The ‘Holiday Cartels’: Concentration in Tourism & Implications for the Destinations

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Power is not an institution, and not a structure; neither is it a certain strength we are endowed with; it is the name that one attributes to a complex strategical situation in a particular society.

Michel Foucault
ORGANISED (PACKAGED) TOURISM

TUI & Co
In Germany Four Tourism Groups Dominate the Organised Holiday Market (approx. 50% Market Share)

Tour Operator Market Shares in Germany (Turnover)

- **TUI**: 18%
- **Thomas Cook**: 13%
- **REWE**: 13%
- **FTI Group**: 7%
- **Alltours**: 6%
- **AIDA Cruises**: 5%
- **Other**: 38%
TUI & Thomas Cook

“Putting a smile on... Shareholders’ faces”?

TUI AG (2013)*:

• Revenue: 18,5 Bil Euro
• Profit: 187 Mil Euro
• Guests: 30 Mil from 30 Source Markets
• Employees: 74,400
• Own Bed Capacity: 293 Hotels in 24 countries
• Own Seat Capacity: 142 (Airplanes)
• Distribution: 1800 Travel Agencies
• Marketing: 220 Brands

Thomas Cook AG (2013)**:

• Revenue: 11.2 Bil Euro
• Profit: 16.4 Mil
• Guests: 20 Mil from 17 Source Markets
• Employees: 27,000
• Own Bed Capacity: 66 Hotels
• Own Seat Capacity: 86 (Airplanes)
• Distribution: 1000 Travel Agencies
• Marketing: 30 Brands

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** Source: http://www.thomascookgroup.com/
Thomas Cook & TUI
Many Brands... One Group!
Impacts of Organised Tourism in Local Communities

All-Inclusive... Trouble!!

Tourism Income Leakages

Environmental Externalities

Socio-Cultural Costs
CRUISE TOURISM

‘Carnivalisation’
Cruise Sector Concentration (Supply)
The Big 3 Own 77% of the Total Cruise Capacity

Ship Count (TOTAL 292 Vessels)

- Carnival Cruise Lines: 36%
- Royal Caribbean Cruise Lines: 22%
- Norwegian Cruise Lines: 8%
- Prestige Cruise Holdings: 3%
- Other Cruise Lines: 43%

Passenger Capacity (TOTAL 453,697 LB)

- Carnival Cruise Lines: 47%
- Royal Caribbean Cruise Lines: 22%
- Norwegian Cruise Lines: 8%
- Prestige Cruise Holdings: 1%
- Other Cruise Lines: 22%

* Source Data: http://www.cruisemarketwatch.com/
## Intl. Cruise Lines Net Revenue & Passengers

**The Big 3 Transport 89% of the Total Cruise Passengers**

<table>
<thead>
<tr>
<th>Line</th>
<th>Net Revenue ($)</th>
<th>Passengers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Cruise Lines</td>
<td>$9.154.540</td>
<td>4.277.400</td>
</tr>
<tr>
<td>Prestige Cruise Holdings</td>
<td>$1.253.150</td>
<td>177.200</td>
</tr>
<tr>
<td>Norwegian Cruise Lines</td>
<td>$3.053.650</td>
<td>1.938.300</td>
</tr>
<tr>
<td>Royal Caribbean Cruise Lines</td>
<td>$8.091.190</td>
<td>4.888.700</td>
</tr>
<tr>
<td>Carnival Cruise Lines</td>
<td>$15.505.170</td>
<td>10.274.400</td>
</tr>
</tbody>
</table>

*Source Data: [http://www.cruisemarketwatch.com/](http://www.cruisemarketwatch.com/)*
Average Revenue Per Cruise Passenger

**Good Earnings... But Who Benefits?**

**Av. Revenue / Cruise Passenger (€) - Average € 1.426**

<table>
<thead>
<tr>
<th>Region</th>
<th>Average Revenue / Pax</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>1.320 €</td>
</tr>
<tr>
<td>Europe</td>
<td>1.911 €</td>
</tr>
<tr>
<td>Asia</td>
<td>1.001 €</td>
</tr>
<tr>
<td>South America</td>
<td>1.598 €</td>
</tr>
<tr>
<td>Australia - New Zealand</td>
<td>1.427 €</td>
</tr>
<tr>
<td>Middle East/Africa</td>
<td>1.298 €</td>
</tr>
</tbody>
</table>

*Source Data: [http://www.cruisemarketwatch.com/](http://www.cruisemarketwatch.com/)*
The Cruise Economy: Direct Economic Impact of Cruise Tourism in Europe

Direct Economic Impact of Cruise Tourism in Europe 2012 (Total € 15 Billion)

- Cruise Line Purchases: 42%
- Shipbuilding: 26%
- Cruise Employee Compensation: 9%
- Pax & Crew Purchases: 23%

Direct Economic Impact of Cruise Tourism in Europe 2013 (Total € 16.2 Billion)

- Cruise Line Purchases: 43%
- Shipbuilding: 25%
- Cruise Employee Compensation: 9%
- Pax & Crew Purchases: 23%

Total Economic Output

- Indirect: € 22.2 Billion
- Direct: € 16.2 Billion

Employment

- Direct: 164,804 Jobs (48%)
- Induced: 50,415 Jobs (15%)
- Indirect: 124,198 Jobs (37%)
- Total: 339,417 Jobs
- 62,400 of those jobs were European (5,600 on Land)
- € 10.5 Billion in Employee Compensation
- Average salary = € 31,000

Incoming

- Average expenditure per visitor € 62

The Economic ‘Winners’

- 3 European countries comprise 45% of the total direct economic benefits of European cruising
- Italy (€ 3.1 Billion Income): Manufacturing (29%), Employment (16%), Tourism (25%)
- UK (€ 2.58 Billion): Business & Financial services (25%), Tourism (19%), Employment (22%)
- Germany (€ 1.7 Billion): Manufacturing (40%), Tourism (18%), Employment (6.5%)

The Cruise Employees?!

