

INNOVATION AND ENTREPRENEURSHIP IN TOURISM

Laura Gabriela Istudor*

The Bucharest University of Economic Studies, Bucharest, Romania

Abstract

Tourism is a dynamic industry, with an important potential to stimulate entrepreneurship and social innovation by creating new jobs. In this way, it contributes to a long-run smart, sustainable and inclusive local development. This paper supports the idea that the tourism industry and mostly the cultural tourism can advance through innovative entrepreneurship, by introducing new methods of production, new delivery methods or simply new products and services that will attract customers. Since innovation involves doing things in a different and better manner, the paper's goal is to identify the available innovative methods that can be applied to the tourism industry. Special reference is given to the cultural tourism, as part of the creative and cultural industries. The paper includes a series of statistical data regarding tourism in the European Union and an analysis of the impact on the customer experience and local economy development.

Keywords: Tourism, cultural tourism, innovative entrepreneurship, entrepreneurship

JEL Classification: O31, R58

Introduction

Nowadays, society strives for innovation. Creative economy, a concept which appeared more than a decade ago, has become an important sector of the global economy. The concept is highly applied to a wide range of activities and constantly develops in the context of the knowledge-based society. Although there has been a cultural and creative sectors acknowledgement (Howkins, 2001), innovation can arise in various sectors of the economy in efficiency-driven economies. Moreover, it emerges in innovation-driven economies, interacting at the same time with the development of industries at the global level (Hartley, 2015).

It is very important to acknowledge the fact that innovation can arise in all industries, not only in the artistic or IT related ones. In other industries, the discovery of new techniques may increase efficiency. (Suciu, 2008). The concept can therefore be transferred to the tourism industry by observing the impact of the advancement of technology on the evolution of tourism over the years. This contributes to the creation of new businesses and to the enhancement of customers' experiences. Cultural tourism is a way to boost economic growth in the region. Cultural tourism programs encourage locals to cherish and promote the uniqueness of their communities, while providing the environment for cultural exchange between locals and travellers.

This paper aims to emphasize some of the most important driving forces in the development of tourism. It supports the idea that the tourism industry can develop through innovative entrepreneurship. This can be done either by introducing new methods of production, new delivery methods or by introducing new products or services that enhance the customer experience. Hence, the paper structure follows the concept of creativity in the literature review section, focusing on its presence in the tourism. It tackles methodology and the main results, as well as a set of conclusions and recommendations.

1. Literature review

John Howkins (2001) first coined the concept of creative sectors, describing individual creativity as the most important factor, while the creative product was defined as "an economic good, service or experience resulting from creativity and with the characteristics of being personal, novel and meaningful". He includes in the creative sectors research, software, publishing, architecture, music, theatre, film, video games and other industries, highlighting the importance of the intellectual property rights for the aforementioned. Creative products are defined by the intangible factor and can take various shapes, from theories and hypotheses to designs and materials, with the possibility of being developed in any sector of the economy (Suciu, 2004). The tourism industry as we know it today underwent numerous changes over the centuries. It has been affected by the

* laura.istudor@gmail.com

evolution of science and technology, that led to the invention of techniques, tools and methods, enabling people to create new products and services (McNeil, 1990; Bijker, Hughes & Pinch, 2012).

On a closer look, the history of science and technology shows the ways humanity was able to manipulate the innovation and evolve from a cultural, economic, and political point of view. The development of the tourism industry is a complex discussion in the view of technology evolution, involving many aspects. For instance, the invention of the rail services or steam engine led to a whole new dimension with relation to the travelling methods used globally (Brendon 1991; Butler and Russell 2010; Withey 1997). Also, Towner (1988) mentions the interest of the society towards spa resorts and the social life connected to them, as well as to the related innovations regarding heat and transport water.

