invisible.

Social media also plays its part here. It helps to spread trustworthy information at a minimal cost to the consumer and provides real photo and video images of places, free from the professional 'improvements' sometimes associated with more corporate marketing. Platforms allow travellers to share content and images with friends and relatives in real time during trips. Social media also allows interaction between consumers and destinations before, during and after travel. This engagement can be beneficial to consumers in understanding the true nature of a destination ahead of travel. It is also beneficial to destinations and businesses in understanding the needs of travellers as well as the perception of their destination. Destinations and tourism businesses can also encourage user-generated content on their social media sites to showcase authentic experiences by real tourists.

Online search is a crucial step in linking consumers and businesses within a full range of online content, while price comparison is also facilitated through meta-searches. Providers of niche interests can also be readily identified whereas in the pre-internet world these were often limited to specialist suppliers and sales channels. Search engines permit specialist sellers to be found by individual buyers without prohibitive associated costs.

The advent of smartphones and portable online devices has meant that apps have become an important part of the online travel market. These include geo-mapping tools, review apps such as TripAdvisor and weather apps to be better informed about destinations during travel; as well as tools to facilitate booking such as Airbnb, Foursquare, Detour (which allows users to sample chargeable tours) and Quik (which facilitates quick video editing). Apps can also help to raise awareness of specific details of destinations ahead of travel and can encourage additional visitors by providing a sample of the experience available at a destination or attraction. For example, in Spain, Vojo Way is a tool developed specifically for those undertaking the Camino de Santiago and was winner of the Ministry of Industry, Energy and Tourism's 'App Tourism Awards 2015'. Google itself has developed the Google Arts & Culture App which has been rated on Google play by over 10,000 reviewers and provides highlights of numerous cultural destinations worldwide.

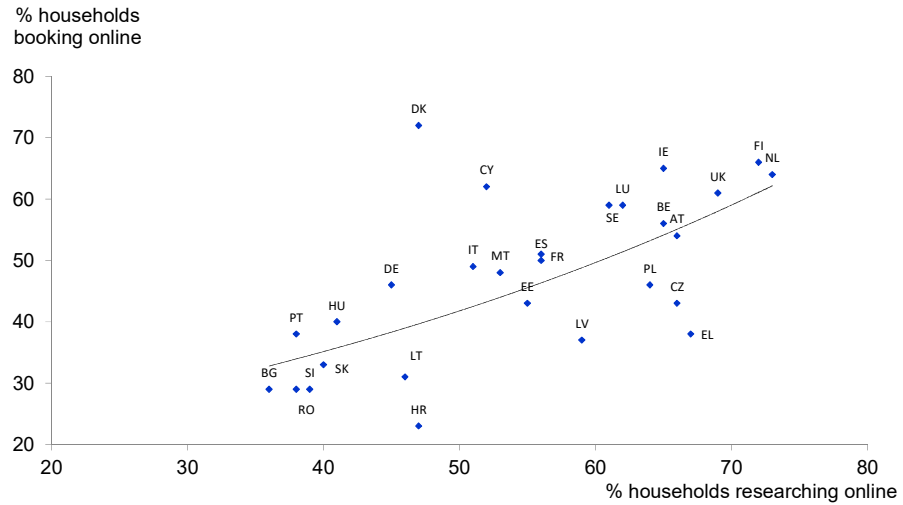
4.2 ONLINE TOURISM RESEARCH

Research remains the primary online interaction between suppliers and tourists and is more widespread than booking across the EU as a whole. While there is a positive relationship between researching travel online and booking online, there is not an exact correlation.

In some countries, such as Germany, the Scandinavian nations or Ireland the proportion of households researching and booking online are very similar. At the other end of the spectrum is Croatia, where the proportion of households researching online is close to the European average (at 47% population) but the proportion booking online is very low (23%).

Online research remains more widespread than online booking in the EU.

Tourism Internet research & booking, 2015



Source: Oxford Economics, Eurobarometer

Greek households also tend to avoid booking online. Given the proportion of households using the internet to research online, one might have expected the proportion of households booking online to have been comparable to either Belgium or the UK, rather than to Latvia or Lithuania. This was confirmed in interviews carried out by Tourism Economics which indicated that Greeks tend to book hotels via the telephone whereas foreign tourists (who make up the vast majority of hotel bookings) prefer to book online.

There is greater trust in the internet for research than for booking, but with large disparity across countries. Information shared online has a large influence on travel decisions even if the booking takes place through offline channels.

Over time, online booking has increased, following the growth in online research, helped by some better links between review and booking platforms. Both research and online sales are expected to rise further and even converge as online access grows. However, barriers, including those relating to trust of online and credit card safety, will remain and online booking will not become as prevalent on research.

Travel research will continue to have a wider beneficial impact on tourism demand than online booking. Online information is a trusted source for all travel activity, including offline booking, as well as activities carried out by travellers already within a destination using mobile devices.

As travel research moves increasingly online, it is vital that destinations provide online information and booking opportunities to capture potential travellers from other countries who may not be completely familiar with the destination. Personal experience and recommendations remain the most important sources of travel information, but the rise of social media as a platform for sharing experiences means that some of these personal interactions are moving online.

For the EU as a whole, over half of travel is now organised online. This definition includes all travel booked online or researched using online content.

5. TOURISM SEARCH & TRIP MOTIVATION

KEY POINTS

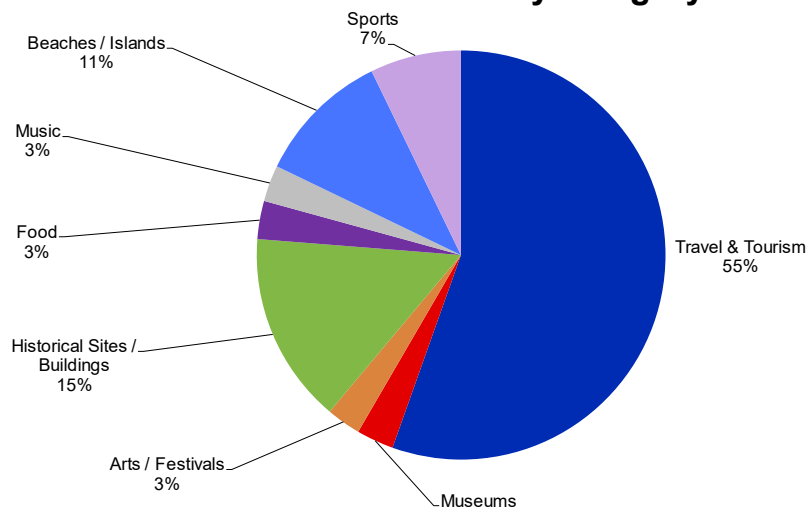
- The majority of tourism-related searches are for general information about the destination, hotels or transportation options.
- Almost one quarter of searches is related to cultural travel across the six destinations of interest. 'Historical sites and buildings' account for a large proportion of this.
- Information about cultural attractions is widely sought online.
- Clear and accessible online information can enable demand growth from source markets
- Cultural tourism searches are a much higher proportion of tourism-related searches in Cyprus and Malta than they are in Italy or Spain.

5.1 TOURISM SEARCHES

Search data have been used to understand the type of tourism research being carried out online. Search terms reveal the motivation for trips being researched online and a better understanding of the benefits of online content.

Cultural content is widely being sought online relative to other tourism searches. Comparison with trip motivations illustrates that online research disproportionately benefits and enables this type of travel.

All six destinations - searches by category



Source: Google, Tourism Economics

Google search data for the six Southern European destinations of interest have been analysed for key source markets. Travel-related Google searches have been grouped by broad category to understand what people are searching for

Tourism research covers a wide range of trip motivations and cultural information is sought out online.

as part of their online research of these destinations. Searches by type largely relies upon Google search categories while related searches have also been allocated to better understand true search motivation. Google AdWords' competition values have been used to estimate related searches consistent with the methodology applied in the previous 2013 report. This analysis is based solely on data for 2016 and illustrates the mix of searches by destination from key source markets.

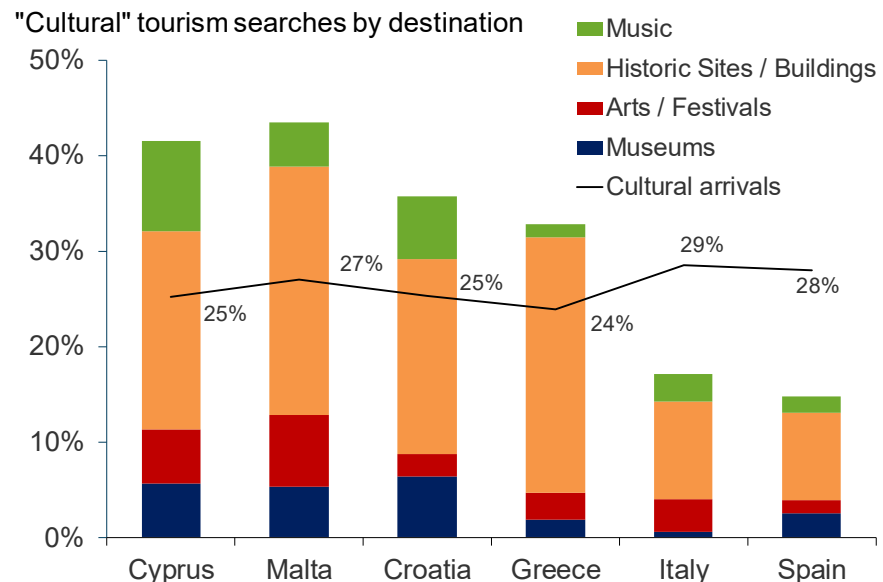
Over half of searches are for general Travel & Tourism related information (including information about cities in general, available hotels and transport options) but other categories of search have been identified. These categories have been grouped into cultural and non-cultural searches.

Searches for Museums, Arts/Festivals, Historical Sites/Buildings, and for Music are defined as representing cultural searches. Two types of destination emerge:

1. Those where searches tend to be more generic typified by very large volumes of searches in the 'travel and tourism' category. The proportion of culture-related searches is limited but can still represent some large volumes. Examples are Italy and Spain.
2. Those where searches are more specific and culture tends to represent a more significant proportion. An example is Malta.

Across all six destinations, 23% of searches were culture-related. Within the total, cultural searches accounted for around half of the non-generic queries. Detailed results of this calculation and analysis can be found in Appendix 1 and key findings are summarised here for both destination and source markets.

International cultural tourism searches



Source: Google, Tourism Economics

The proportion of cultural searches varies considerably by destination. The largest proportion of cultural searches is evident in Malta at 43%. By contrast, the lowest proportion is in Spain at 15% of searches.

A high share of online research involves cultural content. Cultural travel is disproportionately researched online relative to the size of the cultural travel market.

Comparing these shares of tourism search against the proportion of culturally motivated trips shows that this type of travel is disproportionately researched online. There is a large appetite for online cultural tourism information.

The graphic shows that the proportions searching for culture and the proportions who visit for cultural reasons differ for each of the destinations. The share of searches is considerably higher in four of the six destinations (Cyprus, Malta, Croatia and Greece).

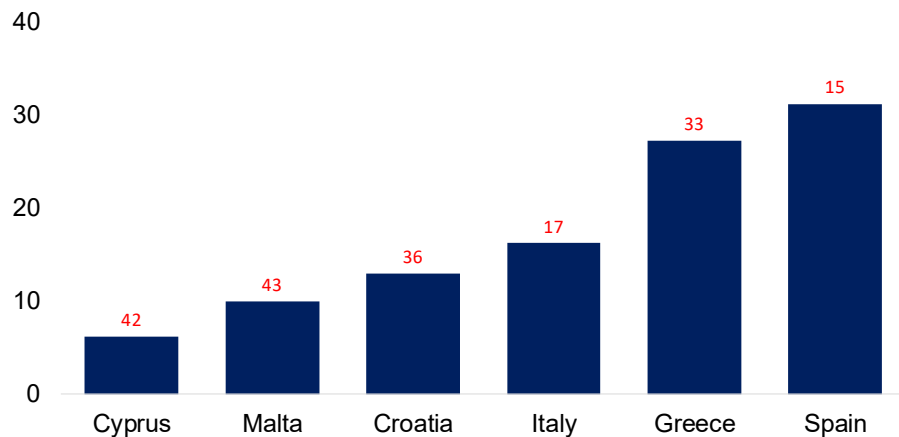
In both Italy and Spain, the proportion of cultural search is lower because of the high, and growing, share of more generic searches in both of those countries. This is related to the growth in travel organised online in recent years, of which a large proportion is mass-market sun and beach travel. This is indicated by the divergence with the similar calculation for 2012 carried out in the previous report. However direct comparison is not possible due to some changes in the available search data categorisation.

