

Tourist Crisis and Recovery Strategies in the Canary Islands

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Abstract

The tourism sector is strongly influenced by market trends, for this reason an increase in economic activity requires greater demand for tourism, while a recession or economic crisis can lead to a very important downturn in this sector. In addition to the influence generated by the economy, global crisis scenarios, such as in the case of health care issues, produce a sharp drop in the number of tourists. The tourism sector cannot be considered as a homogeneous sector; in fact, several aspects could have consequences on the tourist flows, precisely due to the economic effects. The objective of this research is therefore to analyze the history of tourism development in the Canary Islands, which represents one of the destinations with the highest number of tourists. The research will help us to understand how, in the past, the tourism sector has reacted to various crisis scenarios with particularly effective answers, allowing us to imagine possible strategies, especially focused on brand management and client oriented, for the recovery of tourism after the health pandemic Covid-19.

Keywords: crisis, tourism, brand management, strategies, tourism management.

1. Introduction

The Canary Islands have a warm and dry climate, considered one of the best in the world. The Islands have a charm that attracts millions of visitors every year, thanks to the 600 kilometers of coastline and more than 500 beaches. The Islands are very different from each other, each one has a different landscape, ranging from fine golden sand to wild areas. They are the perfect destination for everyone, for those who wish a relaxing break on the beach, for those looking for fun and for those who want to live a more active holiday. The research therefore aims to retrace the tourist development of the islands, with particular attention to the moments of crisis that have occurred in the past. The leading case of the Canary Island, especially through the analysis of the instruments used to support tourist flows, will allow us to imagine future strategies supporting of the sector, following the Covid-19 pandemic.

2. State of the art and method

Studies in the tourism sector show a close connection between tourist flows and economics. Research has therefore always focused on this relation of interdependence, but more in-depth studies of an organizational, economic, managerial and social nature are needed to identify different methods that can be used in order to overcome crisis situations, as the present. The methodology used in this research will allow, analyzing what occurred in the tourism sector of the Canary Island, during previous economically difficult conditions, to imagine possible scenarios of response.

The discussion will retrace the tourist development, the market and the crises faced by the tourist destination object of the research, also deepening the governmental instruments that have allowed an increasing development. The discussion will then focus on which instruments can be used in the current phase to relaunch tourism. These supports are particularly focused on tourism management, the strengthening of the brand, and finally the customers care, which in a market like the Canary Islands, supported in its strong tourist vocation by a system focused on this, will certainly make a useful contribution..

3. Discussion

3.1 Tourist offer

The Canary Islands archipelago, autonomous region of Spain, extends for 7,492.36 square kilometers and is formed by seven islands all of volcanic origin.

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The archipelago located in the Atlantic Ocean, in the North East of the African continent, is geographically part of Macaronesia and administratively of Spain. The islands are outside the customs territory of the European Union, although politically they are inside. The climate of the Canary Islands is defined as temperate due to the average annual temperature, which is around 20°C above sea level, and the limited annual temperature range. The result is the recurrent definition of 'islands of eternal spring', a name which, however, is imprecise, since there is no general climatic uniformity, either temporal or spatial. The islands of the archipelago, in fact, appear very different from each other.

Tenerife is the largest island in the archipelago, with the greatest flow of tourists thanks to the beauty of its landscapes and the many opportunities for recreation. Gomera is the closest to Tenerife. It is an island of volcanic origin, circular in shape, with a very rugged terrain. The coastline of Gomera is high and rocky, and the beaches are difficult to reach. Tourists visit it mainly for hiking. La Palma, in the northwest of La Gomera, has an even more luxuriant vegetation due not only to the volcanic soil but also to more abundant rainfall and rich fresh water springs. La Palma is also an island made up of high mountains that precipitate directly into the sea between steep cliffs. The southern part is drier, with a volcanic landscape.

El Hierro, the westernmost of the Canary Islands is a small island of 270 km². Beaten by incessant winds, El Hierro has landscapes of rocks, volcanic lava and exceptional seabed.

In the east of Tenerife, there is Gran Canaria, a densely populated island despite its predominantly mountainous terrain. Its capital is Las Palmas, a city of around 500,000 inhabitants with large ethnic minorities, mainly Moroccans but also Chinese and Indians. Its coast is generally high, with coves and inlets that host beautiful beaches. The most famous seaside resorts of Gran Canaria are Playa del Inglés and Maspalomas. In the further east, we can find Puerto de Mogán, another seaside resort with a more exclusive and even quieter character. Fuerteventura is in the east of Gran Canaria and it is the closest to the African coast and has desert landscapes. For the sun and strong winds, the island is the favorite for sailing sports and surf.