Over the years, the development of infrastructure and the increased accessibility of travelling attracted new forms of vacation at first for the upper class, and later on for the mass population as well. With the expansion of the mobility systems, tourists made full use of them, and in many cases local adaptations of mobile systems showed innovative practices. This is how travelling by boat, train, plane or car once the road infrastructure was developed became available (Armstrong, 2005). Hjalager (2012) gathered a hundred innovations that had a significant impact of the transformation of tourism over the years, having a positive impact on the safety, health and satisfaction of the tourists. The innovations mentioned were also beneficial for the business owners in the hospitality industry by leading to more popular and profitable businesses.

The list was developed from the hypothesis that technology and science advancement are the roots of progress and positive impact on the transformation of the tourism industry. Among the one hundred inventions gathered in the article, Hjalager mentions railways, buses, luggage, automobile, passenger aircraft, highway, World Wide Web, social media, highlighting their importance in the development of the current traveling experiences.

Research and development are the key drivers for innovation, as they do not only involve enterprise activities. It is also present in public institutions, universities and other entities, leading to groundbreaking discoveries that may become available to the public (Von Hippel, 1988). In the tourism industry, innovation and entrepreneurship interact, as it has become very difficult for business owners to differentiate their locations from their competitors. Therefore, the need for creating new products, services and experiences for the tourists, lead to the development of new businesses.

As it is more difficult for innovative ideas to arise in existing businesses, these tend to be more present in combination with entrepreneurship (Hall & Williams, 2009). It is more likely to encounter new products and services in a new developed tourism company compared to an existing one. However, the complete experience is in the tourist's hand, as he might choose to turn towards more traditional experiences. (Ateljevic, 2000)

2. Research methodology

The article is a result of the analysis of the Eurostat statistics (2017), the main source of data for the present study available in 2017 regarding the percentage of population involved in tourism in the European Union, as well as the estimated number of nights spent in tourist accommodation locations by non-residents in the EU-28 countries and expenditure on international travels. For a better perspective, the size of each country of the EU-28 as well as the number of nights spent by non-residents and residents have been observed through an indicator of tourism intensity, in order to determine the most popular destinations in the European Union. The impact of tourism for the top destinations could also be measured in regard to the GDP of the countries.

Statistics from the European Commission regarding cultural tourism and cultural tourism programs developed by the European Union institutions were also reviewed, in order to establish the dimension of this type of tourism. The European Commission invests in the areas holding cultural heritage that have great potential for growth in the tourism sector. The European continent is in the top cultural tourism destinations due to the numerous cultural heritage sites that include museums, theatres, archaeological sites, historical cities, music and gastronomy.

3. Results and discussion

The European Union acknowledges the importance of culture and cultural sites as part of the tourism experience and as a crucial element. These can lead to the profiling of Europe as a touristic destination. According to statistical estimations, cultural tourism is accountable for 40% of all European tourism (European Commission, 2017). The below figure shows the percentage of population aged 15 years or more, participating in tourism in 2015 for the European Union member States:

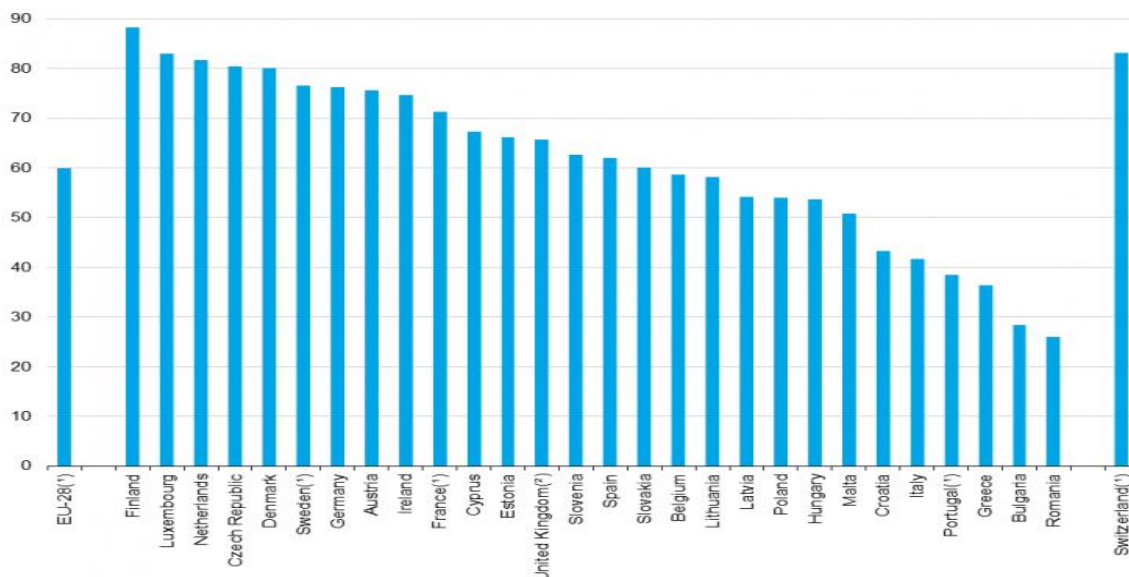


Figure No. 1: Share of population involved in tourism (2015) (%)
 Source: Eurostat, 2017

The European Union is aware of the need to preserve the historical sites, artefacts and local habits, traditions and rituals, while also acknowledging the need for growth and development of the tourism industry in the specific regions. In 2015, the residents of the EU-28 countries spent around 2.5 billion nights abroad on trips. At the top of the list, German residents account for an estimate of 700 million nights on trips outside the German borders, while on the next position, the residents of the United Kingdom spent an estimated of 564 million nights abroad (data available for 2013). Germany and the United Kingdom gathered more than half of the 2.5 billion nights spent abroad by the residents of the 28 member states of the European Union (Eurostat, 2017).

When considering the country size according to the population, from the EU-28 countries, Luxembourg was the country whose residents spent abroad the most nights per inhabitant, approximately 23.2 nights in 2015, while Cyprus’s residents spent an estimate of 18.1 nights. At the opposite side of the ranking, the residents of Greece, Bulgaria and Romania spent an average of less than one night abroad in 2015 (Eurostat, 2017). The below figure shows the estimated number of nights spent in tourist accommodation locations by non-residents in the EU-28 countries in 2015 (millions):

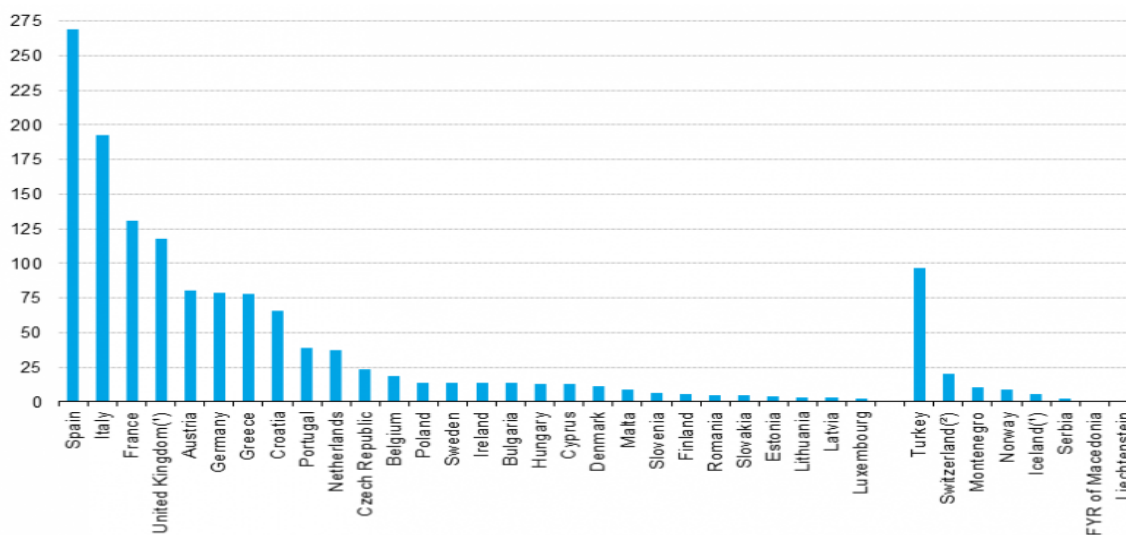


Figure no. 2: Nights spent in tourist locations by non-residents in 2015 (millions)
 Source: Eurostat, 2017