The size of the destination should also be considered rather than simply looking at percentages. Even though the proportion of cultural searches is relatively low for Spain, this still relates to very large volumes of searches. Spain had 212 million tourism related searches during this period of which 15% were cultural whereas Croatia received only 36 million tourism searches of which 36% were cultural. This implies that there were around 32 million searches for cultural related tourism in Spain compared with around 13 million for Croatia.

Cultural tourism searches by destination

Searches (millions)

Red percentages are share of all tourism searches



Source: Google, Tourism Economics

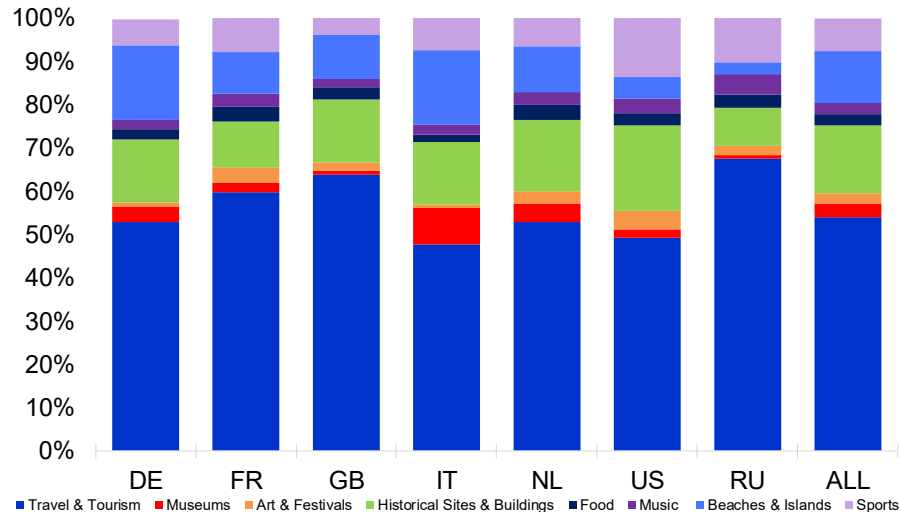
5.2 TOURISM SEARCHES BY SOURCE MARKET

There is considerable variation in the type of tourism information researched online across the major source markets for Southern European destinations. Cultural search ranged from 17% of searches by Russians to 29% by Americans. Historic Sites/Buildings was the largest of all the culture-related categories, averaging 16% of all searches across the source markets. This proportion was higher from the US (20%) but far lower from Russia (9%).

However, Russian search trends using Google data are less representative of total activity than for other countries due to the importance of other search engines there, including Yandex.

Overall tourism searches by segment by source

Searches as a share of total travel, including culture



US travellers to European destinations are more likely to be motivated by culture than for more mass market sun and beach type holidays. Short-haul destinations within the US itself and in destinations such as Mexico and the Caribbean, are more the focus of the US sun and beach travel market. Research for these destinations involves a lower proportion of cultural searches.

UK travellers are largely interested in finding more generic information online. However, due to the large size of the UK as a source market, the smaller proportion of searches for cultural content still implies large volumes.

For a large mass-tourism source market, Germany has a relatively low proportion of searches on more generic items. This may be related to the reluctance to buy online, with this information being sought through traditional sales channels. Beyond this, searches from Germany were most likely to be focused on beaches and islands (17%).

Italian travellers are the most likely to search for museums (8%), although this is skewed by Italian residents searching for Italian museums. In contrast, the UK and Russia had the lowest museum share of searches at around 1%.

5.3 DEVELOPMENTS IN TOURISM SEARCH

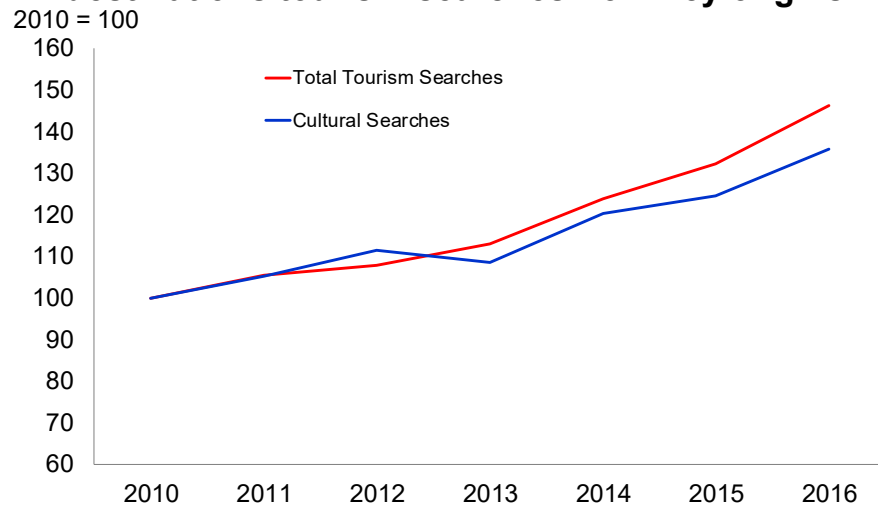
Changes in search volumes over time indicate the evolution of travel demand for destinations. Notably, this helps to understand the evolution of online content and the use of the internet by businesses within a destination. Some searches for key terms will occur regardless of the amount of online information available. However, links to marketing, advertised websites and digital word of mouth will help to drive further searches.

Tourism-related searches and the volume of travel organised online are related. A clear correlation is evident both over time and across countries. Google search data therefore provides a useful real-time proxy indicator of the share of travel organised online and has been used to fill some of the gaps in data on the proportion of travel organised online for calculations in later sections. Search trends have also been used to validate subsequent calculations alongside the consultations with key stakeholders by country.

Tourism-related searches have grown by around 45% since 2010. Culture-related tourism searches have accounted for a large proportion of that growth, especially since 2013. Cultural content is likely to remain widely researched online as travellers seek to understand more about potential destinations, attractions and activities. As greater online cultural content becomes available over time, it will enable a further increase in search volumes to support the amount of travel organised online.

Growth in search volumes have been enabled by improved content. The rise in cultural search volumes and content is an important component of online developments.

All destinations tourism searches from key origins



Source: Google, Tourism Economics

Strong growth in culture-related searches have driven increases in tourism searches overall in some countries, such as in Malta, Spain and Greece.

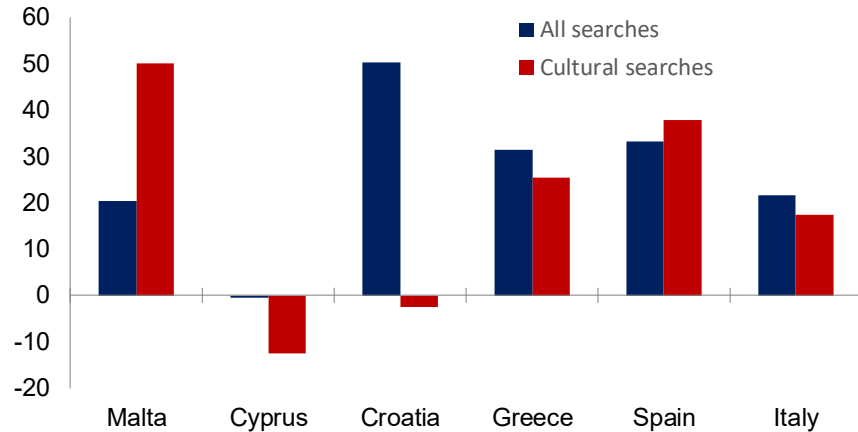
Malta is reported in DESI 2017 as a leader in fast broadband and in the quality of its e-Government services. This has extended to the cultural and heritage sector as the growth in cultural searches have been an important part of the rise in overall tourism-related searches⁴. This increasing use of online content in Malta means that cultural searches have outpaced more general tourism searches in recent years. Interviews by Tourism Economics highlighted how organisations such as Heritage Malta have invested in websites, downloadable apps, booking systems and social media presence.

By contrast, Croatia's growth in online searches have not been heavily influenced by growth in cultural searches. Those searching for Croatia online are researching other aspects of the destination. This is somewhat surprising given that travel to Croatia has benefitted from interest generated due to its location (and notably Dubrovnik) being used for filming of the 'Game of

⁴ According to DESI 2017, Malta's main challenge now is to improve the digital skills of its population.

Thrones' TV show which has raised interest in the destinations and its historical buildings.

Percentage change over three years to 2016 (%)



Source: Google, Tourism Economics

* Cyprus, Malta and Croatia include different mixes of countries for the two searches

Some significant increases in cultural searches are evident in Greece with notable growth over the past year coinciding with an increase in online activity. This recent growth in online interest in Greece was also confirmed by key public and private sector stakeholders within the country in interviews with Tourism Economics staff.

Search trends illustrate a stark turnaround in tourism searches for Cyprus by 2016, coinciding with renewed interest in the destination following the banking crisis and the associated fall in tourism demand. Searches for cultural information have lead the way in this upturn, but the larger fall in prior years suggests that this may be a more volatile market segment in Cyprus compared to the more stable package holiday market.

Tourism searches for Spain have shown relatively stable growth in recent years, which is largely to be expected in the more mature and large online travel market. However, this example also demonstrates the importance of online cultural content. Large volumes (if not shares) of searches are for cultural information and robust growth suggests that this is becoming a more important part of the online market in terms of demand. Similarly, Italy's lacklustre performance in terms of tourism searches has been underpinned by an equally unimpressive growth in cultural searches.

6. THE OPPORTUNITY IN SOUTHERN EUROPE

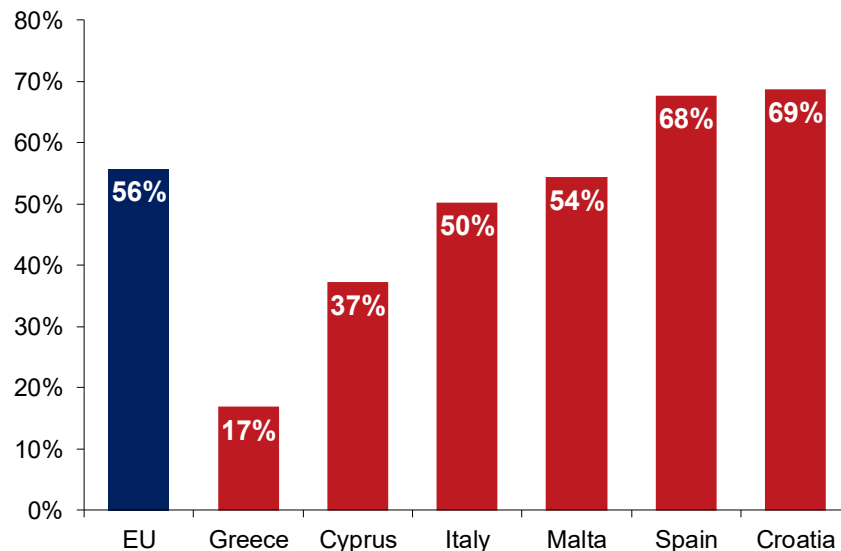
KEY POINTS

- As travel research moves increasingly online, existing reputation alone is not enough for destinations. Online content must match the needs and behavior of source markets.
- Some Southern European destinations – such as Italy and Malta – have been catching up with source market requirements.
- Others – such as Greece – still have a long way to go to match the demand requirements of their source markets.
- Although the proportion of travel organised online has increased for Southern European destinations, behaviour has continued to evolve in source markets. Opportunities remain for further growth.
- Some countries – such as Spain and Croatia – enjoy a proportion of tourism organised online which is higher than the EU average but still lower than the proportion preferred by their source market mix.

6.1 TRAVEL ORGANISED ONLINE

Online share of tourism revenue, 2016

% tourism revenue researched or booked online



Source: Tourism Economics

56% of travel to EU destinations was organised online in 2016. This includes travel which is either booked or researched online, combining the information in sections 3 and 4. This also comprises both domestic and international travel.

Travel organised online varies by destination and increased online content is required to realise opportunities and to boost competitiveness.

