

WTO SEMINAR ON
“THE FUTURE OF CITY TOURISM IN EUROPE”

(Coimbra, Portugal – 19 to 20 May 2005)

5. The “Lugano Tourism Indicator” – A competitiveness Indicator for City Tourism Destinations in Europe.

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Good morning ladies and gentlemen,

today I'd like to present you the design and the main results of a research project, which has been realized over the last year in the framework of the University of Lugano's Master in International Tourism, which I direct.

You'll agree with me, especially after the interesting results just explained by Mr. Hodes, that today traditional tourism destinations act in a complex framework, which reflects the recent evolutions of tourism demand and supply.

In traditional generating countries, more and more expert and demanding tourists push the supply to offer an increasingly specialized service; the competitive pressure at international level increases as variety, in terms of number and typology of tourism destinations, grows; meanwhile, newly generating countries release fresh tourists, still attracted by Europe's traditional tourism offer.

An effective strategy for tourism development must then take into account the positioning of the city in more than one market segment, with reference to more than one competitive framework. A city, which aims to be chosen as destination for tourism purposes, must look beyond its common customer and must be able to compete with substitutes and with a widening range of tourism products. Plus, it must be able to exploit its potential to satisfy a multifaceted demand.

In recent years the rules of the game multiplied and made the match more and more challenging. Understanding in which league a destination is playing becomes fundamental: to draw the best scheme and reach short term targets; to define realistic development strategies and reach the “preset” league.

The Lugano Tourism Indicator aspires to be the appropriate tool to evaluate the many components of a city's attractiveness as tourism destination and its positioning in any given competitive framework.

It assumes that attractiveness is the final result of different inputs¹ presence and performance, thus a topic which must be measured with a more sophisticated instrument than traditional indicators – number of arrivals, of beds and revenues (see slide 1).

Slide 1 - Framework

DESTINATION'S ATTRACTIVENESS

Attractiveness refers to the bundle of products and services, which are needed by the tourist to realize the tourist experience and which...

- are of diverse nature (hotel rooms and natural resources, heritage sites and theme parks, etc.)
- must be evaluated in their quantitative and qualitative aspects
- must represent a real competitive advantage

A reliable measurement of these aspects is required to get oriented in a highly specialized market

The Lugano Tourism Indicator philosophy →

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According to this vision, we developed a concept of holiday structured into three different travel dimensions:

- the **GET THERE** dimension (holiday start-up activities): it covers the activities preceding the arrival at the destination as information gathering and moving. We define the first step as the “Virtual Get There”, that is the phase when a tourist conceives the need to go on holiday and identifies a specific destination by acquiring information. In this line of reasoning, the second step is then the “Real Get There” stage, in which the tourist physically reaches the destination he or she has already chosen;
- the **STAY THERE** dimension (basic holiday needs): accommodation and food represent a sort of compulsory consumption unit for visitors, given that a tourist is by definition a person staying more than 24 hours in a destination, which is not the usual residence;
- the **LIVE THERE** dimension (secondary holiday needs) is comparable to the “software” of the holiday experience. It includes all the activities a tourist can do during a holiday, from the touristy sightseeing and shopping activities to the less usual *going to the gym*. This section virtually includes a very wide range of potential consumption objects. In the Lugano Tourism Indicator we selected only those inputs, whose offer is strictly related to the presence of visitors and skipped those mixed activities, which are suitable both for tourists and locals.








¹ By inputs we mean the set of products and services which are consumed by tourists during their holiday, from “at-home” to “back-home”.

Given this definition, we elaborated an economic tool, which is able to measure the different travel dimensions.

The Lugano Tourism Indicator has been conceived as a supply oriented measurement, as its values refer to what is produced *in* or *for* a destination. Since variables have been selected from a consumer perspective, that is fitting the tourist needs, the final comparison between destinations intrinsically includes the capability to respond to demand requirements.

