



# The Role of Smart Specialization in Tourism Recovery

SMARTER 2020 Conference: 1st Webinar - Place-based responses to  
the COVID-19 economic crisis | 17 September 2020

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# Structure

## CONTEXT

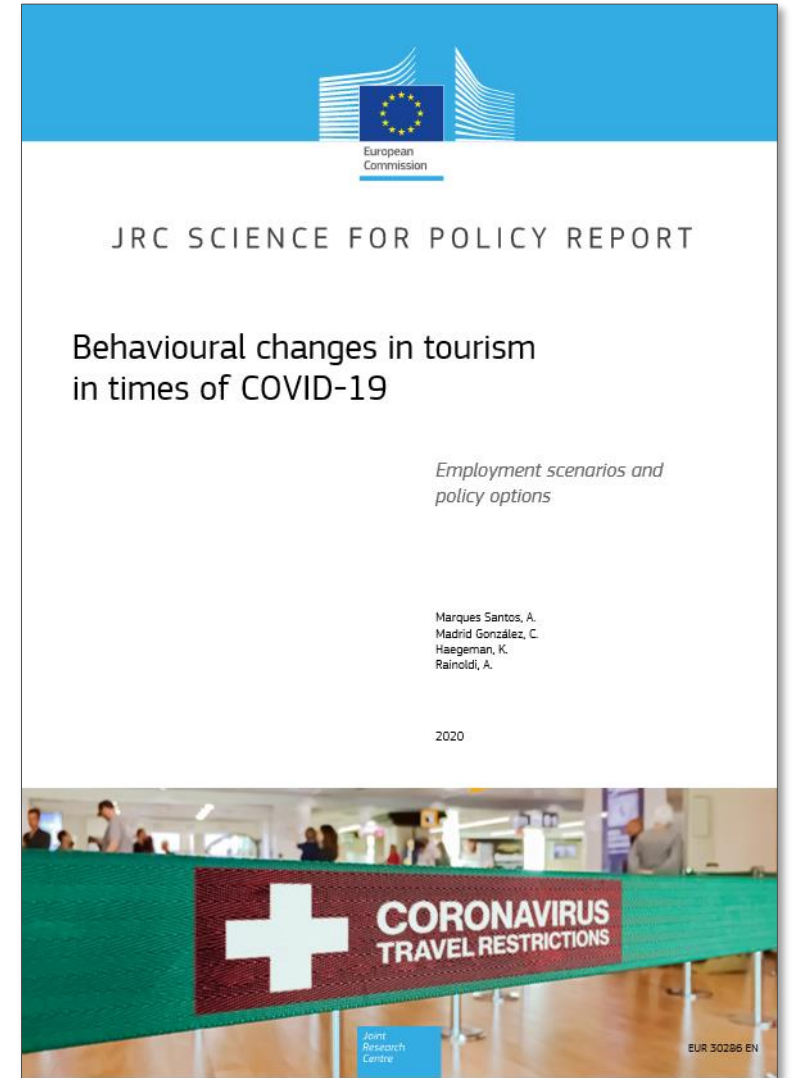
### JRC Science for Policy Report

- How COVID-19 is affecting tourism demand?
- COVID-19 and changes in consumer behaviour
- COVID-19 effect in tourist arrivals and job at risk EU27: Three potential scenarios for EU27 in 2020
- Intensity of jobs at risk in tourism related-activities
- Possible long-term effect on tourism demand