The share of travel to Italy and Malta which is organised online is close to this average, while the proportion for Spain and Croatia is higher.

Travel organised online includes trips which are booked online as well as those booked through other channels but researched using online content. Data on travel booked online is reported by Eurostat for each destination. Remaining travel organised online has been estimated according to origin and destination preferences for online research and cross-checked against other available survey data and in interviews with stakeholders in these countries.

Greece and, to a lesser extent, Cyprus, receive a lower proportion of travel organised online indicating significant opportunity to expand online travel demand. However, given the lag time between research, booking and travel it may be that some developments in 2016 are not yet evident in the overall impacts.

For other Southern European destinations, the share of travel organised online is closer to the EU average. In Spain and Croatia, the share of travel organised online is even greater than the EU average at 68% and 69% of tourism revenue. But this does not mean that online provision is completely aligned with source market demand.

There are opportunities to increase the share of travel organised online in all six destinations. Travellers from the largest EU source markets are more likely to book online than the EU average. To maximise sales to these countries, businesses, and especially accommodation establishments, should make use of the most widely recognised booking and travel information platforms across Europe.

This presents an opportunity for further growth in tourism activity. Increasing the proportion of travel organised online does not just entail a shift away from traditional methods of booking and researching. Greater use of online content and booking platforms increases the competitiveness of a destination. Matching the demand for online information and booking in key source markets is essential.

6.2 THE OPPORTUNITY IN 2012

Previous research calculated the opportunity for Greece, Italy and Spain for 2012. This has been recreated including more recent available data for that year and extended to cover the other three countries of Croatia, Cyprus and Malta.

The share of tourism in these destinations organised online in 2012 was lower than the share of travel organised online in key source markets. This difference represents the scale of the mis-match between online supply by destination and demand by source market. 43% of travel was organised online across the EU as a whole in 2012, but the share for top source markets was higher at around 60%. A weighted average of travel organised online for source markets was calculated for each destination.

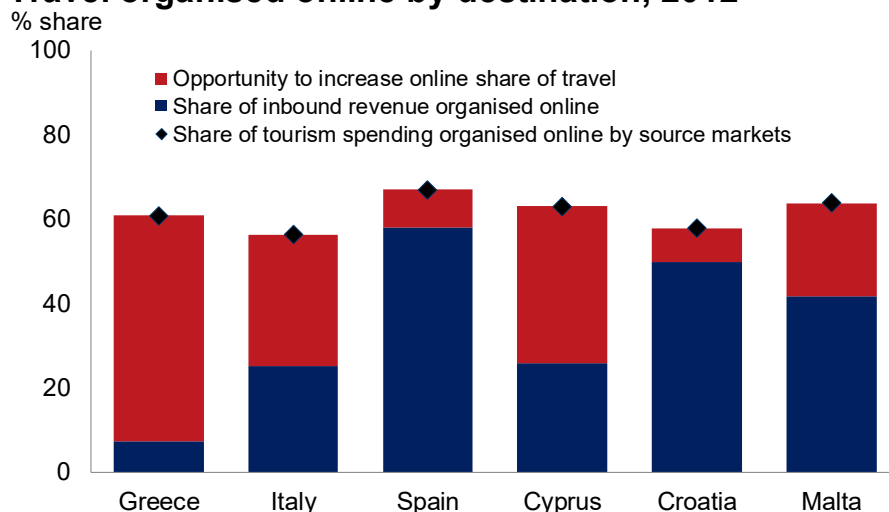
Opportunity for growth was identified as the difference between online demand and the actual share by destination. This is illustrated in the following chart as

Large opportunities for growth in online tourism exist in Greece and Cyprus, with additional opportunities for other destinations.

In 2012, the largest opportunities for improvement in online content were in Greece, Italy and Cyprus.

the red area which is the difference between the share of tourism revenue organised online by destination and the share organised online for key origin markets. Taking Greece as an example, just 7% of travel was organised online in 2012. On average 61% of travel from key source markets was organised online. This represents a very large opportunity for growth in the online travel market with large associated benefits.

Travel organised online by destination, 2012



Source: Tourism Economics

The greatest opportunities to improve online content existed in Greece and Cyprus in 2012, followed by Italy and Malta. These markets were at a relative disadvantage in terms of available information for travellers in source markets and therefore were relative losers in terms of tourism competitiveness. Any observed increase in online content and travel organised online for these markets in recent years should therefore be related to an improvement in competitiveness, growth in tourism demand and an associated increase in GDP and jobs. These realised benefits are estimated in section 7 along with the remaining opportunity.

Spain and Croatia had the smallest identified opportunity for growth in 2012, but there was still some clear scope for improvement.

6.3 DEVELOPMENTS SINCE 2012

Developments in travel organised online by destination is first calculated to understand the amount of opportunity which has been realised since 2012.

In all EU destinations, there has been growth in the amount of travel organised online in the years since 2012. By 2016, this proportion rose to 56% from 43% in 2012 for the EU as a whole. The share of travel organised online in Southern European destinations also rose over the same period and in most cases the gap between performance and online preferences in source markets narrowed.

A significant proportion of the opportunity identified in the previous report has been realised as destinations have caught up with source market preferences at that time, albeit to a different extent by market.

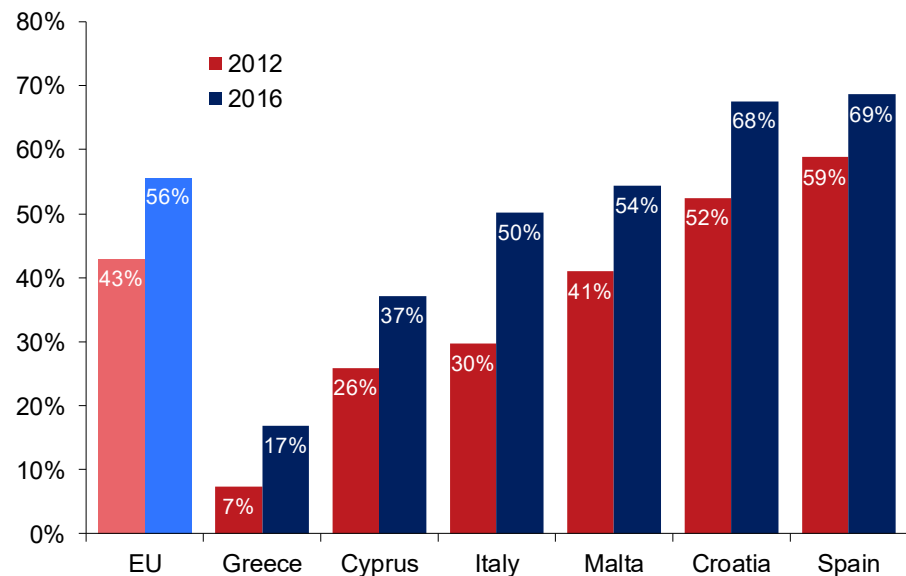
Spain and Croatia have improved online content and experienced large catch-up with demand.

Spain and Croatia have completely realised the opportunity identified in 2012, with 69% and 68% of travel now organised online. This is higher than the average source market preference in 2012. In the case of Spain this is consistent with the European Commission's Digital Economy and Society Index (DESI) 2017 on which the country has made progress on all dimensions with the sole exception of Human Capital.

Italy and Malta have largely closed the gap with source markets. Italy has made the greatest improvement as 50% of travel is now organised online, up from 30% in 2012.

Online share of tourism revenue

% tourism revenue researched or booked online



Source: Tourism Economics

Greece and Cyprus have also made significant progress and a greater share of tourism is now organised online. This has involved some catch-up to source market preferences, but a gap remains. There is still a large opportunity for further growth.

Despite growth in recent years, large opportunities remain for Greece and Cyprus.

Despite progress there is not universal recognition of the need to improve online content in these markets. In interviews with Tourism Economics, industry representatives in some of these markets suggested that there was no need for online content or sales platforms because of the existing reputation for quality. This may be true for repeat visitors but it does not help attract new tourists who are more reliant on online content, including electronic word of mouth, especially among the younger generation.

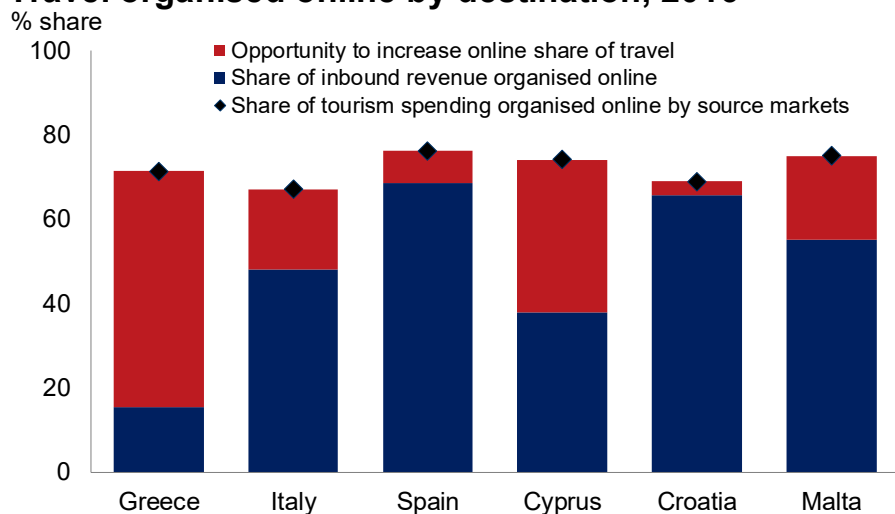
6.1 THE OPPORTUNITY IN 2016

Source market developments since 2012 must also be considered to fully understand the remaining opportunity from an increase in online content. Source market demand has not been static over this period with many of the main source markets increasing their propensity to organise travel online by

around ten percentage points. The extent to which growth in Southern European destinations improved relative to source markets or merely kept pace with these developments has been calculated.

Destination developments have largely exceeded those in source markets with an associated improvement in competitiveness. Calculations using 2016 data have compared the proportion of travel organised online for each destination with preferences in all key source markets⁵. The incremental benefits for destinations from the recent improvements are quantified in section 7, along with the remaining opportunities.

Travel organised online by destination, 2016



Source: Tourism Economics

The previous report identified a large opportunity to increase online content in **Greece**, with an associated improvement in competitiveness and therefore tourism demand. The share of travel organised online has increased in recent years, but it is still well below the share of travel typically organised online in source markets. There remains a very large opportunity to increase online content to meet demand. This is also broadly consistent with the observations of DESI 2017 which noted poor progress on the key aspects of connectivity and human capital.

However, within Greece, there have been some notable improvement in online access and content in more recent periods and particularly in 2016. Some action has clearly been taken to improve online content and access to booking platforms, but there is often a lag between actions of this sort and realised benefits. This is due to an observed lag between research, booking and actual travel. The large increase in tourism searches in 2016 is likely to become more apparent in the data for online travel in 2017.

The smallest opportunity exists for **Croatia**. The large amount of available online information means that travel organised online is almost completely aligned with source market preferences.

Opportunity for further growth in online travel is evident for most countries.

⁵ See Appendix 2 for the calculation of source market preferences and opportunity by destination.

Spain also has a limited opportunity for growth with a proportion of tourism organised online which is higher than the EU average. 69% of travel to Spain is now organised online, up from 59% in 2012, and broadly in line with the change in preferences for online information and booking in source markets. But some small opportunity for growth remains from an increase in online content.

The improvement in online content in **Malta** has also largely kept pace with the average in all markets. The proportion of travel organised online remains slightly below the average for the EU despite the improvement from 41% to 54%. A significant gap remains between the online offer and the preferences and best practice in major source markets.

In **Italy**, there has been a considerable improvement in travel organised online and catch-up with source market preferences. 50% of travel in 2016 was organised online, up from 30% in 2012. This is much closer to the EU average and trends in major markets, but there also remains an opportunity for further improvement.

Improvements in online content in **Cyprus** have helped to increase the proportion of travel organised online, but this has just been in line with growth across the EU and source markets. Significant opportunity for growth remains to catch-up with other markets and to improve competitiveness. This is despite the increase in the share of travel organised online from 26% to 37%.