The island of Lanzarote, separated from Fuerteventura by a short stretch of sea where the small Isla de Lobos is located, has landscapes spotted by countless volcanic cones, interrupted by oases full of palm trees. The island has seabed, perfect for scuba diving and numerous seaside resorts. A short stretch of sea separates the north of Lanzarote from Isla Graciosa, another volcanic island with immaculate beaches and sheltered from mass tourism. In the further north, there are the tiny Isla de Montaña Clara and Isla de Alegranza, both uninhabited and part of a natural park closed to tourism.

The archipelago, due to its diversity among the islands, attracts many tourists every year which are particularly easy to travel thanks to the numerous sea and air connections. The islands in fact have numerous ports and seven airports, many of which are internationally connected as Tenerife Nord / Los Rodeos (TFN) and Tenerife Sud / Reina Sofia (TFS), Gran Canaria / Las Palmas (LPA), Fuerteventura / Puerto del Rosario (FUE), Lanzarote / Arrecife (ACE), La Palma (SPC), El Hierro (VDE) and La Gomera (GMZ).

To stay in the Canary Islands, it is possible to find accommodation not only in hotels but also in apartments and studios that are more popular than the hotels themselves and in a more comfortable form in guesthouses and campsites. The per capita GDP of the Canary Islands is connected to tourism, agriculture, construction and services.

The economy has grown rapidly in recent decades, the islands receive in fact around 12 million tourists a year, which move the real estate business and various service sectors. The two largest economic islands, Tenerife and Gran Canaria have large public centers that stimulate and diversify the economy, such as the two main universities, administration and ports. Ecologists are concerned that resources are being over-exploited and that the territory is increasingly occupied by intense building activity.

3.2 Tourism development and interventions in support of past crises

The first tourists arrived in the Canaries in the first half of the 19th century, when it became fashionable in Europe to visit places famous for their healthy climate and thermal waters. The real flow of tourists, however, was not recorded until the end of the century, due to trade with European countries, particularly England, but over the years the Canary Islands have suffered four historical "tourist stops". The first one arrived very early. In fact, when tourism was just beginning but the Canary Islands began already to position itself, at the beginning of the last century, as a tourist destination with a future. At that time, the islands were then better known in Europe than on the Spanish peninsula.

They had become an exotic place visited by writers, artists, naturalists, scientists and great political figures from Great Britain, Germany, France or Belgium.

But when nobody expected it, the First World War developed, on the continent, causing the Islands' first tourist crisis. In response to the decline in the number of tourists, all kinds of banking transactions were proposed: construction, leasing and purchase of hotels, sanatoriums, spas and land transport services, but, despite this, tourism went into decline mainly due to the deterioration of maritime communications.

After 1920 there was an upturn in tourism, especially in the two largest islands of Gran Canaria and Tenerife, until the start of a new crisis during the Second World War. Therefore, in the 1960s, elite tourism turned into mass tourism and the islands experienced a sudden increase in the number of foreign tourists. Between 1950 and 1960 the number rose from 15,000 to 69,000, increasing exponentially with 821,000 in 1970, until 1973 with the economic crisis generated by the fall in oil prices and the consequent arrest of the construction explosion and the paralysis of many projects.

Many areas of the archipelago remained with hotels and semi-built apartments, and many investors went bankrupt. The instruments of tourist attraction seemed to work, however, and the number of visitors returned to be very high (2,521,500, 5,486,776 and 9,975,977 in 1970, 1980, 1990 respectively), until 1991 when the Persian Gulf War had a strong impact on tourism in the Canaries, which was already suffering from a gap between supply and demand and the pressure of competing new tourist destinations.

The economic recession and the role of the banks led to the bankrupt of many investors. The banks, in fact, after having over the years guaranteed tourism projects beyond financial prudence, with loans at extremely high interest rates, began - after the outbreak of the economic crisis- to demand the collection of debts.

Therefore, an effective response was needed to restart the economy of tourism.

An effective solution for the recovery was offered in the 1990s by the RIC (Art. 27, Law 19/1994) which was created with the establishment of the REF Canario - Economic and Fiscal Regime. The RIC, Reserva Inversiones de Canarias was made available both to legal entities and to entrepreneurs and freelancers, which could profit from it to self-finance themselves, thanks to a mechanism that allows to reduce the tax base and create a fund (a reserve) that can then be reinvested, in order to strengthen, modernize, develop and expand their business or activities. The RIC, therefore, represents one of the first instruments designed to facilitate the economic and social development of the Canary Islands and is often directly and indirectly linked to job creation.

For this reason, the access to RIC, according to precise and disciplined procedures, brings several advantages, above all in strategic order, both in terms of startup, consolidation and development of the activities developed in the factories and production facilities as well as simple economic and professional activities (of any kind) physically located and operational in the Canary Islands. All companies and legal entities, subject to corporation, tax with headquarters in the Canary Islands and all natural persons (professionals and companies) always active and located in the Canaries) and can access and consequently use the RIC, calculated by direct estimation.