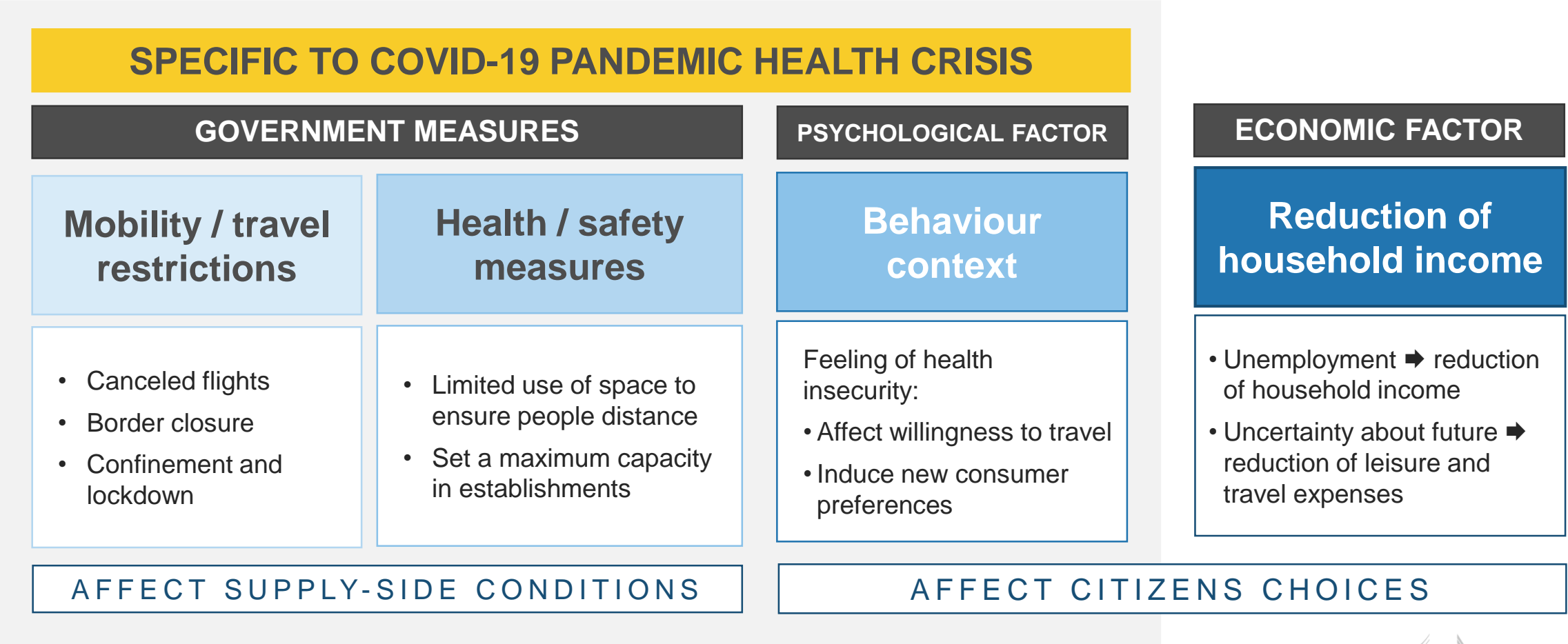
## REFLECTIONS

### Recovery and Smart Specialization

- How can we react?
- European Green Deal: policy areas and objectives
- Managing Industrial Transitions
- Smart Specialization for recovery and transitions
- Tourism as S3 Innovation Priority
- Moving from S3 to S4 ... or S4.0



# How COVID-19 is affecting tourism demand?



Source: Marques Santos et al. (2020:27).

# COVID-19 and changes in consumer behaviour (\*)

- The COVID-19 health crisis will affect tourism consumption patterns
- Changes will be in the willingness to travel and destination preferences
- There is still a will to travel after the European Spring lockdown but not for all
- Destination attributes:
  - Preference for **national destinations**
  - Low tourist overcrowding
  - **Nature and outdoors activities**
- Households budget: likely to be lower for holidays purpose, however, **price is not the main criterion in selecting a holiday destination**

(\*) Based on the results of surveys conducted in the last months (April and May 2020): DNA (2020), HES-SO (2020), EY (2020), VVF(2020), SumWhere (2020), Interface France (2020) and Gursoy *et al.* (2020).

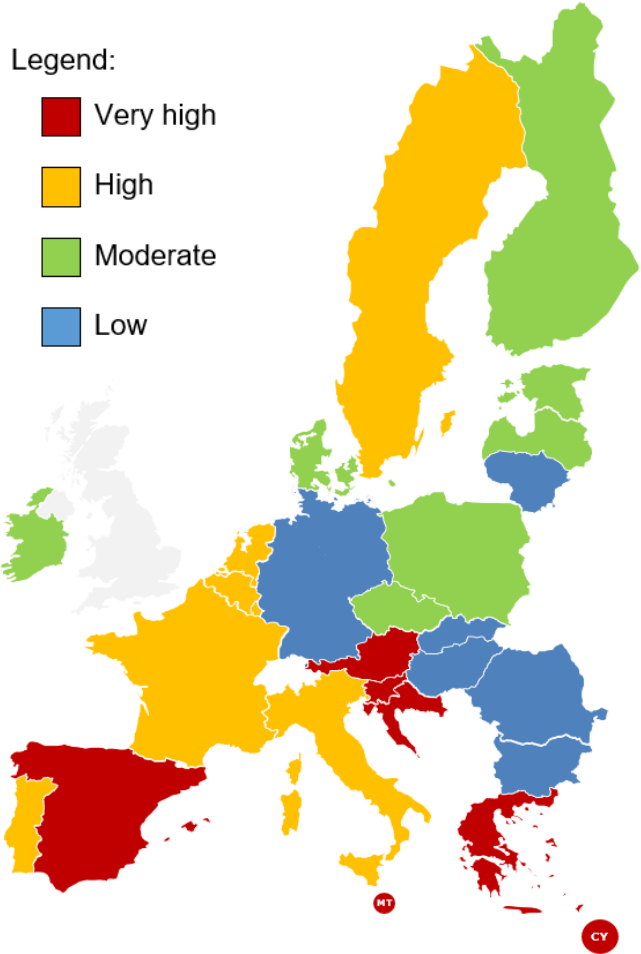
# COVID-19 effect in tourist arrivals and job at risk EU27: Three potential scenarios for EU27 in 2020

	Confidence to travel scenario	Fear to travel scenario	Second wave scenario
Key features	<p><b>“Extended long hot summer”</b></p> <ul style="list-style-type: none"> <li>- Open borders in &amp; outside EU</li> <li>- Rising trust to travel</li> <li>- Moderate change in destination preferences</li> <li>- Isolated new Covid-19 cases</li> <li>- Most companies survived</li> </ul>	<p><b>“Escape to wherever”</b></p> <ul style="list-style-type: none"> <li>- Semi-controlled outbreaks</li> <li>- Most borders still open</li> <li>- Travel confidence drops</li> <li>- Domestic travel is preferred</li> <li>- More companies out of business, lowering supply</li> </ul>	<p><b>“Islands of tourism”</b></p> <ul style="list-style-type: none"> <li>- Few outbreaks spread further</li> <li>- Most borders closed</li> <li>- Travel confidence very low</li> <li>- Limited domestic travel</li> <li>- Many business out, lowering supply and employment</li> </ul>
Change in tourist arrivals (2019/2020)	-38%	-52%	-68%
Jobs at risk (2020)	6,6 Million	8,9 Million	11,7 Million
% Active pop	3.2%	4.3%	5.6%

\*Jobs at risk is not the same as lost jobs. Jobs at risk could be jobs at risk of reduction in working hours (and consequent reduction of compensations) or permanent jobs losses. Furthermore, it can also represent a loss of opportunity for temporary/seasonal workers, who are unemployed or who supplement annual income with summer jobs.