7. THE ECONOMIC IMPACT OF ONLINE CONTENT

KEY POINTS

- Tourism is an important sector for the six Southern European countries supporting a larger share of GDP than the EU average: between 10% GDP in Italy and up to 26% GDP for Malta, accounting for wider impacts.
- Online content generates incremental demand rather than a simple displacement from offline sources.
- Large numbers of new jobs generated in tourism over recent years can be attributed to the economic benefits of online content. The largest employment gains have been in Italy and Spain. Employment gains in Italy have been driven primarily by increased online content.
- Raising online content to meet demand will further raise GDP and employment in all countries.
- The largest opportunity remains in Greece where an additional 3.9% GDP could be generated, allowing the creation of around 175,000 new jobs. Around another 135,000 new jobs could be generated across the other five destinations.

7.1 ECONOMIC IMPACT OF ONLINE CONTENT

Tourism organised online contributes to a large proportion of economic activity.

The proportion of GDP and employment supported by online content has been calculated by combining the proportion of demand organised online with the total economic impact of tourism. Economic impact of tourism in each country has been calculated consistent with official country specific estimates of the economic impact of the sector, according to widely approved methodologies, and is also consistent with the annual research published by the World Travel and Tourism Council (WTTC)⁶.

The economic impact of tourism used here includes the direct benefit of the tourism-facing industries as well as the wider indirect impacts through the supply chain and the induced impact of the spending of wages earned in tourism industries. Total impacts calculated in this way are consistent with standard methodology and are necessary to portray the full benefit of activity in the sector to the economy.

For each of the six countries of interest, the share of GDP supported by tourism is larger than the EU average. The lowest economic share in these countries is in Italy, at 10%. In all other countries of interest, the economic impact of tourism is in excess of 15% of GDP. For Cyprus and Croatia, the contribution of the

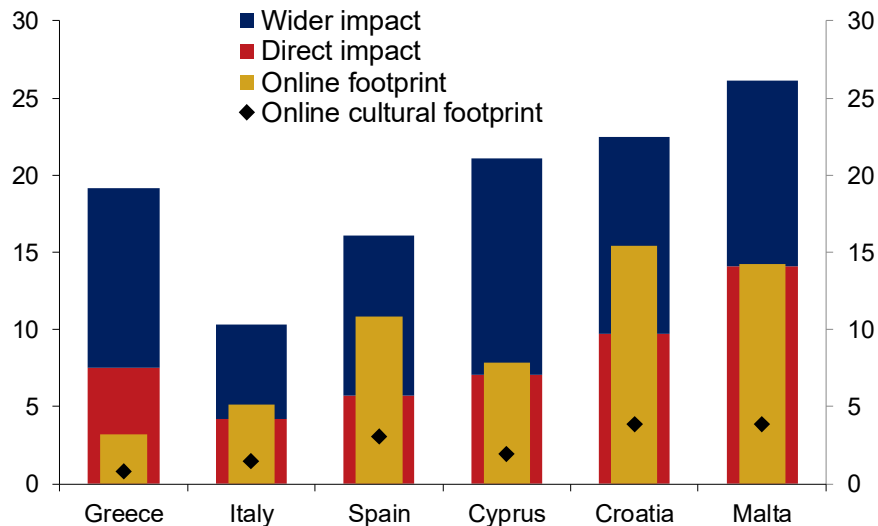
⁶ Calculation is consistent with the Tourism Satellite Account Recommended Methodological Framework (TSA: RMF 2008) approved by the UN statistics division.

tourism sector is greater than 20% of GDP and in Malta it is as high as 26% of GDP.

Given the importance of the sector, any improvements in tourism competitiveness generated by greater online content for these countries would have large impacts for the wider economy.

Tourism economic impact & online contribution

% whole economy GDP



Source: Oxford Economics, WTTC

The current economic impact of online tourism content (the online footprint) is lowest in **Greece** because of the smaller share of travel organised online. But at 3.2% of GDP, this is still a significant proportion of GDP, equivalent to €5.7 bn.

The next lowest economic impact of online tourism content is estimated to be in **Italy** at 5.2% of GDP (€86.1 bn). This is still a large amount given the relatively smaller contribution of the tourism sector in Italy.

Despite the large remaining opportunity to develop online tourism in **Cyprus**, 7.9% of GDP (€1.4 bn) is currently attributable to online tourism. In all other countries, the share of GDP supported by online tourism is greater than 10%, including a share of 10.9% in **Spain** (€121.9 bn) and 14.2% in **Malta** (€1.3 bn). The greatest economic contribution of online tourism content is estimated to be in **Croatia** where it accounted for 15.4% of GDP (€7.0) in 2016. Similarly, large shares of employment are also evident for each country.

7.2 REALISED BENEFITS SINCE 2012

In the years since 2012, there has been large growth in tourism volumes in each of the six countries alongside growth in online content. The increase in

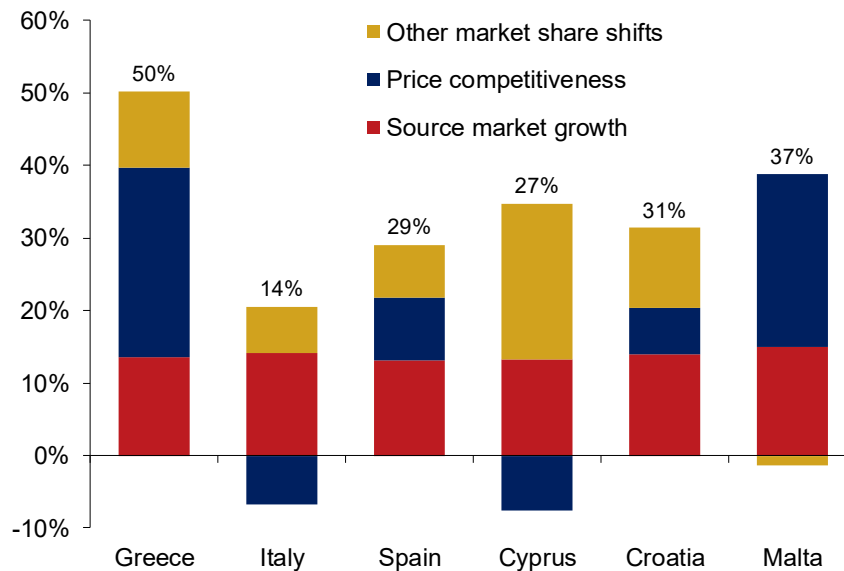
Increased tourism content has raised competitiveness and generated incremental growth in tourism demand.

the share of tourism organised online does not just represent a shift from offline planning and booking to online channels. Instead, the increases in online research, booking and search have helped to improve competitiveness and directly generated a proportion of the growth in tourism demand. A review of the relevant literature (summarised in the prior report from 2013) and associated modelling and estimation have demonstrated a clear causal relationship between online travel information and demand.

The relative contribution of different factors to the inbound tourism performance have been calculated to illustrate the impact. Calculation is reliant on Tourism Economics' existing model of global tourism flows which allows estimation of the share of observed travel growth by source market due to different economic drivers. The inclusion of indicators of online tourism information in these equations improves the fit to actual data and better explains growth.

Arrivals growth, 2012-16

% growth by reason



Source: Oxford Economics

The above graphic shows the growth in international tourism arrivals in each country since 2012. It also illustrates how much growth is due to expansion in total tourism demand from major source markets (red bars) as well as the amount of growth due to improvements in competitiveness and market share. Growth from source markets is unsurprisingly relatively constant across all destinations and changes in market share are more important factors in explaining different performance.

Market share improvement in the chart is separated into two distinct categories: price competitiveness (blue bars) and other market share shifts. Price competitiveness includes the impact of changes in destination costs, including exchange rate shifts. This component also includes some lagged impacts as the estimated effects of changes in the drivers become apparent in subsequent years. This lagged impact is particularly evident for Greece where travel growth was particularly high over this period involving a rebound from low demand and

Improved competitiveness leads to market share gains and stronger tourism performance.

market share in 2012 amid the debt crisis. Tourism demand in 2012 was lower than suggested by the model equations as price falls did not immediately stimulate demand. However, subsequent growth involved a realisation of the demand which would ordinarily arise from the changes in price competitiveness.

Cyprus and Italy have experienced some deterioration in price competitiveness and growth in market share has been entirely due to non-price factors. For Cyprus, the loss of price competitiveness is related to the depreciation of the Russian rouble and the high reliance on that market.

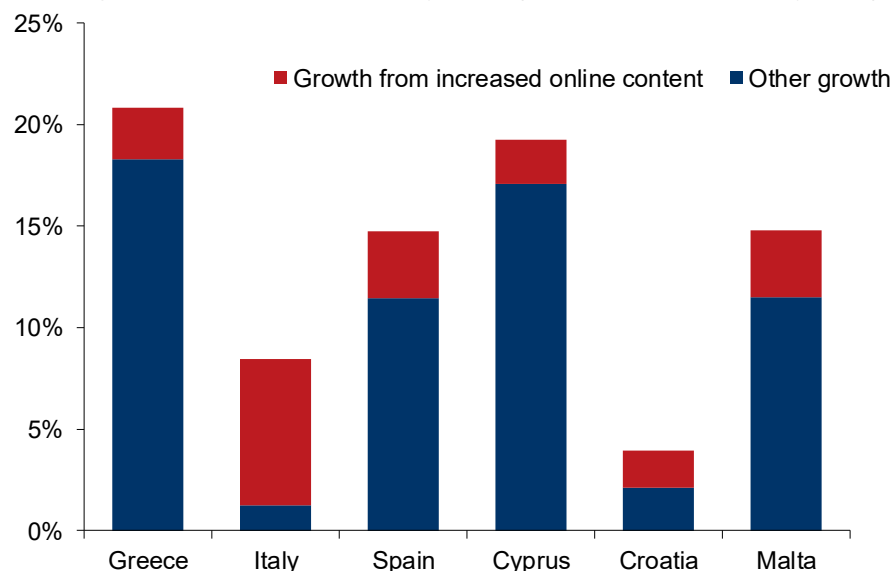
The remaining changes in market share are attributable to developments in non-price competitiveness, including changes in attractiveness, infrastructure developments, and improvements in source market knowledge of the destination. The latter effect includes the impact of any change in marketing effort as well as the benefit of greater online content and associated research and booking.

The large proportion of the growth due to the improved visibility and competitiveness from higher online content was estimated by including additional indicators of travel organised online in Tourism Economics existing model. Calculation accounts for the impact on both domestic and international travel. Using this framework, the incremental impact of online content on tourism demand has been isolated, considering all other major factors. Results confirm prior studies to show that greater online content generates incremental demand, spending and output, and that the relationship is indeed causal.

A significant proportion of the increase in tourism sector employment is attributable to increased online content.

Tourism employment growth, 2012-16

Change in tourism related employment, (% of all tourism employment)



Source: Oxford Economics

A significant proportion of the observed growth in tourism demand, GDP and jobs in recent years was from the increased information available from online content. The actual contribution to growth varies considerably by destination.

Change in total tourism employment 2012-16 (including direct and wider impacts)

Absolute difference in tourism employment,000s jobs						
	Greece	Italy	Spain	Cyprus	Croatia	Malta
Total growth	150	214	395	13	11	7
From online content	18	181	89	2	5	1
Other growth	132	32	307	12	6	5
Percentage growth in tourism employment						
	Greece	Italy	Spain	Cyprus	Croatia	Malta
Total growth	21%	8%	15%	19%	4%	15%
From online content	3%	7%	3%	2%	2%	3%
Other growth	18%	1%	11%	17%	2%	12%

The highest proportion of growth from online content was evident in **Italy** where the clear majority of the 8% growth in tourism employment is attributable to better provision of online content and booking. Around 181,000 of the 214,000 new tourism jobs created in Italy were therefore due to provision of new online content. This share is particularly high as price competitiveness was a drag on overall growth. However, this falls short of the opportunity identified in the prior report (of 250,000 potential new jobs) and highlights the potential benefit of further improvement.

The fastest growth in tourism employment in percentage terms was in **Greece** where the number of people employed by the sector rose 21%. This was largely due to the rebound in international tourism demand over this period and was equivalent to 150,000 new jobs. But only 18,000 of these were due to the increase in online tourism content. This falls short of the opportunity identified in the prior 2013 report, and is consistent with the fact that the proportion of travel organised online remains lower than source markets preferences.

Spain experienced the largest increase in jobs in tourism sector employment over this period, equivalent to 395,000 new jobs (15% increase in tourism employment). Around one-fifth of these new jobs (89,000) were created by the improvements in online tourism content. This was larger than the opportunity for job creation identified for 2012 in the prior report as Spain has successfully closed the gap with source market preferences for online content.