Employment Conditions on board... Media Dramatisation?

Perhaps, maybe for a number of crew, the wages and life on board are better than at home... But are they fair? For how long? With what implications?
Cruisers may spend an average of 70 Euros at the ports of call. Question is if the money spent at port covers the indirect costs and if it goes into the wallet of the locals.
The Paradox of Corporate Taxes

By DAVID LEONHARDT
Published: February 1, 2011

The Carnival Corporation wouldn’t have much of a business without help from various branches of the government. The United States Coast Guard keeps the seas safe for Carnival’s cruise ships. Customs officers make it possible for Carnival cruises to travel to other countries. State and local governments have built roads and bridges leading up to the ports where Carnival’s ships dock.

But Carnival’s biggest government benefit of all may be the price it pays for many of those services. Over the last five years, the company has paid total corporate taxes — federal, state, local and foreign — equal to only 1.1 percent of its cumulative $11.3 billion in profits. Thanks to an obscure loophole in the tax code, Carnival can legally avoid most taxes.
THE HOLIDAY CARTELS

What Happened?
Crisis and Economic Recovery through Tourism...

The ‘Tour-olonisation’ Phenomenon Explained...

Phase I: "The Promise"
- Issue Group A: "Understanding Tourism"
  - Developing Local Economies ("Tourism Potential")
- Issue Group B: "Growth & Sustainability"
  - Rising Demand – Restricted Capacity (Beds & Infrastructure)
- Issue Group C: "Political Myopia"
  - Tourism-Related Subsidies to Support Tourism (Tax2Business)
- Issue Group D: "Strategic Intent"
  - Partnerships with Tour Operators for Source Market Access

Phase II: "The Dependency"
- Focus on Operations, Reduction of Investment, Product, Dev. & Marketing
- Standardisation & Service Quality Reduction
- Price Competition & Cost Pressures
- X-Destination Competition (Capacity Utilisation Risk)
- Increasing Dependency on Tour Operators (Control of Flight Capacities and Access to Source Market)

Phase III: "Tour-olonisation"
- Economically Unattractive Capacities (i.e. Hotels)
- Tour Operator Participations & Acquisitions (Vertical Integration)
- "Share-of Wallet" Control (All-Inclusive)
- Resort Economic Deterioration (and TO Horizontal Integration)

Given subsidies, capacity can be sold at a low price without resulting to private loss.

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‘Tour-olonisation’ Implications

Growth for the sake of Growth is the Ideology of a Cancer Cell...

Mass Tourism & Growth Imperative
- Mass Tourism = Price Competition
- Economies of scale = Cost Reductions

Growth & Vertical Integration
- Currency = Capacity Risk Transfer
- Opportunity = Share of Wallet

Risk & Horizontal Integration
- Intent = Capacity Risk Reduction
- Result = Management Complexity

Standardisation & Mass-Tourism
- Requirement = Control through Vertical Integration
- Outcome = Investment in Corporate Governance & Systems

Economic Development Potential
- Paradigm Shift: From Industrial – Agricultural Economy to a Service Economy

Infrastructure Investments & Risk
- Economic Mono-cultures
- Politically-driven decision-making (Short-term, lack of long-term strategy)

Sustainability & Externalities
- Socio-Cultural Issues (Antagonism between Locals & Tourists)

Mass-Tourism & Exploitation
- Economic Colonialism (Privatisation of public resources, property transfer to foreign investors, etc.)

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THE FUTURE...

The Long-Tail of Tourism & Destination Empowerment
‘Tour-olonisation’ Resistance... Some Examples!

Amsterdam for tourists: What’s legal?

Majorca eco-tax is an insult, say tourists

Venice cruise ship ban to go ahead as planned
German Tour Operators - Market Share 2009 (%)

Top 5 Tour Operators = 72% Market
TAIL: Rest 55 Tour Operators = 28% Market

Anderson (2009): Effect of 'Democratization of Production' = Tail becomes longer
Anderson (2009): Effect of 'Democratization of Distribution' = Tail becomes thicker
Anderson (2009): Effect of 'Connecting Supply & Demand' = Driving tail towards niches

The Missing ‘Pull’

A ‘Prisoner’s Dilemma’…

Fair vs. Cheap Holiday

• Willingness of travellers to incur an extra cost for sustainability is limited
• Real-Time packaging & Dis-intermediation (Tourist is a tour operator)
• Support of local businesses & immergence in the local culture

International legislative cooperation and enforcement of CSR standards

• Offshore locations – ‘Tax Heavens’
• Flags of Convenience
• Regional Destination Co-Opetition

Tourism Governance in Destinations

• Long-term focus – Beyond an election period
• Clear strategic objectives + Tourism controlling
• Integration of tourism policy into overall economic development strategy

Tourism Education and Research Development

• Limited understanding of the tourism phenomenon (Multi-disciplinarity = Blind people feeling an Elephant)
• Education of political decision-makers and society
• Sensitization of tomorrow’s tourism business leaders
If a man is proud of his wealth, he should not be praised until it is known how he employs it.

Socrates
Thank You for your Attention

► **Research Functions:**
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