Source: Marques Santos et al. (2020)

# Intensity of jobs at risk in tourism related-activities EU27



- Strong **heterogeneous** effect across and within countries
- Factors affecting the intensity of jobs at risk:
  - › Contribution of the tourism sector to national employment
  - › Dependence on international tourists
  - › Share of temporary employees

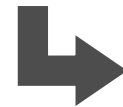
Figure 1. Intensity of jobs at risk on tourism sector index, EU27  
 Note: The index refers to average national dimensions and within each country there are also regional differences. Source: Marques Santos et al. (2020:27).

# Possible long-term effect on tourism demand (1/2)



## Acceleration of **digitalization** in business model

- › Intensification of remote digital working tools [1; 2]
- › Rethinking the need for travel or physical meetings [1]
- › Cut marketing/promotional expenses [2]



- › **Potential negative effect on traditional business tourism**

Source: [1] Azurite Consulting (2020) and [2] Deloitte (2020).

# Possible long-term effect on tourism demand (2/2)



## Acceleration of **green transitions** and sustainable tourism concept

- › Consumers more aware about the effect of climate change on human health [1]
- › More eco-friendly solutions from both supply and demand sides (already in growth trends in the last decades) in line with SDGs objectives
- › Potential winners: nature-based and rural destinations (→ market opportunity)
- › Potential losers: urban/overcrowding destinations (→ challenges / need to rethink the concept)

Source: [1] Global Data (2020).

Note: SDGs = Sustainable Development Goals. For more information see: <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>



# How can we react?

- **Need to make EU more resilient:**
  - Climate change and emerging infectious diseases are strongly associated [1]
  - COVID-19 is the third recognized disease transmitted from animals to humans in only two decades (MERS - 2012; SARS – 2003) [2]
- **Role of innovation in recovery / resilience**
  - Investing in innovation during a crisis can foster the recovery process [3] and help firms to survive [4]
  - Importance to identify innovation priorities for the regions/companies
- **Alignment of recovery and megatrends**
  - The need to become climate neutral
  - To ensure a green and inclusive transition (supported by the European Green Deal)

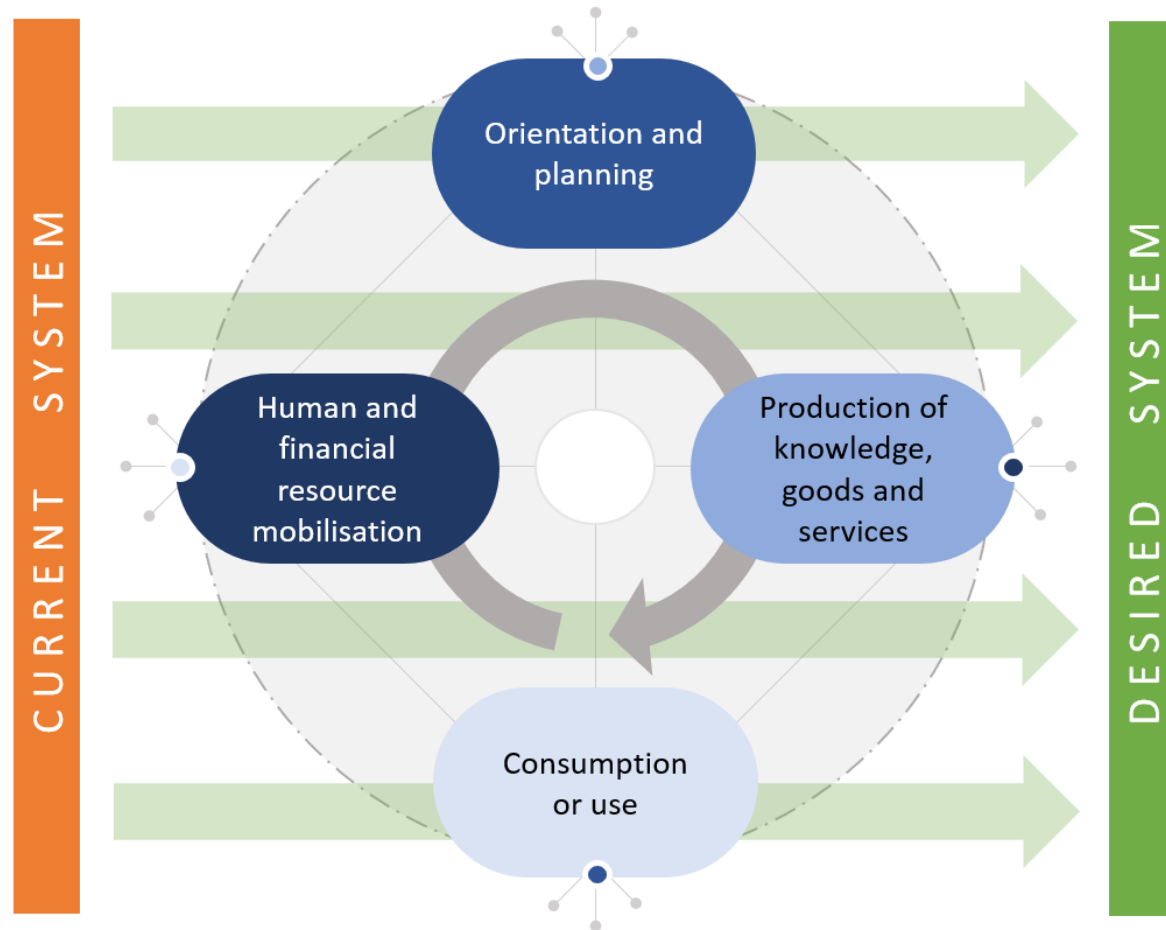
Source: [1] Epstein (2001) ; [2] Gorbalenya et al. (2020); [3] Amore (2015); [4] Cefis and Marsili (2005).