Tourism employment grew by just 4% over this period in **Croatia**, equivalent to over 11,000 new jobs. Approximately half of this growth was due to the increase in travel organised online. Price competitiveness impacts were also particularly low in Croatia.

Growth in tourism activity and employment has been rapid in **Cyprus**, helped by a rebound from low international demand following the banking crisis. Tourism employment rose by 19%, equivalent to 13,000 new jobs, over this period. But only a small proportion of these were due to improvements in online content as marketing efforts also had an impact, including some shift in source market shares. A large opportunity for further growth remains evident.

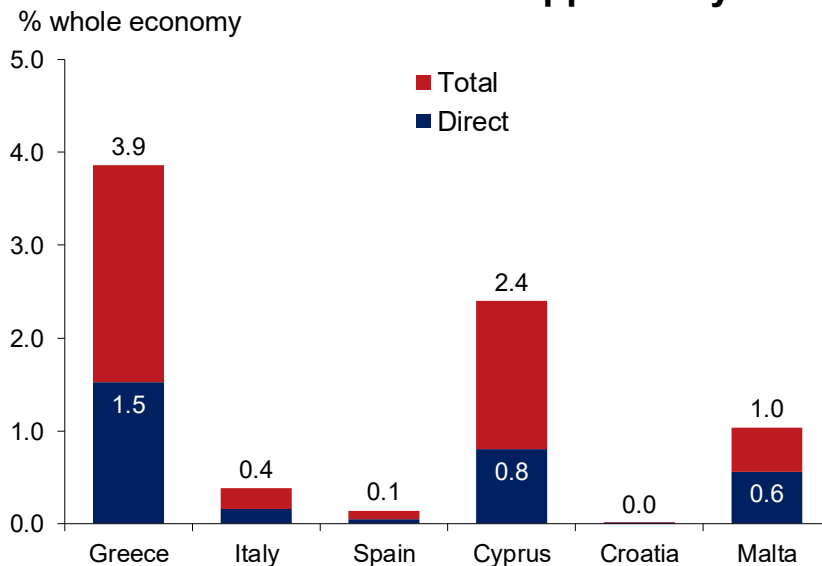
There have been large improvements in online tourism content in **Malta**. Travel organised online significantly caught up with source market preferences. Almost 7,000 new jobs were generated in the sector, equivalent to 15% growth over the years 2012-16. Of these new jobs, over 1,000 were due to improvements in provision of online content, equivalent to roughly one-fifth of the total growth.

7.3 THE OPPORTUNITY FOR FURTHER GROWTH

Opportunities for growth in online content are evident which will further increase tourism competitiveness and subsequently demand, spending, GDP and jobs. By increasing the share of tourism organised online to match source market preferences, as identified in the previous section, additional economic benefits will be realised.

The chart below illustrates the potential increase in whole economy GDP from an increase in travel organised online to match source market preferences. Direct tourism impacts are shown as well as the whole economy impacts, in the same way as in the prior section. Associated jobs impacts have also been calculated and are shown in the table at the end of this section.

Incremental online tourism opportunity



Source: Oxford Economics, WTTC

As an example, the share of Greek tourism demand organised online was an estimated 17% in 2016, up from 7% in 2012. This is lower than the EU average of 56% and notably lower than the roughly 70% of demand organised online in major source markets. Increasing Greek tourism online content will raise the proportion of travel organised online and improve tourism competitiveness. A large benefit can be realised in terms of GDP and employment.

Opportunities remain for further economic growth, including new job creation.

The largest opportunity is still evident in **Greece**. The potential economic uplift available from a greater embrace of online content is now slightly larger than the opportunity identified in the 2013 report. Source markets have continued to increase demand for online content and Greek businesses have not kept pace. Catch-up with source market preferences would increase GDP by 3.9% and create 176,000 new jobs in Greece.

Further large opportunities exist in **Cyprus** which also still lags source market preferences in terms of online tourism content. Catch-up would increase GDP by 2.4% and generate 10,000 new jobs.

A smaller, but significant, economic uplift is evident for **Malta**, equivalent to an additional 1% GDP from greater embrace of online content. Improvement would generate a further 2,000 jobs; a greater potential impact than the 1,000 new jobs estimated from new online content over the past four years

In **Italy**, a substantial opportunity remains for additional job creation in absolute terms, with potential for over 100,000 new jobs from improvements in online content. This is partly related to the size of the economy and the increase in percentage terms is low at just 0.4% increase in GDP.

The opportunity in **Spain** is also low in percentage terms as the proportion of travel organised online is now almost fully aligned with preferences in source markets. Some improvements in online content and booking opportunities are required to remove any remaining barriers to demand but with less of an expected uplift to the wider economy the over the past years. However, this still translates to around 25,000 additional new jobs in Spain.

By contrast the remaining opportunity for **Croatia** is minimal in terms of both potential GDP uplift and additional jobs as travel organised online is already broadly aligned with preferences in source markets. However, businesses should ensure they remain fully attuned to any developments in these markets and that they adopt best practice in the use of the internet.

Economic opportunity: additional GDP and jobs from increasing online content

	Greece	Italy	Spain	Croatia	Cyprus	Malta
Employment (thousands)						
New jobs Impact	176	102	27	0	10	2
(% total employment)	4.8	0.4	0.1	0.0	0.7	1.1
GDP (€ billions)						
GDP impact	6.8	6.4	1.6	0.0	0.5	0.1
(% total GDP)	3.9	0.4	0.1	0.0	2.4	1.0

THE IMPACT OF ONLINE CONTENT ON EUROPEAN TOURISM:

TECHNICAL APPENDICES

APPENDIX 1: SEARCH DETAIL

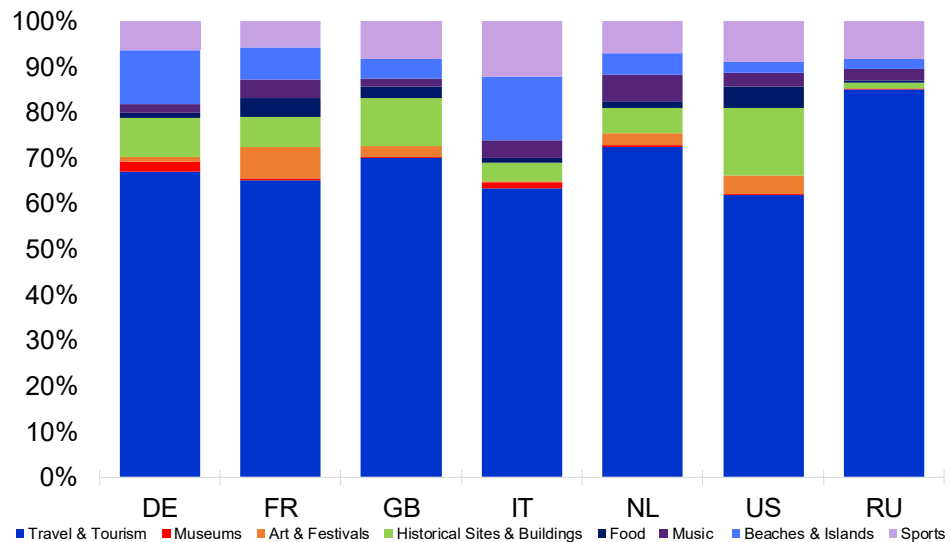
A. SEARCHES BY CATEGORY

Italy & Spain

In Italy, the lowest proportion of these generic searches was in the US (62%) and the highest in Russia (85%). The proportion in Spain tended to be slightly lower – falling to 48% among searches from the US. Both Italy and Spain had relatively low proportions of culture-related searches rarely exceeding 25% from any individual source market and averaging 17% across all source markets. In Italy, cultural searches accounted for a mere 17% across the board with the lowest proportion among searches from Italy itself (9% - although this was given a zero weighting in the weighted average).

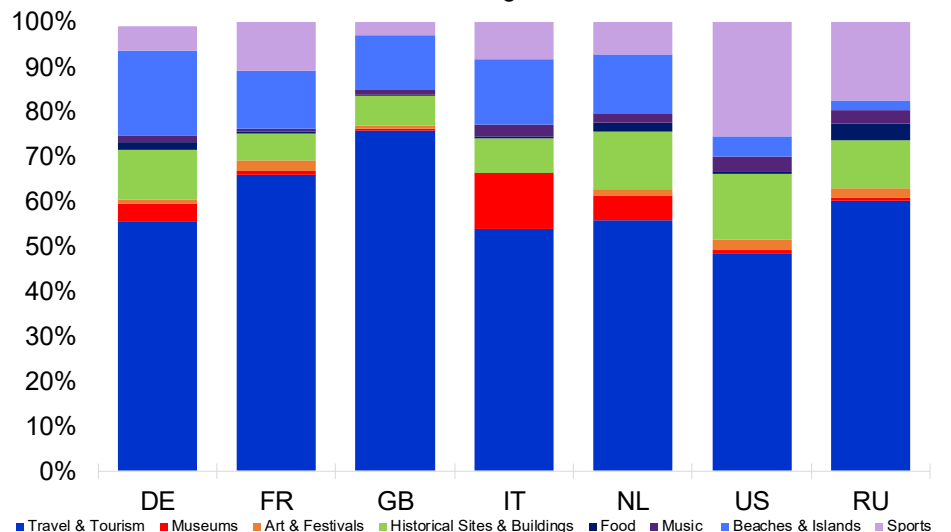
Italy tourism searches by segment

Searches as a share of total travel, including culture



Spain tourism searches by segment

Searches as a share of total travel, including culture



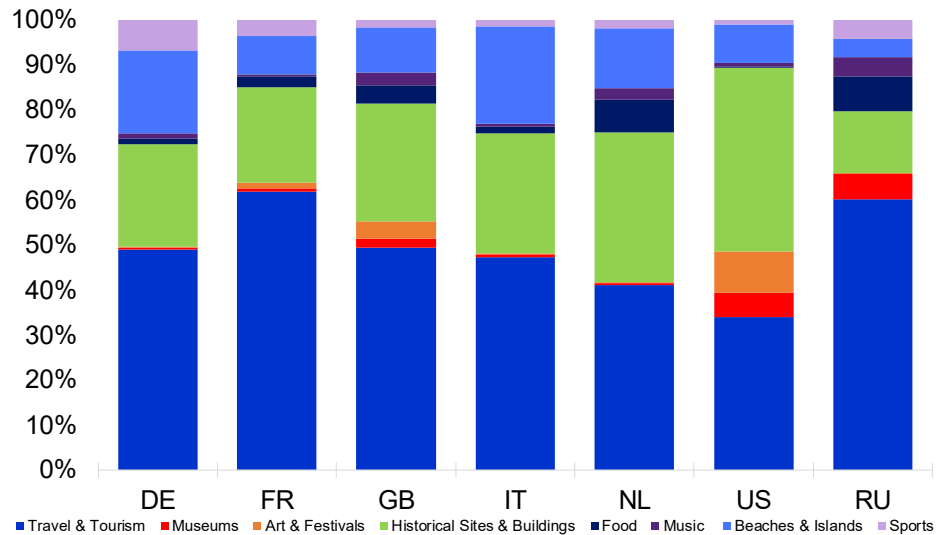
In Spain, the highest proportion was from Italy (23% compared to an overall weighted average across the seven source markets of just 15%). The proportion from the UK was the lowest at 9%.

Greece

In Greece, the generic proportion was also relatively high, ranging from France (62%) and Russia (60%) down to the US (34%). The culture-related portion of searches was highest in the US (56%) but was considerably lower for other source markets – and especially so for Russia (24%) and Germany (24%). Across all seven key source markets as a whole, one-third of all searches (33%) were culture related.

