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Athens, 03 July 2007

PRESS RELEASE

SMALL AND MEDIUM SIZED

TOURISM ACCOMMODATION:

Role, Perspectives, Measures

The dominant role of the small-medium sized businesses in country's accommodation sector is challenged due to the global trends defined by globalization, technological developments and the increasingly changing travel preferences. The conclusion for the future of small-medium sized businesses in tourism sector is that their economic role will be limited with severe consequences.

The above conclusion was the motive to study the structure and qualitative features of small-medium sized businesses connected to the accommodation industry in our country and evaluate them compared to the competitive countries. The operation of businesses adjusted to modern structure, the quality of the services provided and their role in world economy are analyzed based on their size. Small and very small hotel units may have political and economic support in order to remain competitive.

1. Summary of the Greek Accommodation Sector's features

In summary, the analysis concludes that small-medium sized businesses will continue to affect the accommodation sector due to two factors: the characteristics of the destination and the differentiation in consumer preferences. There are destinations which cannot support financially large accommodation units on account of size and seasonality. A large number of consumers continue to support the influence of the small-medium sized businesses. Only small and medium-sized units can provide specialized services with color and traditional elements.

The resulting conclusion is that the small- medium size is not an obstacle to the operation and development of a business. The problem is about proportions: the right distribution of an accommodation by size and category in order to maintain a satisfactory quality of services and prices that meet the consumer preferences. Based on empirical evidence, 2/3 of tourism sector's small-medium sized European businesses provide satisfactory services. The corresponding percentage for Greece is 1/3, due to high percentage of beds in very small and low-category units. On the part of producers, vigilance and adaptation to the demand are required in order to keep up with the globalization and technological evolution.

2. Characteristics of Greek Hotel Sector

(a) 37% of hotel capacity consists of very small units with average size 14-15 beds. This percentage becomes 45-50% if unregistered units are included (sector leaders' point of view).
(b) Other accommodation, i.e. rooms for rent – camps are equal to 80% of hotel accommodation (100% as above).
(c) 2 and 1 star hotels of rooms for rent- camps categories represent about 60% of accommodation capacity.
(d) The average size of hotels remains extremely small (76 beds) and as a result sufficient variety and quality of services cannot be provided compared to competitive countries and especially new destinations.
(e) Rooms for rent show an increase rate the time period 1996-2004. Only 24% of rooms for rent belong to 4 and 3 keys categories, indicating low variety and quality of services provided.
(f) The above percentages are explained from the favorable environment of Greek Islands for the small units.

Concerning the hotel capacity the following are recorded:

(g) The period 1977-2004 the total hotel capacity increased by 284% compared to a 179% increase of foreign tourist arrivals. The increase of accommodation infrastructure was out of the bounds set by the demand.
(h) At the same 27-year period the basic structure of hotels remained stable. The units of lower categories (2 and 1 stars) represent 43% of the hotel capacity in 2004, compared to 44% in 1977, while the average size of 2 stars category decreased to 52 beds against 55(!) in 1977.
(i) The average size of total hotel capacity, which indicates the quality of services, is only 31 beds and if unregistered rooms for rent (estimated around 150.000 beds) are included the av. size becomes even lower.
(j) The increase of 5 and 4 stars hotels' share from 27.7% in 1977 to 33% in 2004 is a positive progress. This improvement balances the decrease of 3 star hotels' share by 5 percentage units. This category meets the needs of middle incomes and it was expected an increase in its share against 2 stars category.

The conclusion causes disappointment as the accommodation sector of the country is the best part of tourist infrastructure we have (!).

3. Comparison with Main Competitive Countries

Based on comparative data of average size and shares of high categories, Greece is behind its main competitors[1].

(a) Concerning the ratio (Hotel Accommodation): (Other Accommodation), based on official data, Greece is behind Turkey and other competitive countries of south Mediterranean.

(b) Regarding the average size of total accommodation capacity, Greece is in difficult position compared to the main competitive destinations.

Average size in beds

1.	Turkey	200
2.	Portugal	138
3.	Cyprus	101
4.	Spain	90
5.	Italy	47
6.	Greece	31

It is remarkable that almost 50% of tourist beds in our country belong to units with up to 50 beds, while for units with over 400 beds the corresponding percentage is only 10.7%.

(c) Greece lags significantly behind concerning the relevant share of 3 highest categories in total hotels capacity.

% of Beds in 3 Highest Categories

1.	Turkey	80.6
2.	Cyprus	78.6
3.	Italy	75.1
4.	Spain	40.3
5.	Portugal	32.3
6.	Greece	26.5

(d) Due to the fact that agrotourism tends to become the solution to the Greek tourism problem, the finding that the percentage of hotels that can support this "special form of tourism" is very low, even in the countries where it was promoted (1-2%), is very interesting.