# European Green Deal: policy areas and objectives

POLICY AREAS	DESCRIPTION
ENERGY	<ul style="list-style-type: none"> <li>› Decarbonisation (without fossil fuels i.e. coal, petroleum and natural gas) of the energy sector</li> <li>› Cleaner sources energy (renewable energies)</li> </ul>
INDUSTRY	<ul style="list-style-type: none"> <li>› Support industry to become leaders in the green economy with a greater focus on a clean and circular economy</li> </ul>
MOBILITY	<ul style="list-style-type: none"> <li>› Develop and invest in cleaner, cheaper and healthier forms of public and private transport</li> </ul>
BUILDINGS	<ul style="list-style-type: none"> <li>› Buildings and renovating should be more resource and energy-efficient</li> </ul>
NATURAL RESOURCES	<ul style="list-style-type: none"> <li>› Implementing measures to protect the ecosystem/biodiversity</li> <li>› Ensuring more sustainable food systems</li> </ul>

**IMPLEMENTING  
MEASURES TO  
REDUCE  
POLLUTION  
(AIR, WATER  
AND SOIL)  
RAPIDLY AND  
EFFICIENTLY**

# Managing Industrial Transitions



- Transition is long a term process
- Successful transitions imply individually effective and collectively synergetic functions of industrial systems (orientation, mobilisation, production, consumption)
- **Transition implies more than investment** (e.g. digitalisation or green assets): **a supportive eco-system is also needed**, nurtured by informed policy

Figure 2. System functions in transition management  
Source: Adapted from Pontikakis et al. (2020).

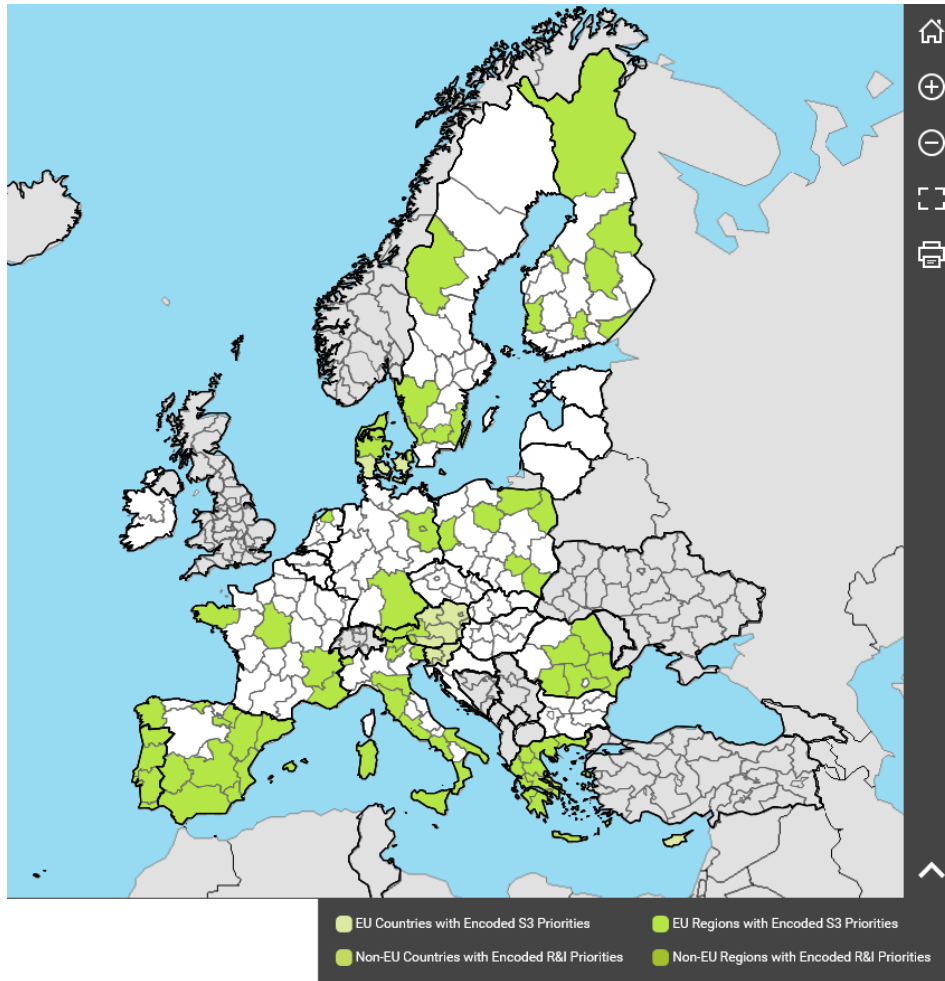
# Smart Specialization for recovery and transitions