Greece tourism searches by segment

Searches as a share of total travel, including culture



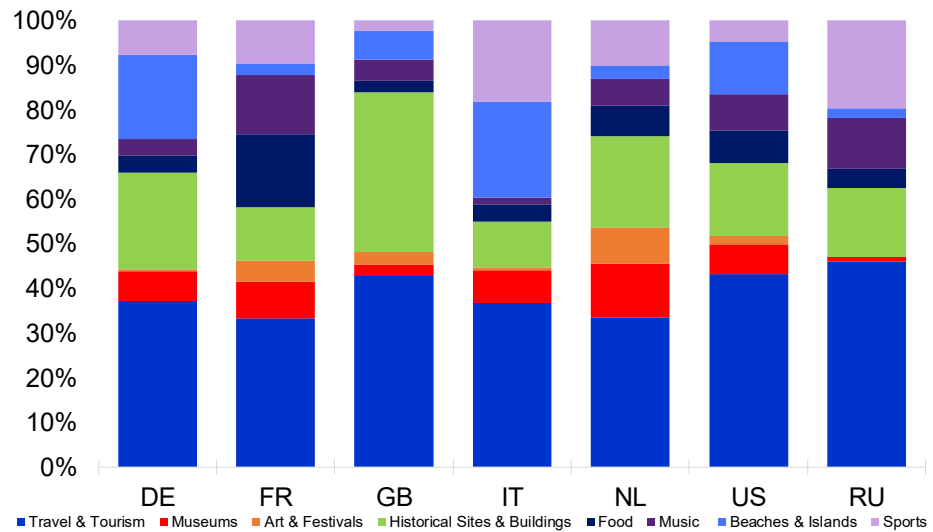
Croatia

Croatia falls somewhere between the two groups with a more ‘typical’ level of generic searches.

For Croatia, culture-related searches were a higher proportion of all tourism searches for people from the UK and the Netherlands than for those from France, Italy or Russia. Across all the key source markets the weighted average was 36%. For Croatia, typically 38% of searches are generic ‘travel and tourism’ searches – highest in Russia, the US and the UK and lowest in the Netherlands and France – although there is relatively little variation.

Croatia tourism searches by segment

Searches as a share of total travel, including culture

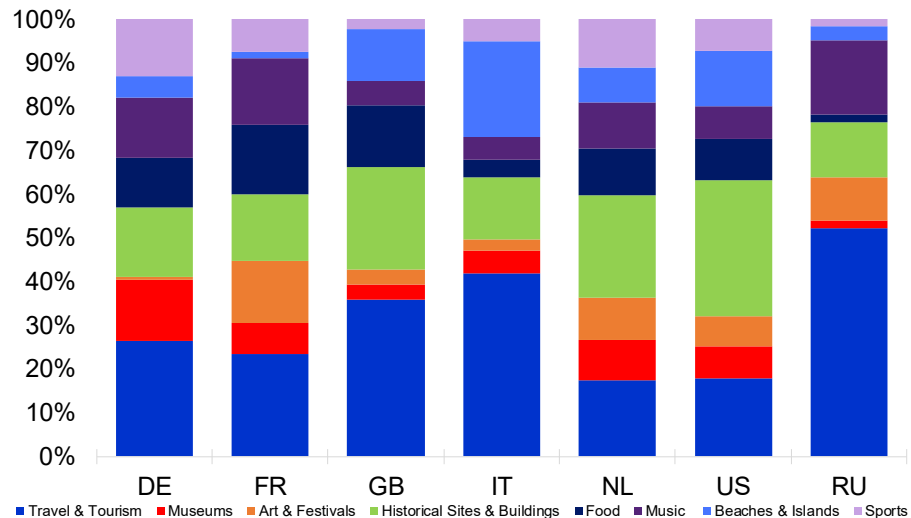


Cyprus

The proportion of culture-related searches varies much less in Cyprus – the lowest proportion being from Italy (27%). Across all key source markets the weighted average for Cyprus was 41%. Generic ‘travel and tourism’ searches varied as a proportion from more than half in Russia (52%) to a mere 18% in the Netherlands.

Cyprus tourism searches by segment

Searches as a share of total travel, including culture



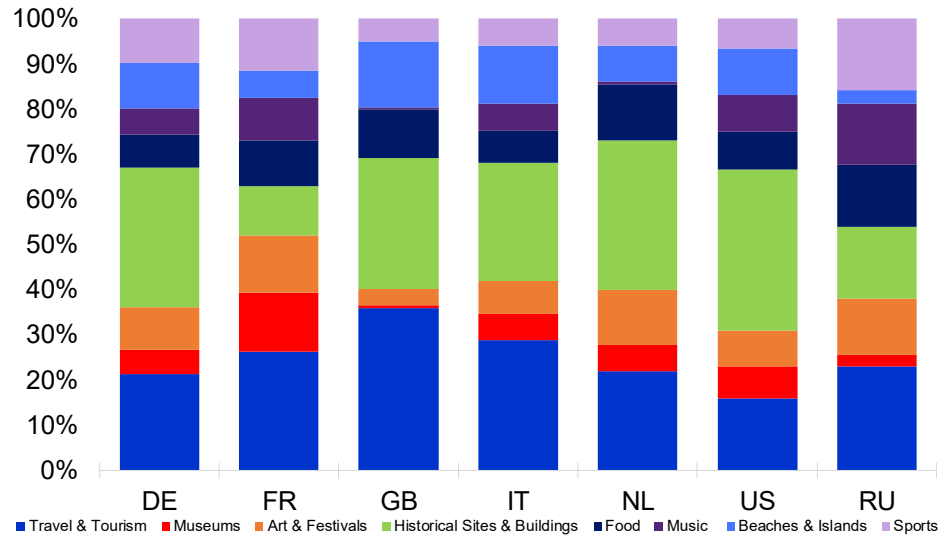
Malta

In comparison, culture-related searches formed a higher proportion among source markets for Malta (43% on a weighted average), although the mix between museums, art and historic buildings varied significantly by country. For example, there were almost no searches for museums in Malta from the UK. In aggregate, the highest proportion of culture-related searches was in the US at 59%. The lowest proportion was in the UK (33%). Generic searches were a

relatively small proportion in most source markets (28% overall) but were highest from the UK (36%).

Malta tourism searches by segment

Searches as a share of total travel, including culture

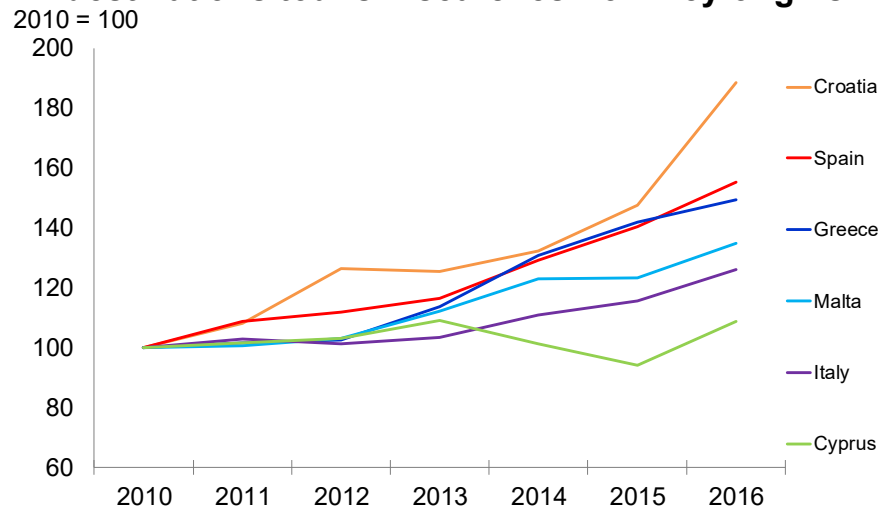


B. GROWTH IN INDIVIDUAL DESTINATION COUNTRIES

KEY POINTS

- Over the six-year period from 2010 the weighted index of tourism searches for all six destinations rose by 46%.
- The first graphic below shows how each of the individual destinations compared against that rise, with a diverse performance by destination partly related to available information.
- Cultural search growth has lagged the growth in total tourism searches in most destinations over this period.
- Almost one quarter of searches are still related to cultural travel across the six destinations of interest. 'Historical sites and buildings' account for a large proportion of this.

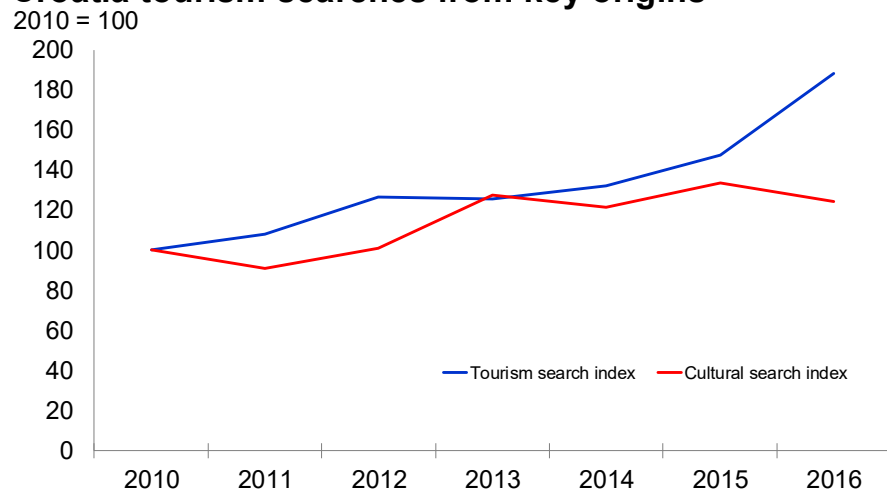
All destinations tourism searches from key origins



Source: Google, Tourism Economics

Croatia

Croatia tourism searches from key origins



Source: Google, Tourism Economics

The graphic above shows growth in searches for Croatian destinations since 2010. It is a picture of very strong growth with an especially steep increase in searches between 2015 and 2016. In fact, the 89% growth in overall searches was the greatest increase in any individual destination.

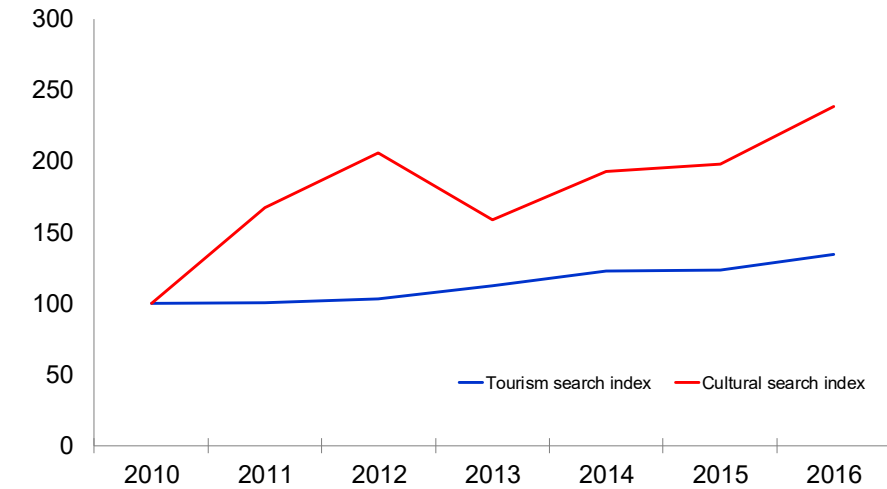
The highest growth was from Italy (241%) but this showed some unusual behaviour in both 2012 / 13 (possibly related to football related travel) and 2016. Growth of searches from the UK were also high (104%). However, in the case of the UK, this growth basically only took the index back to where it had started out in 2004. Indeed, in the case of France, growth post-2010 did not compensate for losses in the index in the earlier years. The weakest growth was from the US (28%).

Cultural searches did not grow at the same rate for Croatia with only 24% growth over the six-year period and a decline between 2015 and 2016.

Malta

Malta tourism searches from key origins

2010 = 100



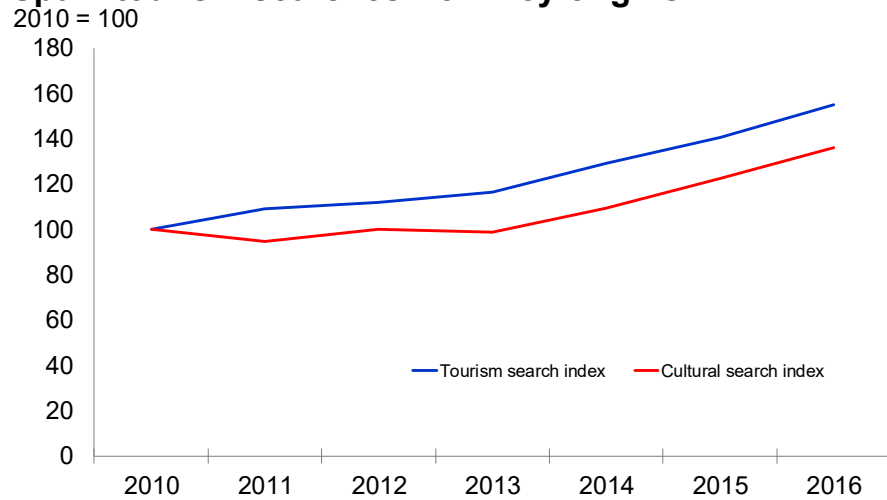
Source: Google, Tourism Economics

The comparable trend for Malta is one of less steep growth. Growth was faster than the average 35% increase over six years in both the UK (53%) and France (53%). Decline was experienced in searches from the US.