Slide 2 – The Lugano Tourism Indicator philosophy

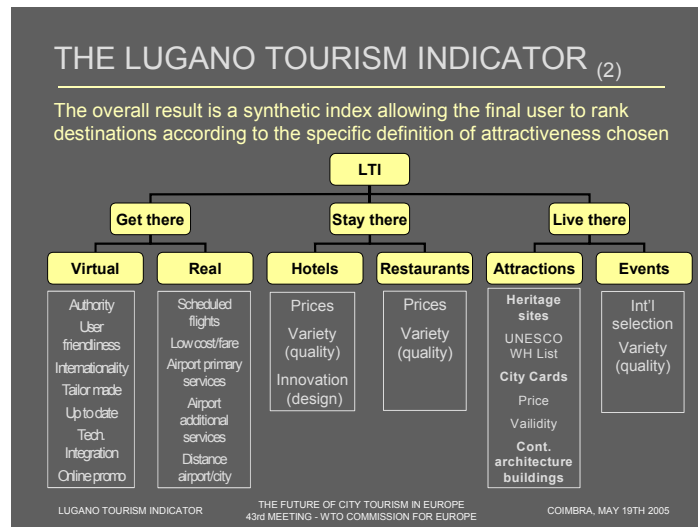
THE LUGANO TOURISM INDICATOR ⁽¹⁾

- **TRAVELLING DIMENSIONS** – inputs for a tourism experience can be grouped into three dimensions
 - GET THERE: holiday start-up activities >>  
 - STAY THERE: basic holiday needs >>  
 - LIVE THERE: secondary holiday needs >>   
- **SUPPLY MEETS DEMAND** – a supply oriented measurement from a consumer perspective
- **HOW ATTRACTIVE?** - traditional variables (price and quality) are integrated with a measure of the industry dynamic (innovativeness and degree of integration)

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The basic units have been chosen in order to coherently reflect the conceptual definition of the Lugano Tourism Indicator. When applicable, they have been identified in order to measure each area in terms of quality, price, integration and innovation. The two first characteristics enable a traditional market analysis, while the two last introduce a monitor of the industry dynamism.

The indicator has been conceived with a pyramidal structure based on a set of independent variables. These have been grouped into six pillars, which represent the most relevant steps in the holiday experience. More in detail, the selected steps are the Internet for the information area, the Air Transport for the mobility, Hotels for the accommodation, Restaurants for food and beverage and Heritage, Modern Architecture, Events and Attractions for the leisure area (see slide 3). The pillars' aggregation represented then the basement on which we constructed the Lugano Tourism Indicator and its three main sub-indicators – Get There, Stay There and Live There. The overall result is a weighted aggregation of the values recorded for each pillar.



Actually, most of the advantages of Lugano Tourism Indicator application as measure of destination’s attractiveness derive from the indicator design itself, which allows great flexibility. To provide some example, I can here mention:

- flexibility in terms of inputs (variables): the indicator dataset is composed of independent variables, which means that they (and the aggregations deriving from them) can be added, modified or deleted without affecting the methodology; the mechanism can thus monitor the tourism phenomenon in its quick changes;
- flexibility in terms of output (indicators): the methodology allows to customize the weights according to the user (public board, tour operator, private entrepreneur, etc.) and the target of reference (families, young people, DINKIES, etc.), always using the same dataset.

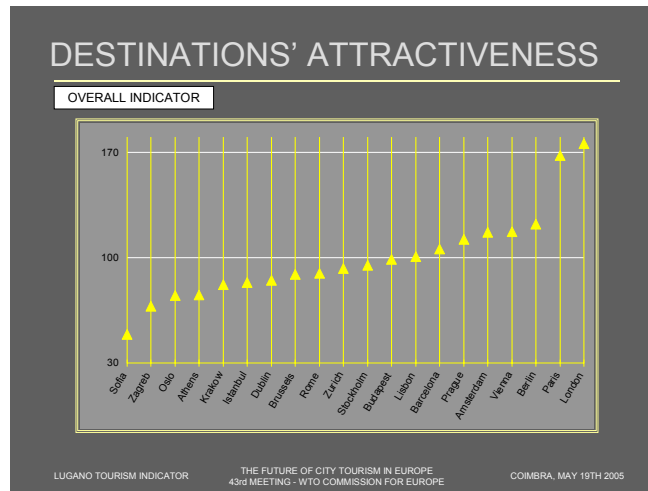
The lean structure also grants update possibilities every year.

Further “plus” of the structure are the wide scope of observation granted by the avoidance of any geographical reference and the simplicity of the scheme. Obviously, the comparative observation of multiple destinations does not permit an in-depth analysis of one single city.

As mentioned above, indicators are the weighted average of the data collected. Weights have been specified by tourism experts, who expressed their evaluation of Lugano Tourism Indicator’s variables in a questionnaire we sent them. We asked them to estimate how much each item is relevant in determining the attractiveness of a generic city tourism destination. As a result, we obtained different perspectives due to diverse professional backgrounds, which highlighted the undisputed levers for a competitive strategy and the unimportant matters.

By April 2005, we completed the first phase of the Lugano Tourism Indicator project, including the indicator design and the test version. For the first edition, Europe was chosen as study area and 20 destinations were selected within the continent borders. Indeed, LTI does not pretend to identify which are the top destinations overall, rather to provide a ranking among destinations in a given segment – Europe’s capital cities in this case.

Slide 4 – The Lugano Tourism Indicator



The data collected allowed us to make a preliminary evaluation of the indicator’s performance. Slide 4 shows, for example, how London and Paris play in a league of their own, competing with not European capital cities, while traditional European city destinations are involved in a championship where new destinations are still ready to enter, namely Budapest, Stockholm and Zurich.

It is then possible to have a better understanding of a destination’s result in the overall ranking with the in-depth analysis of single sub-indicators. As far as the “Get There” dimension is concerned, the sub-indicators ranking shows that the three lower performing destinations in terms of accessibility are Sofia (52), Krakow (69) and Athens (76) (see tab. 1).

