
Realities, threats and opportunities facing the Portuguese tourism industry

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Abstract

The growth in the global tourism market place presents many countries with great opportunities to capitalize on their natural competitive advantages. However, achieving the economic potential of global tourism remains elusive for many countries, despite their natural advantages. In this context, Portugal is a case in point. The Portuguese tourism industry is facing some serious challenges that are limiting its potential. This study offers Portuguese tourism industry leaders practical insights into the characteristics of the Portuguese tourism industry in the context of the challenges and opportunities of the global tourism market place. Understanding the dynamics and characteristics of this critical industry in a global context is a crucial first step toward formulating a tourism strategy that capitalizes on the growth of the global tourism market and the natural advantage that Portugal enjoys in this important market.

Introduction

Tourism is one of the most important sectors of the world's service economy. In 1999, revenues from global tourism were approximately \$455 billion, resulting from 657 million tourist arrivals (World Tourism Organization, 2000). It is expected that the size of the global tourism market will reach 1,600 million people which is equivalent to 20 per cent of the world population by the year 2020 (World Tourism Organization, 1997). The growth in global tourism presents attractive opportunities to countries that are willing to tailor their natural competitive advantages to the dynamic trends of the global tourism market place.

The deployment of tourism, as an economic growth tool requires a well-designed tourism strategy. In this context, Portugal is no exception. Portugal enjoys a natural competitive advantage in the global tourism market place. However, in order for Portugal to capitalize on this natural advantage, the Portuguese tourism industry leaders and policy makers are called upon to formulate and implement a systematic tourism strategy. This strategy should be consistent with the best practices found in the highly competitive global tourism market.

The objective of this study is to provide Portuguese tourism industry leaders and Portuguese policy-makers a strategic global context in which threats, opportunities and trends relevant to their dynamic industry are explored and addressed.

increasing at an average rate of 7.1 per cent per annum, reaching 657 million tourists in 1999. During the same period, the global industry's revenues have been growing at an average rate of 12.2 per cent per annum, reaching \$455 billion in 1999 (World Tourism Organization, 2000). This positive trend is not expected to slow down any time soon. In fact, in terms of number of tourists, according to the World Tourism Organization (WTO), the global tourism industry is expected to grow at an annual rate of more than 6 per cent till 2020 (World Tourism Organization, 2000). At the receiving end of the global tourism market place France, the USA, Spain, and Italy have the lion share of tourist arrivals with a combined share of 30 per cent of the global tourism market. These countries have succeeded in differentiating themselves as attractive destinations for the increasingly sophisticated global tourists.

Although seaside and business travel continue to be the two major segments of the global tourism market, there are some tourism niches that are growing at higher rates than the industry average due to a growing demand for the local genuine tourism experience. For instance, the adventure-tourism segment of the global tourism market is growing at an annual rate of 8 per cent (Freire, 1998). In 1996, adventure-tourism accounted for about 15 per cent of the total tourism market in the USA. However, in this context, adventure-tourism is not alone; rural-tourism and eco-tourism are also growing at rates higher than the industry average (Krippendorff, 1987)

Global tourism trends

Since the 1950s, when global travel began to be more accessible to the general public, the number of tourists, worldwide, has been

Portugal and global tourism

Tourism is an important, yet underdeveloped sector of the Portuguese economy. In 1996, it



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accounted for 4 per cent of the GNP which translates into \$4,262 million. However, in 1996, Portugal despite its potential was still considered one of the most underrated countries in Europe with regard to tourism. In 1996, Portugal was ranked 16th as a global tourist destination, dropping from 15th in 1985. Despite a continuous increase in tourist arrivals, Portugal received only 1.6 per cent of total global tourist arrivals in 1996. In terms of earnings from tourism, in 1996 Portugal was ranked 24th, dropping from 23rd in 1985. Portuguese earnings from tourism in 1996 amounted only to 1 per cent of the global tourism earnings (UN, 1999). This fact suggests that Portugal is a relatively inexpensive destination. Or, perhaps it may suggest that Portugal is attracting the lower-end of the global tourism market.

Recent statistics suggest that Portugal has a long way to go in terms of both tourism earnings and revenue per tourist. The fact that the average daily spending by a tourist visiting Portugal decreased from \$10 in 1989 to less than \$7 in 1996 (in 1980 prices) reveals that the Portuguese tourism market has been mostly attracting the lower-end of the global tourism visitors (Freire, 1998). In this context, it is also important to underscore the high dependency of Portuguese tourism on a few European countries. In 1996, five European countries were responsible for 83.5 per cent of total tourist arrivals to Portugal – Spain with 48.9 per cent, the UK 14.4 per cent, Germany 9.2 per cent, France 6.6 per cent and The Netherlands 4.4 per cent (UN, 1999).