Despite this sluggish overall tourism search growth, cultural searches for Malta have grown very steeply – and grew even more steeply over the 2004 to 2010 period. Germany was the main origin driver for this level of expansion in cultural searches.

Spain

Spain tourism searches from key origins



Source: Google, Tourism Economics

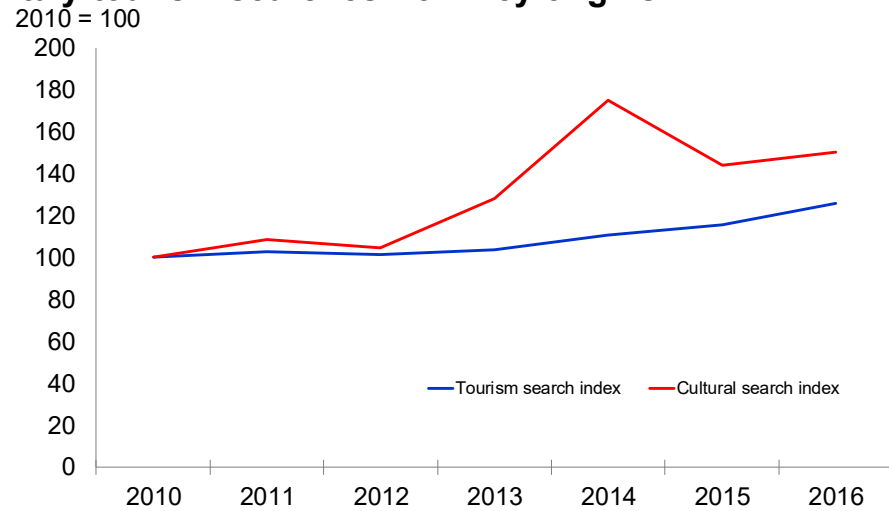
Searches for Spain have shown surprisingly consistent growth for such a mature market. The range in growth rates between countries has been relatively narrow – from 35% over the six-year period from the US to 63% from the UK.

While Spain's growth in culture-related searches has increased at much the same rate as overall tourism searches in recent years, there has been faster growth in culture-related searches from some countries. For example, from both France and Germany the increase in culture searches over the period from 2010 to 2016 was more than 80%.

However, across all key origin markets the growth in culture-related searches was much more sluggish, weighed down by a decline in searches from the Netherlands.

Italy

Italy tourism searches from key origins



Source: Google, Tourism Economics

Searches for Italy have shown less impressive growth and were especially stagnant over the period 2010 to 2013. Nevertheless, total searches increased 26% over the six-year period, varying from 5% from the US to 49% from Germany.

Cultural search growth has been disappointing in recent years. However, this contrasts markedly with the longer-term trend seen from 2010 in which cultural searches grew at around twice the rate of all tourism searches with particularly strong growth from both the UK and Germany (98% and 80% respectively).

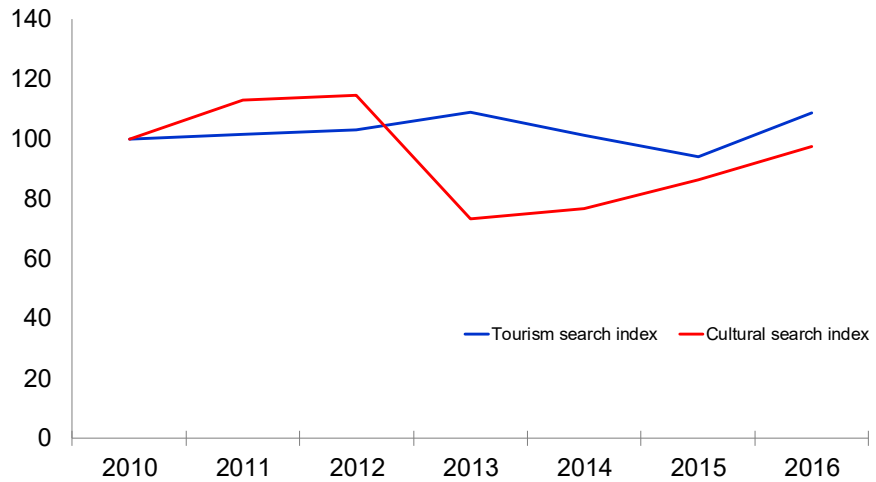
However, the cultural growth movements over the last few years are not representative of the longer-term trend – as can be seen in the graphic above – since the cultural search index peaked in 2014. This peak was broadly reflective of patterns across different countries – especially the US and Germany.

Note here that the picture would change somewhat if the domestic market were to be included as well.

Cyprus

Cyprus tourism searches from key origins

2010 = 100



Source: Google, Tourism Economics

For Cyprus, rapid growth has been apparent in searches from Germany and France.

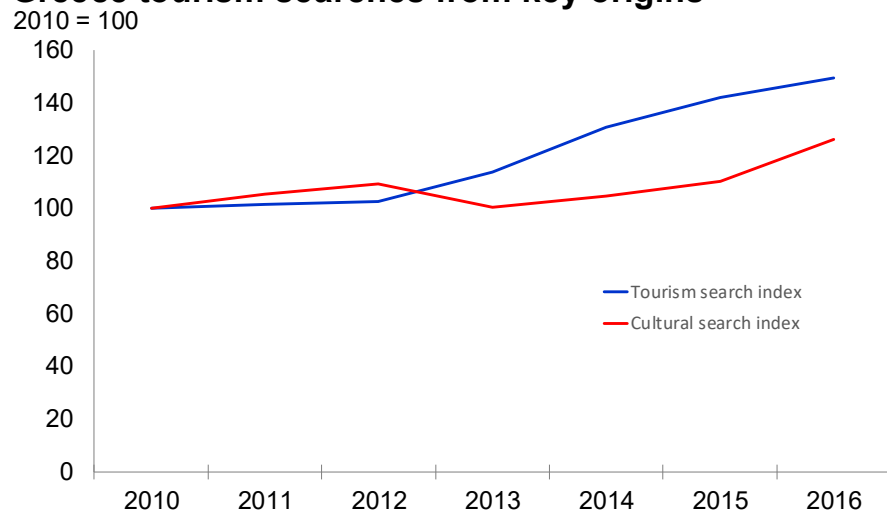
However, the real driver for Cyprus tourism searches is Russia and trends reflect the health of the Russian economy at the time. The significant dip in 2015 reflects the combination of sanctions, the low value of the rouble, and low oil prices, resulting in a fall in Russian GDP of 3.7% and real wage contraction.

Some degree of recovery in Russia in 2016 meant that the Russian index showed 91% growth between 2010 and 2016 despite the 2015 contraction.

It is not possible to show a meaningful comparison for cultural searches as neither Germany nor Russia had a consistent series for this and the series for searches from France does not go all the way back to 2010. Therefore, the red line shown above is not strictly comparable with the total tourism search index growth line, and it is very influenced by volatility in searches from Italy.

Greece

Greece tourism searches from key origins



After an initial period of little or no growth between 2010 and 2012, searches for Greece have increased considerably. All major source markets experienced growth in searches (excluding Russia) although the US did dip in the intervening years and was significantly higher back in 2004 / 05.

Growth varied from the US (18%) to Germany (107%). Germany also saw a prolonged decline in the over the period from 2004 to 2009 (falling from an index of 163 to 97).

Culture-related searches have seen increases as well – in recent years at a slightly faster pace than overall tourism searches but over the longer-term period of 2010 to 2016 at around half the rate of overall searches.

However, in several countries – including both Germany and the Netherlands – there would appear to be a longer-term trend of decline in cultural searches. This fits in with the longer term rather stagnant growth in cultural searches seen when the series is indexed to 2010.

APPENDIX 2: OPPORTUNITIES BY COUNTRY

The top source markets (including domestic demand) are identified below for each of the six key Southern European destinations. Online preferences are identified for these source markets to calculate a target for business in those destinations to meet in terms of online sales and research. The prevalence of online demand and supply in each source market relative to that in each destination is calculated to derive a multiplier. Each destination needs to increase online usage according to an average multiplier to better fit supply to demand conditions. This clarifies that the greatest opportunity for growth is in Greece, with lowest opportunity in Spain and Croatia. Malta also has limited opportunity on this basis due to the high concentration of demand from Italy, but there is greater potential in the longer run.

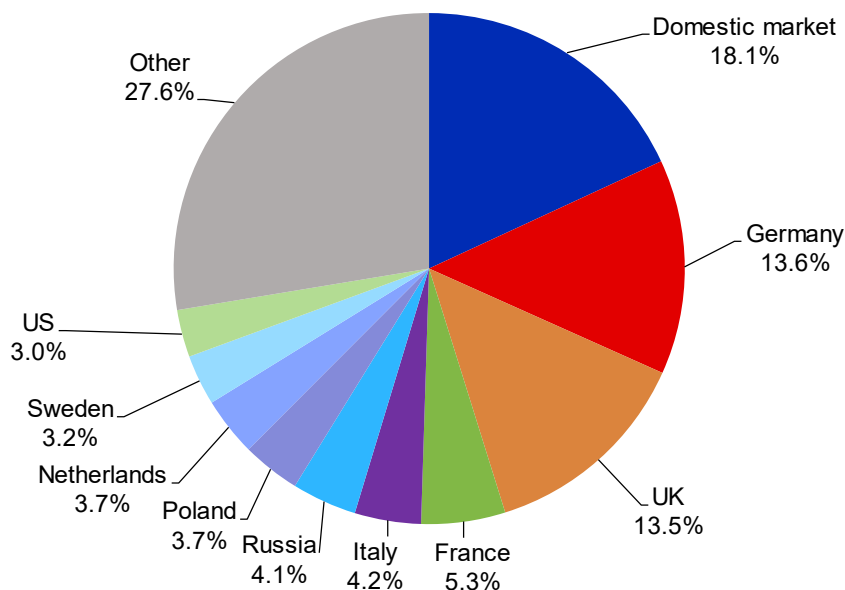
GREECE

Top source markets	Share of nights (%)	Source market propensity to organise online 2012	Source market propensity to organise online 2016
Domestic market	18.1	7.7%	23.9%
Germany	13.6	60.1%	65.0%
UK	13.5	85.0%	94.0%
France	5.3	75.0%	85.4%
Italy	4.2	44.2%	58.4%
Rest of EU	10.7	(65.7%)	(75.0%)
Other	34.6	32.7%	49.9%
		2012	2016
Online preference for source markets		60.8%	71.4%
Online share		7.3%	15.4%
Gap to influence		53.6%	56.0%

Note that figures in brackets are for the EU as a whole.