Among the top destinations in the European Union in 2015, Spain was the most common holiday destination for non-residents, estimating around 270 million nights spent in accommodation locations, equal to 21.3% of the total European Union member states. Following Spain, in the top four most popular destinations for people coming from abroad were Italy, with 193 million nights spent, France with 130 million nights spent and the United Kingdom, with 118 million nights spent by non residents. At the other end of the spectrum, the countries with the least nights spent by non-residents were Latvia and Luxembourg. When interpreting the data, the size of the member states should be accounted for, since Germany's size and population are much larger than the ones of Luxembourg (Eurostat, 2017).

When considering the size of each country of the EU-28, the number of nights spent by non-residents and residents can be observed using an indicator of tourism intensity. With the help of this indicator, Croatia, Malta and Cyprus and the alpine destinations in Austria have been the most popular tourist destinations in the European Union member states in 2015. The tourism industry is of great importance for the economic indicators of a country, therefore its impact can be measured by verifying the international travel receipts in regard to the GDP. The statistical data includes both travel for pleasure and business, and is often measured by travellers surveys.

In 2015, the travel receipts ratio in regard to the GDP has been highest in Croatia, 18.1%, in Malta, 13.4% and in Cyprus, 12.7%, showing the popularity of these holiday destinations in that year (Eurostat, 2017). When discussing in absolute terms, the largest number of international travel receipts was recorded in Spain, amounting EUR 50.9 billion, followed by France, EUR 41.4 billion and the United Kingdom with 41.1 billion. The ranking includes next Italy with EUR 35.6 billion and Germany with a record of EUR 33.3 billion.

Germany was the country with the record level of expenditure on international travels in 2015, amounting EUR 69.9 billion, followed by the United Kingdom with EUR 57.2 billion and France with EUR 3.6 billion. On the other hand, the EU-28 country which recorded the highest level of net receipts from tourism in 2015 was Spain, compared with Germany, which recorded the largest deficit of EUR -36.6 billion (Eurostat, 2017). As mentioned before, only 40% out of the international tourism registered at the level of the European Union is estimated to account for cultural tourism.

In order to attract more travellers to the cultural heritage sites across the EU-28 member states, the Council of Europe launched in 1987 "European Cultural Routes", a concept that involved transnational routes, helping tourists to explore how life for Europeans was in ancient times. The Council of Europe works closely with the European Commission, the UN World Tourism Organization, the European Travel Commission and other partners to enhance the development of this concept. They further presented through a study the fact that cultural routes have helped small business creation, intercultural communication, the development of clusters and promoted the European image.

The European Cultural Routes is a program that has a positive impact on the local economy and communities, by generating job creation in a sustainable environment. It also promotes the local traditions, knowledge of the locals and less popular touristic destinations, since the routes pass through rural areas (European Commission, 2017). Cultural tourism projects are very well regarded by the European Commission, who is willing to fund and help the development of new routes that are based on cultural heritage, frequently publishing calls for proposals.

The current consumers are very different from the generations prior to the 21st century, expecting service and product quality and a unique experience to complete their travel. Access to internet leads to high competition in the tourism industry, as customers are very quick to share on social media and review platforms their travel experience. Given the present boom of the tourism industry, tourism accommodation location owners face very high competition and must always find ways to differentiate themselves from their competitors. Like in other industries, there is always room for innovation in tourism as well.