Through the years, tourists to Portugal have made the Algarve the major Portuguese tourism destination. The significance of the Algarve in terms of nights spent has increased through the years from 52.5 per cent of total nights spent by tourists to Portugal in 1991 to 55.4 per cent in 1996. Finally, it is important to note that the Portuguese domestic tourism market continues to be underdeveloped. Despite their improved standard of living in recent years, the Portuguese are not engaging in domestic tourism. It appears that those Portuguese who are participating in the global tourism market continue to shy away from Portugal itself. Thus, further weakening the already weak domestic tourism market. Based on the Portuguese tourism market characteristics and global realities, it is clear that the Portuguese tourism industry suffers from fundamental problems. Perhaps the lack of a well-designed tourism strategy is responsible for the inability of the Portuguese tourism market to achieve its global potential.

Tourism and image

In the global tourism market place a country is often associated with a unique tourism product and/or destination. In this context, Austria is associated with the mountains and rural tourism. On the other hand, a country like Egypt is associated with cultural and historic tourism. While Mediterranean countries are basically associated with seaside tourism. As a tourism market, Portugal is associated with sun and beach tourism.

Two studies were conducted to assess the image of a group of countries including Portugal as tourism destinations. The first study was survey-based conducted by Baloglu and Brinberg in 1997 to study the image of 11 Mediterranean countries as tourism destinations. In this study image is defined based on how tourists feel about various destinations in terms of the travel benefits they seek. Most European Mediterranean destinations such as Spain, Italy, France and Greece were perceived as exciting and pleasant destinations. On the other hand, Turkey, Israel and Algeria were perceived as unpleasant and distressing destinations. Alternatively, Egypt and Morocco were perceived as arousing and exciting, while Tunisia was perceived as sleepy and gloomy. On the other hand, Portugal was perceived as a relaxing destination. The Portuguese government is attempting to change and broaden the Portuguese tourism image by organizing global and European events such as Expo-98, and Porto as the 2001 European Capital of Culture. Another study was conducted to determine the effectiveness of tourism marketing effects of several countries aimed at the US tourism market. The study concluded that for the most part, the results of tourism promotion efforts that several countries such as Greece, Switzerland, Italy, Portugal and Australia have directed toward the US market were less than effective. In this context, the results of these efforts for Portugal were worse than its competitors such as Italy and Greece. This reflects Portugal's failure to reach the high-end of the global tourism market owing to an ineffective overall marketing strategy.

The popularity of Portugal as a tourism destination continues to be based on its affordability, accessibility and the friendliness of its people. Recently, however, the European Commission has channeled significant amounts of money into projects to strengthen the Portuguese economy. As a result, prices in Portugal have gone up, edging ever closer to the European average.

In the process, Portugal almost lost its major competitive affordability advantage. This fact, coupled with Portugal's stereotypical sun and beach image is making matters even worse for the Portuguese tourism industry despite its great potential. Thus a systematic approach to deal with problems facing the Portuguese tourism industry is needed.

The study

This study uses an application the Esteban-Marquillas (1972) version of the shift-share technique. Alavi and Yasin (2000) have used this technique in analysing tourism industries in several Middle Eastern countries. In this study, however, the focus is on Southern Europe. The study analyses the growth in tourist arrivals from 1992 to 1996 to five destinations (Portugal, Spain, France, Italy and Greece) from four major regions. These regions include Europe, the Americas, Eastern Asia and Oceania, and a region aggregating all the other remaining regions. The focus on three major regions and a residual region which includes all other regions is justified due to the importance in the global tourism market of the three regions selected (more than 96 per cent of total tourist arrivals globally). The choice of using these five countries is justified due to their cultural, historic and geographical similarities relevant to tourism.

This study looked at the tourist arrivals in Portugal for the 1992-1996 period. The growth in tourist arrivals during this period is compared with the growth of tourist arrivals for the benchmark tourism markets collectively (Portugal, Spain, France, Italy and Greece). The data for tourist arrivals are compiled from the *Statistical Yearbook* 1996 published by the Statistical Division of the United Nations Department of Economic and Social Affairs (UN, 1999).

Results

The results of this study are summarized below:

- France and Italy were the most popular destinations for global tourism.
- The highest growth rate for tourist arrivals belonged to Spain with 40 per cent growth during the 1992-1996 period.
- Of all tourist arrivals to Portugal 94 per cent are from other European countries. In contrast, 83 per cent of the visitors to Spain are from other European countries.
- Only 4 per cent of tourist arrivals into Portugal are from the Americas (mainly