Greece - source markets of arrivals

% of arrivals



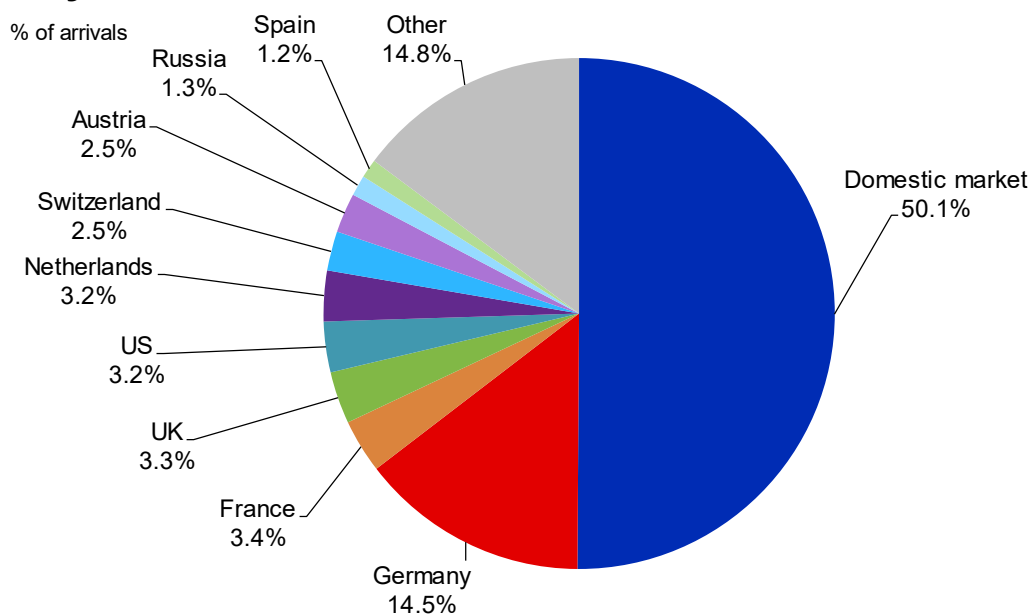
Source: Tourism Economics, Statistical agencies

ITALY

Top source markets	Share of nights (%)	Source market propensity to organise online 2012	Source market propensity to organise online 2016
Domestic market	50.1	44.2%	58.3%
Germany	14.5	60.1%	65.0%
France	3.4	75.0%	85.4%
UK	3.3	85.0%	94.0%
Netherlands	3.2	86.9%	90.4%
Rest of EU	13.9	(65.7%)	(75.0%)
Other	11.6	32.7%	49.9%
		2012	2016
Online preference for source markets		56.3%	67.0%
Online share		25.0%	48.0%
Gap to influence		31.2%	19.0%

Note that figures in brackets are for the EU as a whole.

Italy - source markets of arrivals



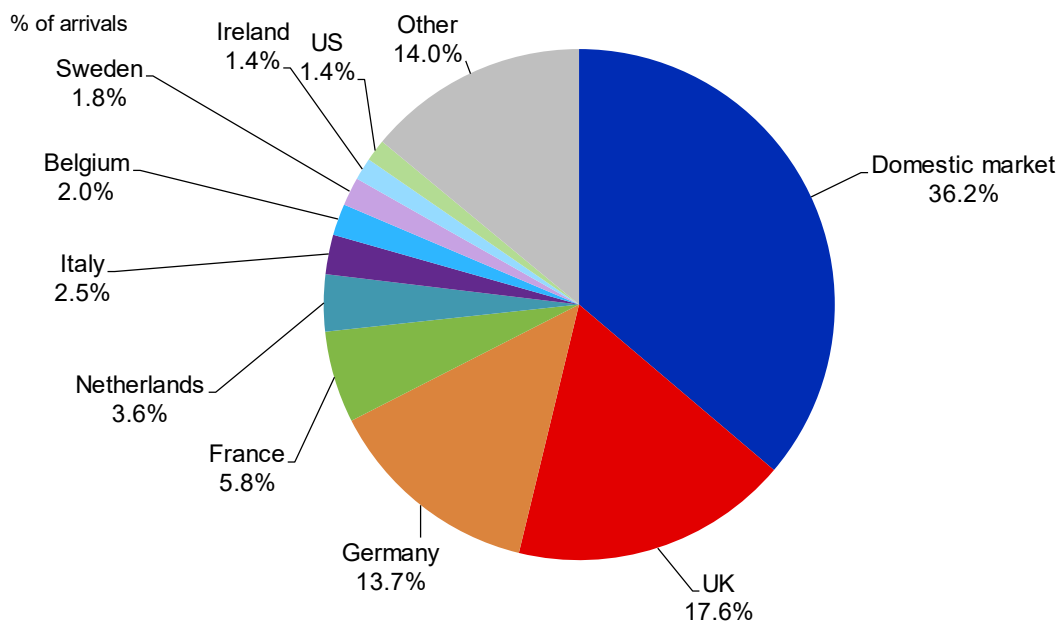
Source: Tourism Economics, Statistical agencies

SPAIN

Top source markets	Share of nights (%)	Source market propensity to organise online 2012	Source market propensity to organise online 2016
Domestic market	36.2	62.8%	76.0%
UK	17.6	85.0%	94.0%
Germany	13.7	60.1%	65.0%
France	5.8	75.0%	85.4%
Netherlands	3.6	86.9%	90.4%
Rest of EU	11.1	(65.7%)	(75.0%)
Other	12.0	32.7%	49.9%
		2012	2016
Online preference for source markets		67.0%	76.2%
Online share		58.0%	68.6%
Gap to influence		9.0%	7.6%

Note that figures in brackets are for the EU as a whole.

Spain - source markets of arrivals



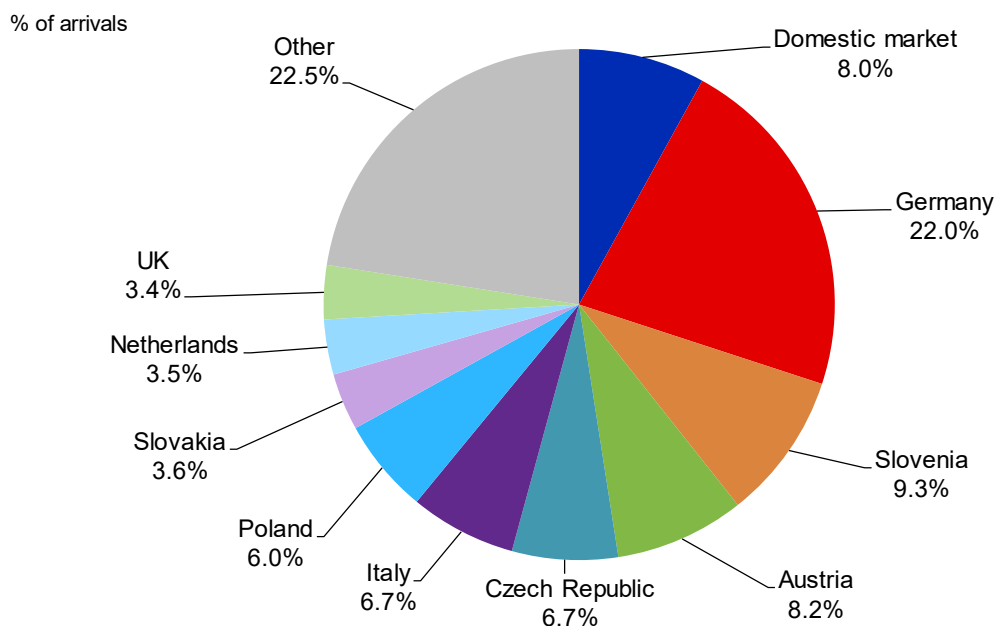
Source: Tourism Economics, Statistical agencies

CROATIA

Top source markets	Share of nights (%)	Source market propensity to organise online 2012	Source market propensity to organise online 2016
Domestic market	8.0	42.9%	72.3%
Germany	22.0	60.1%	65.0%
Slovenia	9.3	53.3%	67.1%
Austria	8.2	54.7%	63.9%
Czech Republic	6.7	70.5%	82.5%
Rest of EU	26.5	(65.7%)	(75.0%)
Other	19.3	32.7%	49.9%
		2012	2016
Online preference for source markets		57.8%	69.0%
Online share		49.9%	65.8%
Gap to influence		7.9%	3.2%

Note that figures in brackets are for the EU as a whole.

Croatia - source markets of arrivals



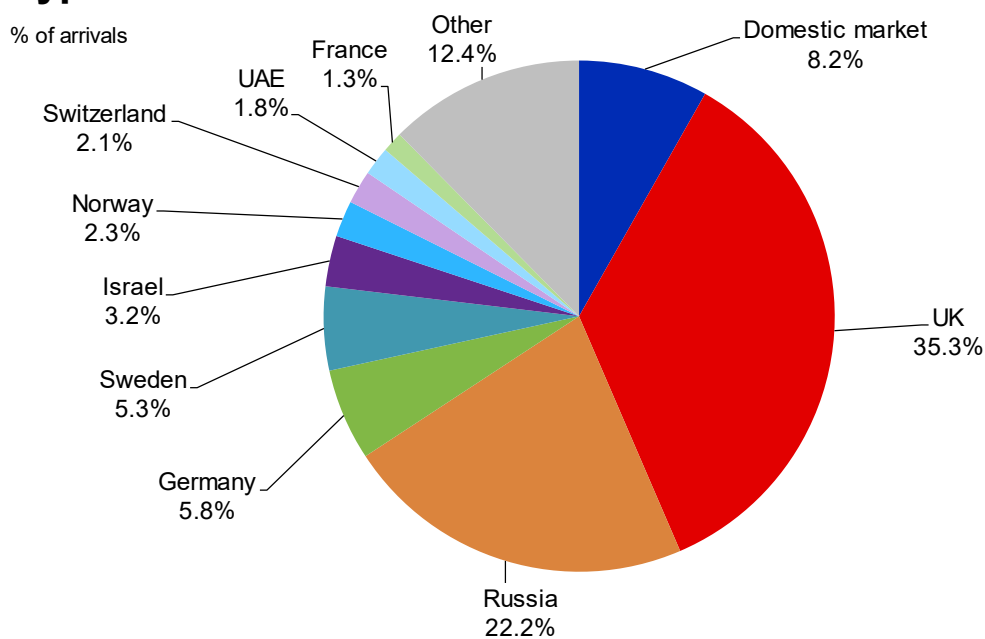
Source: Tourism Economics, Statistical agencies

CYPRUS

Top source markets	Share of nights (%)	Source market propensity to organise online 2012	Source market propensity to organise online 2016
Domestic market	8.2	51.0%	47.1%
UK	35.3	85.0%	94.0%
Germany	5.8	60.1%	65.0%
Sweden	5.3	83.5%	83.3%
Rest of EU	9.4	(65.7%)	(75.0%)
Other	36.0	32.7%	49.9%
		2012	2016
Online preference for source markets		63.0%	74.2%
Online share		25.7%	37.9%
Gap to influence		37.2%	36.3%

Note that figures in brackets are for the EU as a whole.

Cyprus - source markets of arrivals



Source: Tourism Economics, Statistical agencies

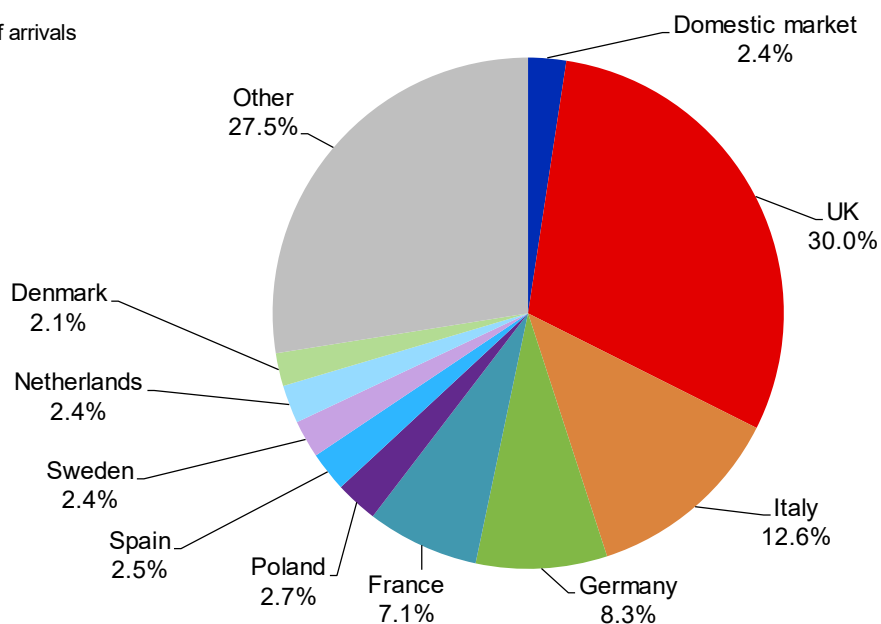
MALTA

Top source markets	Share of nights (%)	Source market propensity to organise online 2012	Source market propensity to organise online 2016
Domestic market	2.4	50.6%	43.6%
UK	30.0	85.0%	94.0%
Italy	12.6	44.2%	58.3%
Germany	8.3	60.1%	65.0%
France	7.1	75.0%	85.4%
Rest of EU	24.8	(65.7%)	(75.0%)
Other	14.8	32.7%	49.9%
		2012	2016
Online preference for source markets		63.8%	75.0%
Online share		41.6%	55.2%
Gap to influence		22.2%	19.8%

Note that figures in brackets are for the EU as a whole.

Malta - source markets of arrivals

% of arrivals



Source: Tourism Economics, Statistical agencies