However, besides the accommodation location owners, there are other actors involved in the whole travel experience, affecting the outcome of the end to end journey. From the way we are able to book our plane tickets online or through agencies, the available phone applications that make it easier to access online guide tours, the possibility of receiving Wi-Fi connection in the plane or tracking systems for the suitcases, there are new possibilities to enhance the quality of the travel experience that arise every day (World Economic Forum, 2015). In tourism, innovation involves new combinations of things, generated out of fresh ideas, that can lead to major benefits and changes towards sustainability in the tourism supply chain. This can lead to job creation, lower environmental impact, lower costs and customer experience enhancement.

The travel experience involves more than a stay in a specific place, it is a gathering of interactions with different businesses in the tourism industry. In the innovation process it is very important to observe what others do, in order to find ways to differentiate the services from another's firm. (Aldebert, 2010) Companies activating in the tourism industry strive to offer their customers new and improved experience, and some are trying to offer

packages that include living like a local, taking contact with the nature and traditions of the visited place, experience the food and rituals, especially in the area of cultural tourism. (Tounta, 2015)

Conclusions

Actors in the tourism industry strive to offer the more and more demanding customers of the 21st century, in the context of unlimited access to the internet, where they can and will share their travel experiences. The development of innovative solutions is beneficial for both the business and the customers, as it can result in more efficient operations, increased profits, lower costs and a competitive advantage in front of the competitors.

As per the latest statistics released by Eurostat in 2017, the most popular travel destinations in the European Union member states were Spain, Italy, France, followed by the United Kingdom. These countries also happen to possess impressive cultural heritage sites, famous museums and pieces of architecture as well as historical buildings, highlighting once again the importance of cultural tourism from the total international tourism at the level of the European Union. The main source of data for this study was Eurostat database, which is very conclusive regarding the tourism industry. However, the statistical data regarding cultural tourism is not very comprehensive, but given the available statistics from the European Commission, last updated in 2017, the cultural tourism is estimated at 40% of the total tourism at the EU-28 level.

The “Share of population involved in tourism” refers to the percentage of the population aged 15 or more of the EU-28 member states which travelled internationally and nationally during 2015. The “Nights spent in tourist locations by non-residents in 2015 (millions)” involves the total number of nights spent by travellers in a tourist accommodation location or reserved by them, since the actual presence there is not mandatory. The data comprises the nights spent in different types of accommodation, among which hotels, trailer parks, camping grounds. (Eurostat, 2017)

Leaving aside the period between 2008-2010 when tourism experienced a lower activity, the trend of nights spent in tourist accommodation locations in the EU-28 countries showed a positive trend between 2005 and 2015, with significant increase registered after 2010, in view of the innovations that impacted the tourism industry as well, especially due to the increase in accessibility and affordability of travelling throughout the European Union member states.

In the current economic situation, especially in the view of more affordable travel fares, consumers are very demanding in terms of quality/costs relationship, and expect great service for cost. The number of travellers is constantly increasing and creates demand for different types of services from the tourism actors. The tourism industry is a specific sector which gathers heterogeneous and changing technologies and activities, and a range of very different companies, from small and medium businesses to multinationals, that range from low-tech to high tech.

Innovation may arise in any sector of the economy, and it appears in the tourism sector with a high intensity, due to constantly changing trends and renewal of knowledge bases and the capability to provide new uses. Once a new technology or knowledge basis appears and is adopted by the actors in the tourism industry, they see a rapid evolution towards the final users, the travellers. Nowadays, tourists are in search of experiences that they can take away with them when returning from their travels and expect the best service from the service providers involved in the process.

The demand for travel destinations determines high competitiveness in the industry. Tourist accommodation locations try to impress their guests with their hospitality and full experience offered along with accommodation services. In the context of new technologies developing, tourism actors must always be up-to-date and aligned with customer demands, while also showing transparency and impeccable service. In conclusion, the businesses involved in tourism activities must always strive for innovation in order to improve their operational processes. They must be able to enhance the competitive advantage and continuously generate innovation for the satisfaction of the consumers.

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