(e) It is important to modify the political motives in order to promote quality and reduce the excessive supply, mostly in low category accommodations.

[1] It is noted that the competitiveness of Greek tourism product is possibly negatively affected more from the quality of out-accommodation services and the situation of general tourism infrastructure.

(f) The applied policy promoting the tourism accommodation infrastructure resulted in resources waste and inefficiency. The available hotel capacity exceeds by 20-25% the corresponding demand (based on occupancy rate, by region and other criteria), not including the 150.000 beds of unregistered rooms for rent.
From a political point of view, the conclusion is that political motives have to be adjusted to every region and quality features of accommodation infrastructure. Except from the structural and regional problem, regarding hotel capacity, there is a problem in the use of social economic resources.

4. **Financial Conditions**
    1. Financial constraint is a large obstacle for the establishment and development of a small - medium sized business (high variation in profitability etc.). The borrowing costs are higher and the necessary loan capital cannot be provided due to insufficient collateral (international experience).
    2. The conditions are better in countries with developed financial systems, stock market, legal system and higher income per capita.
    3. Conclusion: the need for change of financial and general institutional system related to the issue, in order to facilitate the access to financial resources for the small- medium sized businesses.

5. **Political Guidelines concerning the Accommodation Capacity**

The study analyzed only the aspect of accommodation capacity as total bed supply, regional distribution, average size of accommodation unit (total and by region) and as composition by category. The inference was that the high percentage of small and very small units and low category units is probably responsible for the low average quality of accommodation services. A conclusion that may occur is that those units are facing the risk of closing.

The risk is not well grounded as the presence of the above units match the special conditions of certain tourist destinations, support the economic activity of free economies and meet the needs of part of the tourism demand.

The solution to the problem is the upgrade of tourism product by supporting the establishment of large and high category units as well **as high category units regardless of their size** in order to restore balance to the sector. It is noted that the expansion of "rooms for rent", which form, as estimated, half of hotel capacity is a result of state policy and their operation affects negatively the average accommodation services provided.

Greece faces a problem due to the new competitive destinations of Mediterranean (East Mediterranean, Middle East).These destinations, possibly taking advantage of both the experience and the emerging market trends, emphasized to accommodations of large and medium size and comparatively superior category. The amenities and the variety of services offered by these accommodations is an important factor improving the relative competitiveness of the tourism product, the prices, the out-of- hotel services and the general infrastructure.

The fact that tourism accommodation sector has been leaded by small units until today should not cause complacency, especially for Greece that is behind competitive countries regarding average accommodation size. Liberalization and globalization tend to increase the average size in accommodation sector. The changes in consumer standards and social, demographic and economic factors increase the demand for tourism product with quality and variety in services. It is necessary to adjust the supply to the complexity of consumer preferences.

The basic issue concluded from the study is the quality-variety of accommodation services which is highly connected with the size and category of accommodation unit. The future of small- medium sized accommodations depends on tourism policy. The fact that Greece is behind compared to competitive countries and the global demand trends create the need for reviewing its policy, with the aim of:

(a) Quality upgrade of small-medium sized businesses, especially small and very small units.
(b) Discouraging the creation of small and very small units with state resources.
(c) Excluding tourism areas that do not need political assistance
(d) Prioritizing the areas with accessible resources that are underdeveloped regarding tourism.
(e) Strengthening the tourism with public funds for infrastructures, emphasizing on accessibility facilitation of tourism attractions and other attractive areas (local areas, natural beauty, cultural elements, quality of coasts, etc.)
(f) Supporting city tourism, especially elderly tourism, which as the population tends to age, is a tourism sector with high demand. The success of such policy **would be a solution in order to reduce the degree of seasonality.**
(g) Offering the necessary help to small - medium sized businesses in order to learn about “new products” and upgrade to keep up with globalization.
(h) State and general promotion of Greek tourism as to highlight popular destinations.
(i) Facing the funding problem of small - medium sized businesses especially when it is associated with upgrade of services. Credit institutions’ hesitations are understandable, but their cooperation will have positive results regarding their interest and general growth.

In such policy is useful to have specific quantitative goals, realistic time schedule and strict economic logic, remain unaffected from political-social partialities and aim exclusively to development.

Due to the fact that accommodation infrastructure consists of thousands of units and hoteliers, it is inevitable to have positions with negative characteristics. However, the survival and most importantly, the efficient operation of a tourism accommodation will depend on the future and on high degree on product quality. The small – medium sized businesses in the modern international institutional environment and demand trends cannot maintain their current proportion in the country’s accommodation capacity. Their share will grow when they upgrade their product and decrease when the number of units of their category increases.