## Stakeholders involvement (Entrepreneurial Discovery Process - EDP)

- › Exploring **new opportunities**
- › Identifying **new challenges** and **market failures**
- › Refining or extending innovation priorities
- › Sharing experiences and best practices
- › Drawing on the territorial and cultural diversity

# Tourism as S3 Innovation Priority



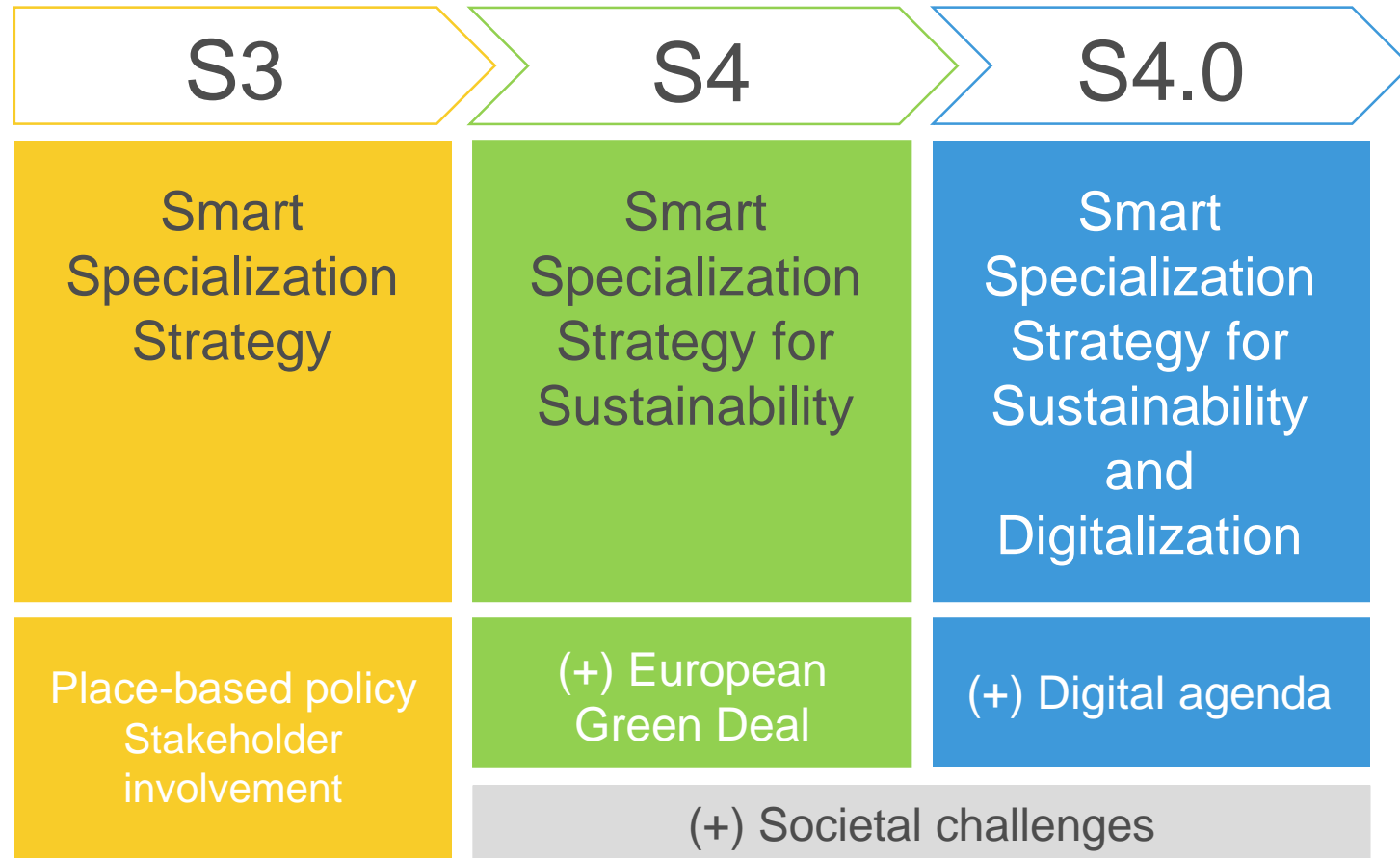
- 97 EU regions selected “tourism-related activities” as an innovation priority (2014-2020)
- Some regions selected ‘tourism’ as innovation priority for **diversification** purpose and others for **reducing vulnerability** or maintaining market share

Tourism intensity rank	Tourism as S3 innovation priority (number of regions)	
Very High	31	32%
High	29	30%
Medium	17	18%
Low	20	21%