Applying the RIC, the tax base can be reduced by up to a maximum of 90%; the part set aside (Reserva) represents in fact the non-distributed benefits. The RIC may be set aside for a maximum of 3 years; after this period - unless the conditions and/or needs to use the RIC mature before the maximum expiration date programmable by the investor / entrepreneur or required by law - the RIC will have to materialize through one of these options: 1. fixed assets (according to the various formulas and possibilities provided by law depending on the type of activity carried out by the company or the professional); 2. job creation; 3. internationalization operations and finally 4. investments by purchasing bonds of the Government of the Canary Islands.

The essential condition for recourse to RIC is that the company, wherever it is domiciled, has a permanent establishment in the Canary Islands; i.e. all the installations, workplaces, in a continuous and usual form, carry out all or part of the activity, with the power to bargain, in the name and on behalf of the non-resident person. It should be noted that the essential condition for recourse to RIC is that the company, wherever it is domiciled, still has a permanent establishment in the Canary Islands, i.e. all the installations or places of work, and that, in the Islands, it carries out all or part of the activity in a continuous and usual manner, with the power to bargain, in the name and on behalf of the non-resident person.

Such tool determined an effective recovery; in 2001 the international travelers arrived in the Canaries Islands exceeded 10,000,000. The number settled in the following years, even though in alternating phases, for example due the crisis post 9/11 and SARS, around 9,500,000 arrivals each year. In 2008, when the great global economic crisis began, the number of tourists dropped to 8 million. But terrorist attacks in competing destinations in North Africa caused anyway a push of tourists towards the Canary Islands, reactivating the economy, bringing it out of its decline and leading it to record its highest arrivals.

It also should be noted then that with the reform of the Canary Islands REF, since 2015, the RIC has been modified and enhanced as it can be used, in addition to the purposes already illustrated, also for the economic coverage for the creation of new jobs and the establishment of branches and branch offices abroad as long as in the countries covered, mainly in those of West Africa as they are considered emerging markets of strategic importance. The RIC, due the advantages it offers, is subject to compliance with precise conditions that are well regulated according to the various economic sectors in which the company that intends to benefit from it; for this reason also the aspect of being able to benefit from RIC is a tax planning activity that must be studied in advance alongside a professional who knows the subject well.

That instrument is compatible with practically all the other benefits provided by the REF but these benefits in most the majority of cases are not cumulative with each other, in application of the agreements between Spain and European Union regarding the benefits that are classified as "State Aid". In addition to the government's instruments, the tourist hospitality of the Canary Islands has always shown an excellent resilience capacity managing, for example, a general tendency to reduce the duration of tourists' holidays in favor of several repetitions throughout the year. In fact, while in 1996 the average stay was around nine days, since 2003 it has been less than eight days. A new trend, attributable to the advent of more convenient air fares for customers, is what has developed after 2005, i.e. the long weekends of maximum three or four night of stay.

The response of the structures was therefore to create packages that best satisfy the demand.

To date, more than a third (35%) of guests spend their holidays on the island of Tenerife, followed, in order, by Gran Canaria (28%), Lanzarote (19%), Fuerteventura (14%), ending with La Palma, La Gomera and El Hierro (4%). The Canary Islands today count on a consistent and diversified hospitality system, hotels, apartments, bed and breakfast structures, residences, hostels and guest houses.

More than a third of the accommodation units are concentrated on the three islands of Gran Canaria (27.62%), La Palma (20.23%) and Tenerife (19.55%), followed in order by La Gomera, Lanzarote, Fuerteventura and El Hierro. Extra-hotel accommodation clearly prevails over hotel accommodation, although hotel accommodations are present mainly in Tenerife, both in terms of establishments (40.73%) and significantly in terms of beds (56.98%). The larger hotels are located in Lanzarote and Fuerteventura, which, together with Gran Canaria and Tenerife, also have a large number of extra-hotel structures.

Finally, it is interesting to note that the rate of structural tourism function is particularly high in Lanzarote and Fuerteventura, but La Gomera also exceeds the average Canary Islands value. The growth in tourist demand and supply has led to a new wealth, rising up a real tourism industry at the expense of other productive sectors such as agriculture or fishing. In fact, 19.03% of the population finds employment in industry, particularly in the construction sector, which has the highest number of employees (13.71%) due to the strong Canary Island commitment to construction, both in the construction of new tourist residences or for the local population, and in the maintenance and conservative restoration of existing buildings. Finally, services characterize the economy of the Islands absorbing 77.80% of the labor force.

The impact of tourism has generated economic benefits from the job opportunities, linked to mass tourism; however, the uncontrolled growth of the sector has not been accompanied by planning compatible with regulated development, leading to environmental deterioration, a considerable demographic concentration around tourist centers, high consumption of space and, also, specific diseconomies linked to the abandonment of traditional production sectors.

