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## PRESS RELEASE

### ADVERTISING EXPENDITURE FOR TOURISM

RIT presents the study of its scientific associate Mr. Kouzelis with title "Advertising Expenditure for Tourism".

Tourism is one of the main economic activities in our country, while recent studies have shown that it contributes to the balanced regional development of Greek economy. Advertising is important for the sector, not only because it is a regular practice of all our competitor countries, but mainly because of its nature. Until today, advertising promotion of Greek tourism product did not have the expected results.

The Greek advertising expenditure was equal to 26,8 mil. USD in average (or 18,7% of NTO's total budget) during 1990 decade. The same period Spain spent 75,8 mil. USD (or 57,8% of its national tourism organization budget), Portugal 30,8 mil. USD (or 83,7% of its budget), Turkey 22,8 mil. USD (or 36,1% of its budget) and Italy 13,2 mil. USD (or 35,7% of its budget). (For several reasons, at the end of the decade Greek advertising expenditure decreased to 12,4 mil. USD).

Greek advertising used to be more expensive compare to competitor countries as for example in 1997 Greece spent 4,1 USD by arrival, compared to 3,9 USD of Turkey, 2,7 USD of Portugal, 1,7 USD of Spain and 0,3 USD of Italy. On the contrary, regarding tourism revenue Greece remained behind according to the relevant indexes. The same year, Greece collected 126,9 USD for every USD spent for advertising compared to 3.455,1 USD of Italy, 372,2 USD of Spain, 154,9 USD of Portugal and 191,9 USD of Turkey.

Of course, the three year period 1998-2000 the performance of Greek tourism improved as the expenditure by arrival decreased to 1,7 USD and tourism revenue for every USD spent was equal to 288 USD. After significant reduction in advertising costs Greece managed to keep up with Spain and Portugal. This advertising cost reduction led to a decrease in the performance of the sector the following years.

As the above mentioned form a negative result of tourism sector, it was necessary to evaluate the possible connection of tourism product advertising to its sales, by conducting econometric research and using statistical data of the period 1982-2000.

A finding of the research was that advertising expenditure for Greek tourism product promotion is beneficial for its sales, in the long term. The results of advertising promotion are visible two years after the expenditure (around 58% of its potential impact on sales), while 95% of this impact is observed after seven years. This phenomenon is due to the time needed for the

assimilation of the advertising message by the consumers, and to the discipline that the northern European tourists show regarding vacation planning.

A second finding of the research was that tourism foreign exchange revenue is an indicative measure of the production size of tourism product that facilitates the calculations.

A third finding was the development of indexes for the efficiency of advertising expenditure (advertising expenditure by arrival and revenue for every USD of advertising expenditure). These indexes are very useful for long-term planning, concerning the promotion and development of the tourism sector.

A fourth finding was the determination of the amount of the necessary advertising expenditure of the Greek tourism product, which is in average 35 mil. USD by year. In fact, the simulation showed that with this amount for advertising expenditure, a significant increase in foreign exchange revenue is expected, without affecting the efficiency indexes of the period 1998-2000.

In order to achieve long term improvement of advertising efficiency of Greek tourism product necessary measures should be applied. The main suggestions are:

- Making better use of European and American sub-markets,
- Long-term marketing strategy based on constant promotion of Greek tourism product using a slogan
- Distribution of advertising expenditure 50% in the advertisement and 50% in other promoting (e.g. cooperation with tour operators, participation in tourism exhibitions etc.)
- The selection and training of employees of public sector related to tourism, in order to “sell” the Greek tourism product. In this direction, the role of NTO’S Foreign Offices should be reevaluated
- Advertising campaign with two year short term period and seven years long term period.
- Average annual advertising expenditure equal to 35 mil. USD
- Improvement of advertising efficiency by increasing tourism flow and not by reducing advertising costs
- Funding of advertising expenditure by the Local Authorities, offering a percentage of tax incomes from tourism activity (e.g. 10% of total). This has to be combined with a generalization of the local tax and a reduction of tax rate, so as not to cause conditions of tax overcharge.

By applying those measures Greek tourism product will be efficiently promoted in foreign markets of origin. Of course, advertising and promotion cannot substitute product quality. If total quality is not improved, advertising and promotion will have only short term results. For a given quality, the research provided sufficient evidence that advertising expenditure is essential to promote tourism development.