Source: Own estimation based on EUROSTAT data

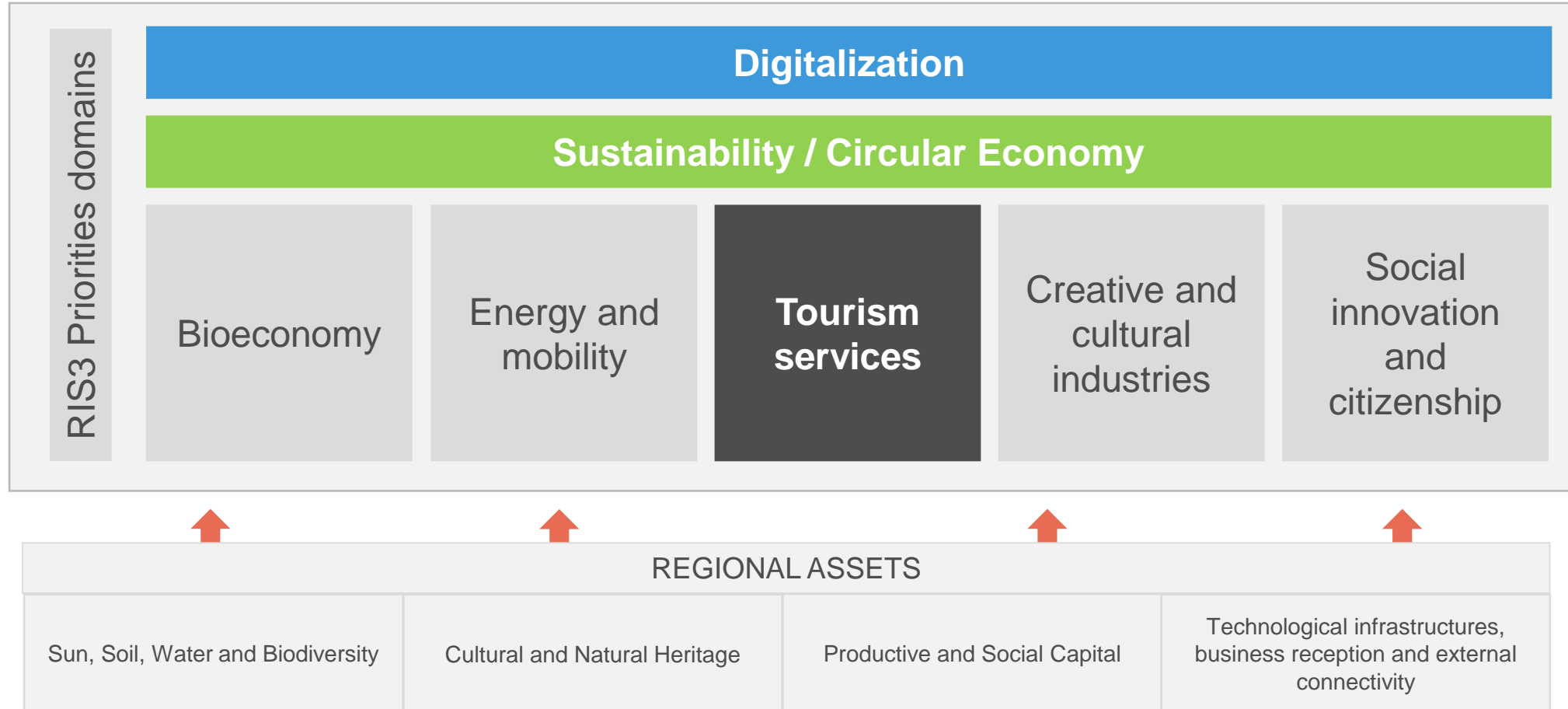
Note: Tourism intensity refers to the ratio between the number of arrivals at tourist accommodation establishments and the resident population in a region. Classification based on 3-years average (2011-2013)

# Moving from S3 to S4 ... or S4.0



- Showing a new directionality for S3 (Neto et al. 2018; Larosse et al. 2020; McCann and Soete, 2020)
- Including **green** and **digital** dimensions in S3 concept

# Moving from S3 to S4: Example of Alentejo (PT)



Source: CCDR-Alentejo (2020).

# Conclusion

- **COVID-19 outbreak is strongly affecting the tourism sector**
  - Drop tourist arrivals = 21% (EU27; 1<sup>st</sup> Semester 2020) [1]
  - Depending on scenarios annual fall = 38% - 68% [2]
- **Affecting consumer patterns and preferences**
  - Accelerating digital and green transitions
  - Opportunity for rural / nature-based destinations + re-thinking the current tourism model
- **Role of Smart Specialization Strategy (S3 ➔ S4)**
  - Strong heterogeneous impact ➔ Solution is likely to be local
  - Reshape of S3 to help to reduce regional tourism vulnerability
  - S4 is one of the support governance tool



# Thank you

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Please ask questions in the chat