The reached touristic maturity of the islands testified by the constant number of arrivals as well as the hierarchy of tourist places, the strong connectivity of the places and the relevant humanization process have finally forced the local authorities to give answers pursuing a planning design that can guarantee the protection and recovery of the human and natural environment and promote a more balanced and durable and less invasive development models.

Useful opportunities have been created, in fact, to reduce the seasonality and new "offers" have been produced such as the creation of different and alternative tourist itineraries, allowing a greater contact with nature, away from the crowded coasts, moving part of the tourist demand, towards the interior of the islands, excursions, cultural visits, purchase of handicraft products, but also participation in local cultural and popular events.

3.3 Possible strategies

We have verified how the management of tourism in the Islands has always offered a valid response to situations of declining arrivals and reaching maturity in the life cycle of the destinations, through economic legislation that supported the sector and pursued new models for a more balanced development.

We can state that one of the characteristics of the tourist demand, as already demonstrated several times, is its resilience. As seen, tourism has experienced several crises since 2000. From September 11, to SARS, but above all to the crises caused by terrorist attacks. In all cases, the first impact has always been very hard. But after a while it started to pick up again.

Tourism, in fact, represents the sector that has historically been most affected by the major crises, however, it has always recovered, coming out strengthened and growing in the long run. New instruments should now be identified to react decisively to the situation created by the Covid-19 pandemic. At this time it is not appropriate to invest in the acquisition of new customers, due to latent demand, uncertainty and fear.

It is therefore necessary to work on the perception of the tourism product, proving to be involved and committed to find the most appropriate solutions to meet a demand that will be increasingly attentive to the logic of hygiene, sanitation, good cleaning practices and social distancing, but also to a new and more pronounced feeling of ecology and environmental sustainability. Several studies conducted in the repositioning of accommodation facilities during the SARS pandemic in the eastern countries, have shown that, following the health crisis, the facilities that managed to recover market share more quickly, were those that focused more on sanitizing and cleaning their environments.

In this context of health crisis, in fact, the individuals perceive these parameters of judgment of the accommodation facility in a different way, showing a greater risk consideration. In addition, it is necessary to make the best possible use of communication to make it clear to customers that the activity of the structure is continuing or has been restarted. The brand acquires a fundamental role in being recognized by the customers and in spreading a sense of attention and safety.

The objective of the communication of the tourist activity in this context is to make the brand perceived as:

- Participating in the collective moment
- Committed to building positive communication that reassures people.
- Active in providing support to its users on how to manage reservations, cancellations, vouchers, etc...
- Highlighting good practices put in place for securing personnel
- Giving visibility to the sanitation and cleaning procedures of the accommodation facility

An effective branding management can allow the tourist structures to be remembered by our users and potential customers.

Another tool could be the booking feasibility. To revive demand, in a time of uncertainty, it is useful to show greater feasibility in cancellation or date change policies. In this way the customer can feel reassured when booking; these policies must be clear in the promotion of the tourist offer, taking on the role of an effective marketing tool. It is therefore necessary to pay particular attention to the brand reputation, also planning a work of analysis and strategic planning in management, commercial and communication.

4. Conclusions – Tourism recovery

It will therefore be necessary to re-organize the tourist offer, according to the new sceneries. Resilience in tourism, on which European tourism sectors rely, is based on the fact that tourism is now a commodity and a need. The trend for Germany, France, the Netherlands and Great Britain is an increase in holidays at home (staycation). But for trips abroad, you will choose destinations from which it is possible and easy to return due to possible problems. Therefore, the choices will be short-range. It appears to be an intrinsic activity in social behavior. Post-crisis scenarios predict that the situation will recover, but it is never conceivable that demand will behave as before.

The sector and tour operators will have to deal with a marked demand, especially in the economic and security aspects.

The main characteristics of the demand will most likely be as follows:

- Desire to go on holiday, after a period of deep restrictions and limitations.
- Reduced spending capacity and willingness to spend.
- Demand for low prices and reduction of the average stay and duration of the holiday. Tourists will prefer to take several holidays to escape from everyday life. Therefore a strong demand for 3 or 4 days holiday is expected, while the summer holiday will go from 7 to 9 days.

The best strategy is brand protection. That is to maintain market share and a level of activity that prevents the market from forgetting the existence of the destination or brand of the operator. The concept is to gradually resume the relationship with customers (acquired but also potential). However, it is essential to be cautious in the management and style of communication. It is preferable to slow down the intensity of promotion and communication and refine strategies.

More than ever, it is necessary to communicate with authentic, human, not institutional messages. It is fundamental that potential tourists perceive the warmth and personalization of the destination/operator.

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