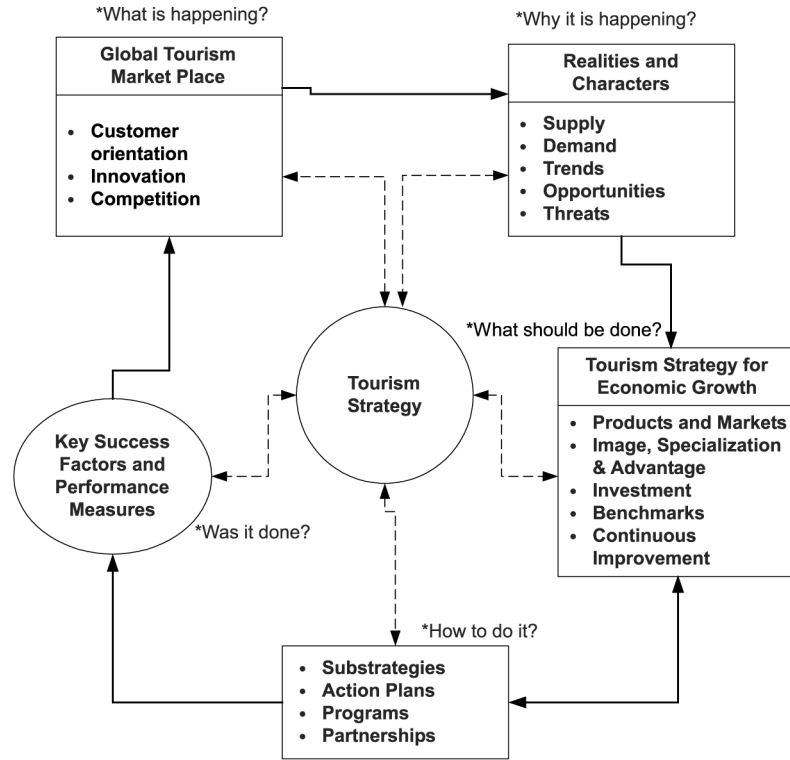
from the USA). In contrast, Spain's share is about 10 per cent.

- Portugal's revenues from tourism stood at \$4,262 million. In contrast, Spain's revenues from tourism stood at \$27,675 million in 1996.
- Revenue per tourist for Portugal was \$438 compared to \$683 for Spain.
- Number of tourist arrivals to Portugal was about 10 million compared to 40 million for Spain.
- Whereas, the number of tourists from the Americas to the five countries benchmark grew by more than 25 per cent, there was a decline of about 7 per cent in tourist arrivals to Portugal in the five-year period (1992-1996).
- Whereas, East Asia contributed substantially to the tourism market of the five countries in the benchmark, and almost doubled during the 1992-1996 period, Portugal's share from East Asia dropped substantially during this period.

Implementation and recommendations

The global tourism market place like other global markets is becoming more and more competitive and customer oriented. In this context, like its global counterparts, the global tourism market place offers great growth opportunities to countries with well-designed tourism strategies. A well-designed systematic tourism strategy which integrates activities, products, image and infrastructure investments is an important building block in the economic growth policy of countries which have natural advantage in global tourism. Figure 1 presents a conceptualization of the nature and role of a well-designed tourism strategy in the context of a national economic growth policy. In this context, the figure underscores the practical actions needed to satisfy the demands of the global tourism market place. Portugal, as a country with a natural advantage in tourism, is in need of such a systematic tourism strategy in order to translate its advantage into a significant market share. Based on the results of our study, the following conclusions are drawn. First, Portugal as a tourist destination suffers from an image problem. It has a limited image of being only a "fun in the sun" destination. Second, the Portuguese domestic tourism market is underdeveloped and its potential is not realized. Third, Portugal has many underdeveloped tourism products which are becoming increasingly appealing to growing segments of the global tourism market place.

Figure 1
 A strategic approach to improving the Portuguese tourism industry



Fourth, the main competitive weapon of Portugal in the tourism market place has been traditionally based on affordability. However, in recent years, Portugal became more expensive due to its increased standard of living. As a result, Portugal can no longer compete only based on affordability. Fifth, the Portuguese tourism promotion efforts are characterized by inconsistency in terms of their scope and target. Finally, while it is true that the Portuguese tourism industry is suffering from some serious problems, its potential is not in question.

Based on the characteristics of the Portuguese tourism industry, in light of the strategic approach outlined in Figure 1, and the results of this study, nine recommendations are advanced. These recommendations are aimed at Portuguese tourism industry leaders as they formulate tourism strategies and plans of actions to improve the short-run and long-run competitiveness of their industry:

- 1 Formulate long-range strategic tourism visions and plans.
- 2 Conduct image analysis to determine the right image for the right market target.
- 3 Promote domestic tourism through organized public service promotions.
- 4 Establish joint ventures with the private sector and public sectors to promote

tourism products such as cultural and historical tourism, rural tourism, adventure tourism, eco tourism and religious tourism.

- 5 Benchmark the tourism practices and strategies of other countries such as Spain. Such benchmarking efforts should focus on lessons learned in terms of how to broaden product offerings and image, in addition to the role of private and public sectors in the process of tourism.
- 6 Establish joint ventures with the private sector to modernize the tourism infrastructure.
- 7 Establish promotional campaigns aimed at regions where Portugal has an advantage. Such programs should target regions such as Africa and the Middle East, where Portugal has the culture and history which appeal to these regions.
- 8 Reduce the dependency on Europe, where Portugal is specialized but has no advantage. This may be achieved by focusing on the Americans, where Portugal has disadvantage due to the lack of specialization, and the Asia-Pacific markets, where Portugal has advantage but is not specialized.
- 9 View tourism activities, efforts, programs, action plans and strategies as an ongoing process in need of continuous improvement.

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