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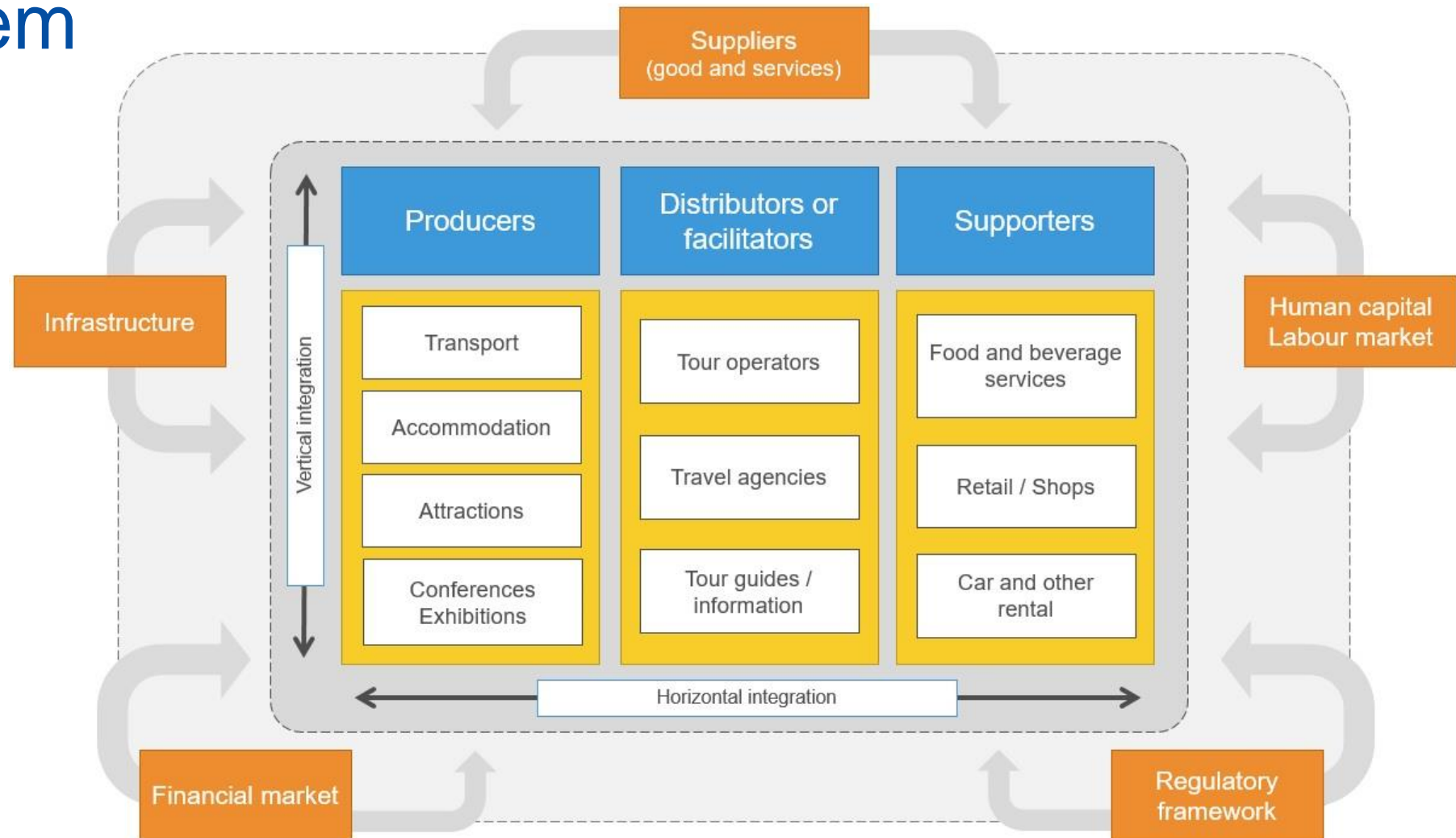
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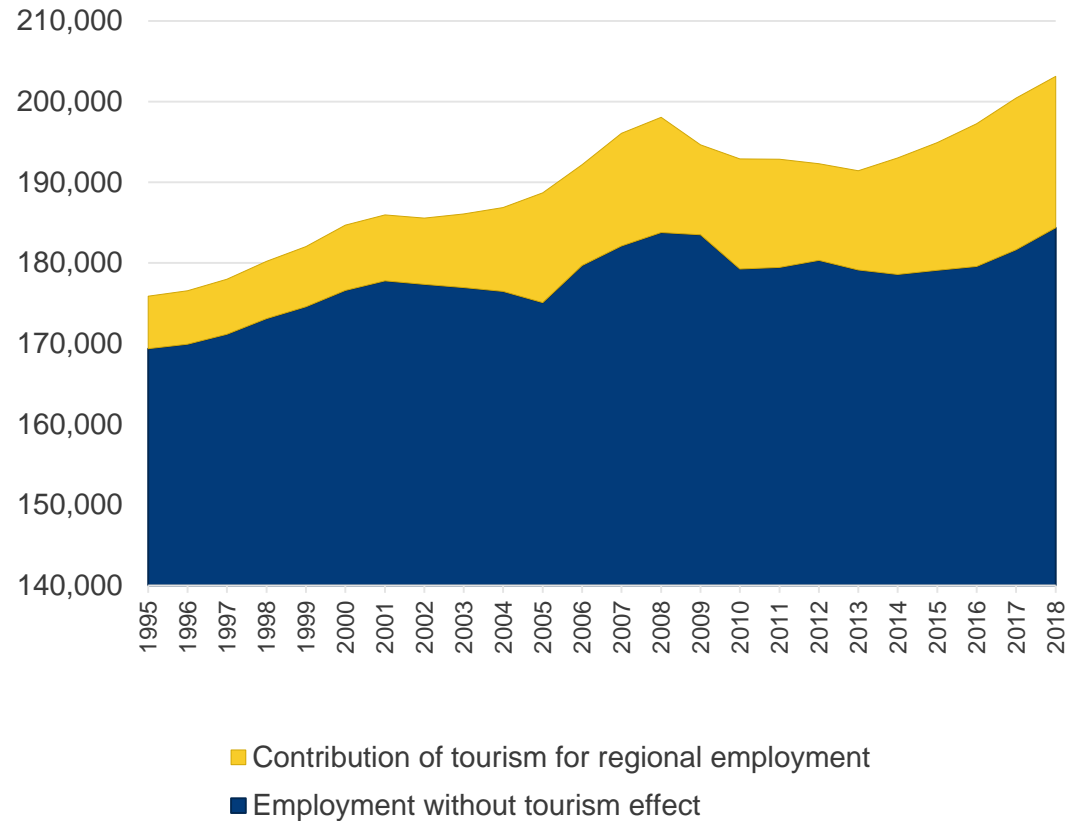
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# APPENDIX