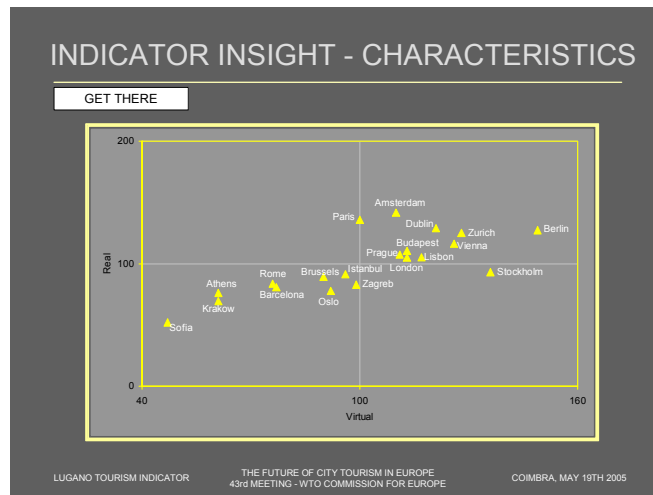
Tab.1 – Get There sub-indicator results

GET THERE SUB-INDICATOR									
VALUE	DESTINATION	VALUE	DESTINATION	VALUE	DESTINATION	VALUE	DESTINATION	VALUE	DESTINATION
142	Amsterdam	125	Zurich	105	Lisbon	89	Brussels	78	Oslo
136	Paris	116	Vienna	105	London	84	Rome	76	Athens
129	Dublin	110	Budapest	93	Stockholm	83	Zagreb	69	Krakow
127	Berlin	108	Prague	91	Istanbul	81	Barcelona	52	Sofia

Splitting the indicator result by virtual and real accessibility, it is possible to understand how Athens main problems in this area lay in the transport to the destination. In comparison with Oslo and Barcelona, for example, Greece capital city’s web site performance is approximately at the

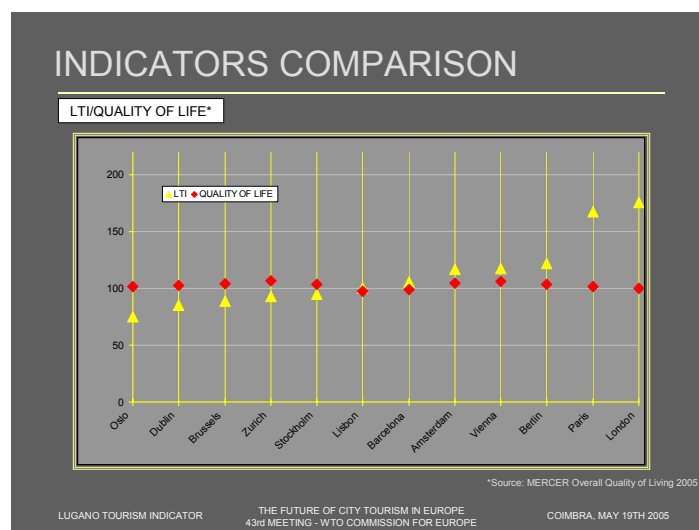
same level, but the air connection is decidedly lower. In the same line of reasoning, Krakow should invest more in attracting airline companies to its airport, but can't forget to aside a part of the budget to website renewal. While Sofia, in the perspective of attracting international tourists, should completely rethink its access channels.

Slide 5 – “Get There” sub-indicator insight



Slide 6 – LTI comparison with different indicators

Beside the comparison among destinations, in terms of overall indicator as shown above but also in terms of sub-indicators or pillars, the Lugano Tourism Indicator offers the possibility to compare tourism attractiveness with other interesting measures. Our experiment with the Mercer’s indicator of Quality of Life (see slide 6) clearly expresses how residents and tourist needs for staying in a city are not always perfectly aligned. A city like London, which has not the best quality of life one could imagine, is a holiday experience people can't give up.



To sum up, the pilot edition of the Lugano Tourism Indicator confirmed that this is a feasible way for studying city destination's performance in the tourism industry.

The first check provided positive sonority to the requirements of including a large scope of inputs for the smallest unit of analysis (destination), providing a concise result applicable for very different realities and, as said before, remaining flexible to comply with tourism quick changes.

The next steps will see our energies focussed on the database implementation. On one side, we are already programming the support, which is necessary to shift from the pilot version to the appropriate indicator edition. This is easy to get.

The most difficult obstacle to overcome will remain the data collection. As you certainly know, this is not the first attempt to realize the ambitious project of collecting data about tourism at the destination level. Like others did, we are facing the problem to find homogeneous data which are available for all the destinations and which can be updated yearly.

Data gathering could be greatly simplified, if a co-operation with city tourism boards could be set up and the support of international organizations was granted. We hope it sounds to you like an invitation to co-operate to our project, because that's what it is: simply contact us and we will give you all the information on how to do.

Thank you very much for the attention.