# Tourism sector eco-system

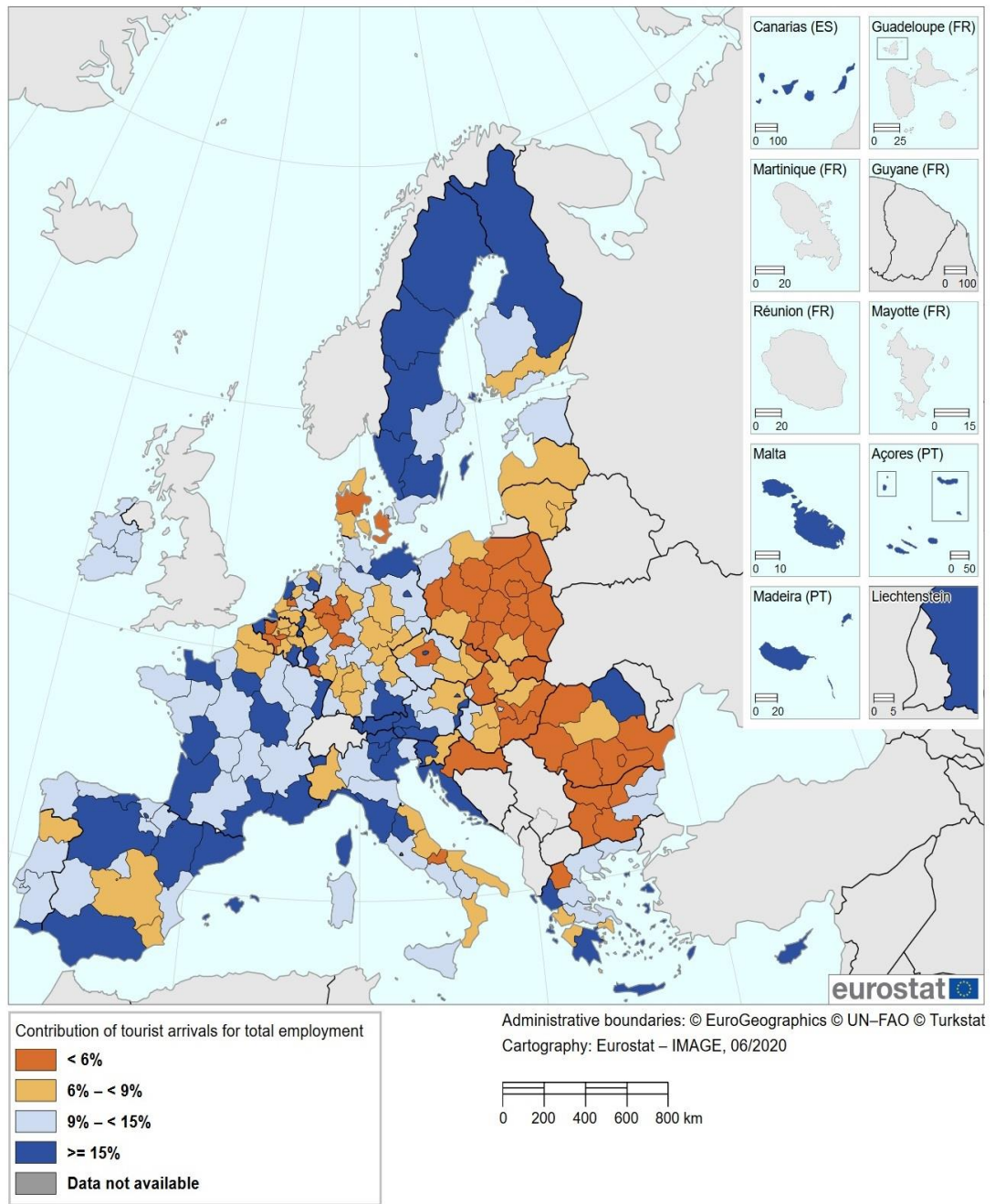


# Contribution of tourism flow for EU27 employment



- **1,000 tourist arrivals ➔ 20 jobs**
- **Total contribution (2018):**  
Effect of tourist arrivals at accommodations establishments generated along the value chain
  - 19 millions of employment
  - 10% of total employment
- **Effect of economic crisis:**  
(Tourism-Employment relationship)
  - Creation of 3 fewer jobs
  - Decrease of 15%

Source: Marques Santos et al. (2020)



# Contribution of the tourism sector to regional employment (% total employment)

Source: Marques Santos et al. (2020)  
 Note: Figure refers to the net overall effect of tourist arrivals at accommodation establishments along the value chain (direct, indirect, induced and catalytic effects in related activities)

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